



# WOORI INVESTMENT & SECURITIES

## 2012 INTEGRATED REPORT

About This Integrated Report

This report is the second Sustainable Management Report and the first Integrated Report published by Woori Investment and Securities.

**Guideline |** This report was written in accordance with the Consultation Draft of the International Framework <IR> by the International Integrated Reporting Council (IIRC) as its guideline. This report also adheres to the GRI G3.1, the sustainability report guideline established by the Global Reporting Initiatives (GRI) and also the Financial Services Sector Supplement. See p.151 for report index.

**Stakeholder Participation |** This document reports the major management activities and performance for the sustainable development of Woori I&S. In order to reflect the interests of our stakeholders, an international stakeholder engagement standard, AA1000SES, has been commissioned.

**Verification |** This report has undergone a third-party verification process by an independent expert institution for reliability. See p.65, p.157 for the third-party verification statement.

**Scope |** The financial performance reported in this document is based on activities from April 1 of 2012 to March 31 of 2013 following the fiscal year. However, for non-financial performance, this report follows the internal management standards and activities from January 1 to December 31, 2012. This report includes activities from the 108 domestic branches including the headquarters, as well as ten overseas subsidiaries and representative offices. However, due to difficulties in measurement, the reporting scope of environment-related data has been limited to domestic branches. Publishing dates for previous reports are November, 2011 (Sustainable Management Report) and June, 2012 (Annual Report). In the future, Integrated Reports will be published on an annual bases.

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Woori I&S  
grows with our client  
by delivering  
the best financial value

## CEO MESSAGE

Warm greetings to all our stakeholders.

“I would like to express my deepest gratitude as Woori I&S releases the first integrated report, which is also the first in its industry. I am honored to inform you of our overall performance toward sustainable growth in 2012. I firmly believe that, by releasing integrated reports continuously, we will be able to share both corporate performance and effort to create future value with our valued stakeholders.”

2012 was a difficult year for the domestic financial industry due to the global financial turmoil. The European crisis overhauls, and despite the quantitative ease by many countries, the sluggish economic recovery is imminent. Furthermore, as other domestic industries globalized, it was inevitable to avoid the surge of global environment.

The uncertainty in the financial market, combined with tumbling housing market and shrinkage of institutional investment, led the economic downturn, household-debt climb and limited export growth.

In order to proactively respond to the macroeconomic shift in the financial industry, Woori I&S consistently pursued on extensive internal innovation and business model transformation. As a result, we have achieved operating profit of KRW 109.3 billion and net profit of KRW 88.1 billion in 2012 despite the challenging economic condition. Such outstanding performance was accomplished together by our employees who strived to have courage to stand upon challenges and to aim for shared goals.

In the Wealth Management (WM) business, we devoted ourselves to the development of diverse products to attract investors seeking high-yield in a low-interest rate regime.

Notably, we established the 'Future Product Development (FPD) Department', the department specialized in product development with higher return, and visible results were attained in our retirement products.

In Investment Banking (IB), we secured our top-ranking position as the market leader in the traditional IB market including debt underwriting, rights offering and M&A. And thus, we contributed to the development of domestic capital market by providing solutions encompassing strategic needs of institutional clients.

In Trading, we stood as the market leader generating absolute return based on our competitive expertise and diverse track record. Woori I&S has been building an exclusive territory in FICC derivatives and equity derivatives, and, in particular, we were able to equip ourselves with a competitive edge in the global market by establishing the Global Trading Center (GTC) in Hong Kong.

Woori I&S strives to overcome stagnating financial market condition through new opportunities from diverse global businesses including GTC in Hong Kong. In order to seek diversification of revenue structure, we initiated business with various sovereign wealth funds, including Middle East (ADIA) and Singapore (GIC). Also, we have set up a global equity trading desk in New York. In addition, we have participated as a seeder to global hedge funds to build our new business model.

Woori I&S seeks to become the company where dreams are achieved. In 2013, we will continue to put our best effort into the accomplishment of our own dreams, all our stakeholders' dreams, and the dreams of the society at large.

Woori I&S perceives fruits of financial accomplishment as an opportunity to share and grow along with society. Through the development of financial products and services, we actively take the initiative to disentangle societal issues, such as the aging population, and the needs of tailor-made financial products and services. In addition, we actively participate in Social Responsibility Investment (SRI) through numerous CSR activities to support the underprivileged and children. 101 volunteer teams seeking for a better tomorrow, and the Woori Angel Fund, which is a charity fund financed by the company employees, are renowned examples.

We project sluggish economic condition of 2012 to prevail in 2013 despite numerous measures from various countries; however, we expect to see continuous inflow of global investments to Asian market as it is relatively stable, and its gradual recovery of the economy is forecasted with the continual expansion of global liquidity. As such, we plan to pursue a two-track strategy: focus on star businesses to generate future profit, fortify cash cow business to maximize profitability.

Primarily, we will strengthen our core competencies in brokerage business, boost the market share in the underwriting market, and improve IB profitability through structured deals. Also, we will increase profitability by actualizing economies of scale through the expansion of our clientèle.

Secondly, we will explore and develop potential growth engine in response to the low-return and lackluster market condition. We plan to develop products and solutions that will preempt the market for aging preparedness and retirement, and provide various types of wealth managing trust products. Moreover, we will expand the scope of our operation through the strengthening of our global competency.

Thirdly, we will build the foundation for a stable growth by implementing systematic contingency plans with strengthened risk management. Moreover, we will improve our core-competency fundamentally, pursue an operational efficiency, and establish vibrant corporate culture toward our employees through internal innovations. We will motivate employees through enhanced performance-rewarding system and actively participate in the OneDo innovation with Woori Financial Group to establish the framework for the sustainable development of Woori I&S.

Lastly, we will faithfully fulfill our fiduciary duty as a corporate citizen. We acknowledge that the success of our clients is our own success, and society's sustainable growth makes ground of the corporate sustainable development. As a financial investment company, we will create social values and implement various value-sharing activities with clients which will foster greater value in return.

Woori I&S seeks to become the company where dreams are achieved. In 2013, we will continue to put our best effort into the accomplishment of our own dreams, all our stakeholders' dreams, and the dreams of the society at large.

We sincerely thank you for your unwavering support and trust.



Sung-Ho Hwang

President & CEO  
Woori Investment and Securities

# CORPORATE GOVERNANCE

## Structure of the Board of Directors

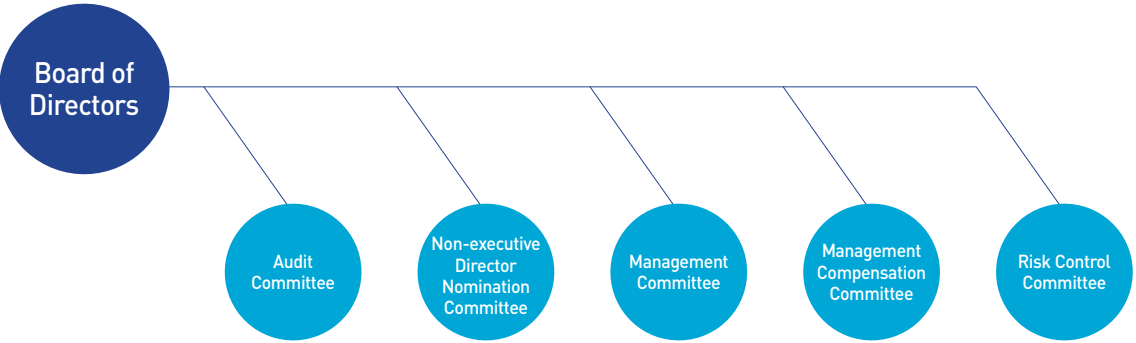
The Board of Directors(BOD) is the top decision-making body that deliberates and decides on matters determined by law or the articles of corporation, designated in the general shareholders’ meeting, basic management policies, and critical operational issues. The BOD is comprised of five Outside Directors, two Inside Directors, and one Non-Managing Director. Woori I&S separates the Chairperson and the CEO for greater transparency. The Chairperson position is filled by an executive from Woori Financial Holdings to create a synergy between the affiliates of Woori Financial Group. (Due to the transfer of executives within Woori Financial Group, the Vice President of Woori Bank, Hyun-Jin Jung, who served as the Chairman in FY2012, left the board as of April 1, 2013. In accordance with the articles of corporation, CEO Sung-Ho Hwang is acting Chairperson of the board. A new Chairperson will be appointed at the general shareholders’ meeting in June 2013.) To ensure the independence and fairness of the board, Woori I&S has the Outside Director Candidate Recommendation Committee that recommends qualified candidates with expertise or ample experience in relevant fields such as finances, economics, management, law, or accounting. The candidates are then approved at the general shareholders’ meeting. Currently, all five Outside Directors are maintaining independence from the controlling shareholders and the management of Woori I&S.

Sr. Outside Director	Outside Director	Outside Director	Outside Director
Dong-Hyuck Shin	Byung-Rak Han	Taek-Soo Han	In-Hak Chung
President of Hanmi Bank, President of Korea Federation of banks, Current outside Director of Kumho Tire	Executive Vice President of Chohung Bank, President of Solomon Savings Bank, Current Advisor to Hanbaek Shipping	Treasurer of Ministry of Finance and Economy, Outside Director of Hyundai Shipping, Current Chairman of Korea Center for International Finance	Editorialist of Seoul Shinmun, Sr. Auditor of Korea Hydro & Nuclear Power, Current Policy Promotion Advisor to KEMCO
Outside Director	Inside Director	Inside Director	Non-Managing Director/ Chairman
Sung-Kyun Lim	Sung-Ho Hwang	Sun-Jai Lee	Hyun-Jin Jung
Chief of Individual Taxation at National Tax Service, Director of Gwangju Regional Tax Service, Current President of Dasol Tax	CEO of CJ Investment Trust & Securities Co. President of PCA Investments, Current CEO of Woori I&S	CEO of I Venture Investment, Vice President of Korea Securities Finance Corp., Current Auditor at Woori I&S	Vice President of Woori Bank, CFO of SPP Group, Current CFO of Woori Financial Group

## Operation of the Board of Directors

Board meetings are divided into regular meetings and extraordinary meetings. Regular meetings are held four times a year by principle, and extraordinary meetings are held as needed. The basis for the establishment and resolutions of the board requires a majority attendance rate and majority vote of attending board members. Voting rights cannot be transferred, and those with conflicts of interest on an agenda item can not cast a vote. In order to prevent conflicts of interest, our internal Compliance Department reviews agenda items before the meeting. During the reporting period of this document (April 2012 – March 2013), there have been four regular meetings and twelve extraordinary meetings, as well as thirty-seven sub committee meetings.

## Overview of Committees under Board of Directors



### Audit Committee

The purpose of this committee is to generate transparency of management and develop a firm governance structure through strengthening audit procedures. Committee members are appointed at the general shareholders’ meeting and are comprised of three or more Directors, of which at least 2/3 are Outside Directors.  
Members: **Dong-Hyuck Shin, In-Hak Jung, Sung-Kyun Lim, Sun-Jai Lee**

### Non-executive Director Nomination Committee

This committee recommends Outside Director candidates at the general shareholders’ meeting and consists of two or more members, with the majority of this committee being Outside Directors.  
Members: **Sung-Ho Hwang, Dong-Hyuck Shin, Byung-Rak Han, Taek-Soo Han**

### Management Committee

This committee handles management-related matters delegated by the Board of Directors. The Management Committee is comprised of two or more Directors.  
Members: **Sung-Ho Hwang, Hyun-Jin Jung**

### Management Compensation Committee

This committee works to systematize the link between the company’s performance reward system and the financial performance and risk. Thus, it determines and assesses management objectives, and decides upon matters regarding the company’s reward system. The committee is made up of three or more Directors, one of which is, by regulation, a member of the Risk Management Committee  
Members: **In-Hak Jung, Dong-Hyuck Shin, Hyun-Jin Jung**

### Risk Control Committee

This committee comprehensively manages the entire company’s management risk. The Risk Management Council answers to the Risk Management Committee, which is made up of three or more Directors, at least one of which is an Outside Director. Due to the demand of responsibility and decision making, the Directors with expertise in risk management are preferred.  
Members: **Sung-Ho Hwang, Byung-Rak Han, Taek-Soo Han, In-Hak Jung, Sung-Kyun Lim**

## Evaluation and Rewarding of Outside Directors

Woori I&S performs annual evaluations of Outside Directors in accordance with KOFIA’s Outside Director Standards and board regulations, while publishing the results to the public. This evaluation reviews each Director’s participation, expertise, and general performance through self-evaluation, peer evaluation, and employee evaluation. In terms of remuneration, limits are set and approved at the annual general shareholders’ meeting, and the Board of Directors rewards Outside Directors based on performance and limits set by the articles of incorporation.

# CORPORATE PROFILE

## Company Overview

(As of March 31, 2013)

Name	Woori Investment & Securities Co., Ltd.
Location	23-4 Yeouido-dong, Yeongdeungpo-gu, Seoul
Website	http://www.wooriwm.com
President & CEO	Sung-Ho Hwang
Date Est.	January 16, 1969
Employees	3,053
Network	108 domestic branches, 8 overseas subsidiaries, 2 overseas offices
Assets	KRW 27.2 trillion
Liabilities	KRW 23.7 trillion
Shareholders' Equity	KRW 3.5 trillion
Net Profit	KRW 88.1 billion

## Vision and Strategy

### Vision

“To Become The Best Overall Investment Financial Company”

### Goal

A Company That Fulfills Dreams

[The company and its empoloyees helping each other realize the vision and their dream]

Employees' dream

- To become the industry's best expert; the company vision
- To become the best overall investment financial company

### Core Values



## Global Network Overview

- SUBSIDIARY
- OVERSEAS OFFICE



## Woori I&S "Asia's Future Top Investment Bank"

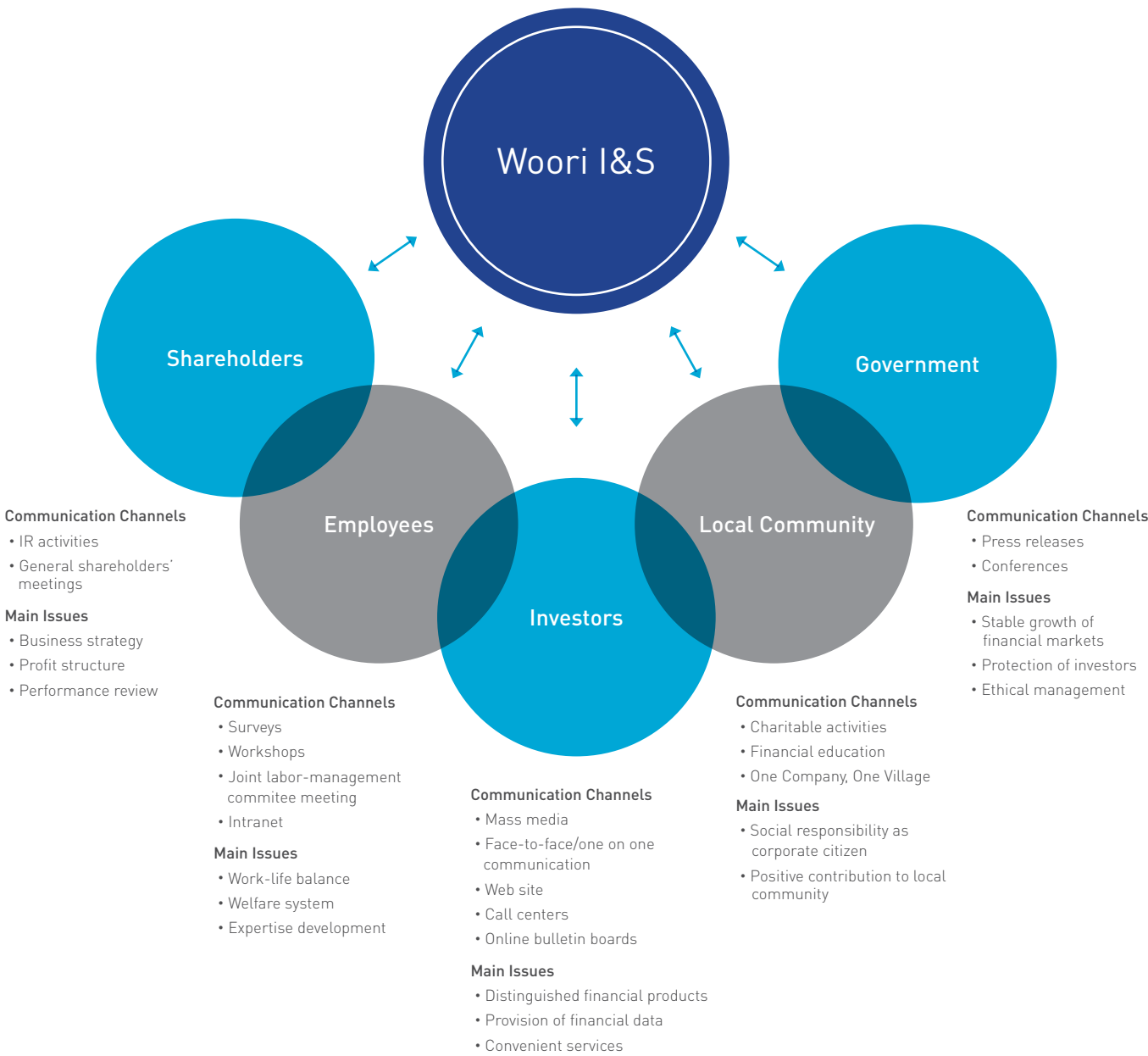
As a member of Woori Financial Group, Woori I&S has been playing a pivotal role in the growth and development of Korea's capital market for the past 40 years, as a leading financial investment company. Born through the merger between LG I&S and Woori Securities in 2005, Woori I&S is strengthening its qualitative foundation as a distinguished financial investment company standing on the top-tier of competitiveness in each business sector. Even though many financial services companies are suffering from the stagnation of the global financial market, we are achieving a stable growth through advanced risk management techniques and the investment banking model centered on Investment Banking (IB), Trading and Wealth Management (WM). As a result, as of March 2013, we have secured 641,190 clients, KRW 83.8 trillion in retail client assets, KRW 109.3 billion in operating profit, and KRW 88.1 billion in net profit thus far during this term. With accumulated profit and competency, everyone at Woori I&S will come together to push forward toward the goal of being the 'No. 1 financial Investment Company that provides best total financial solutions and the highest value to its clients.



# STAKEHOLDER ENGAGEMENT

## Stakeholder Participation

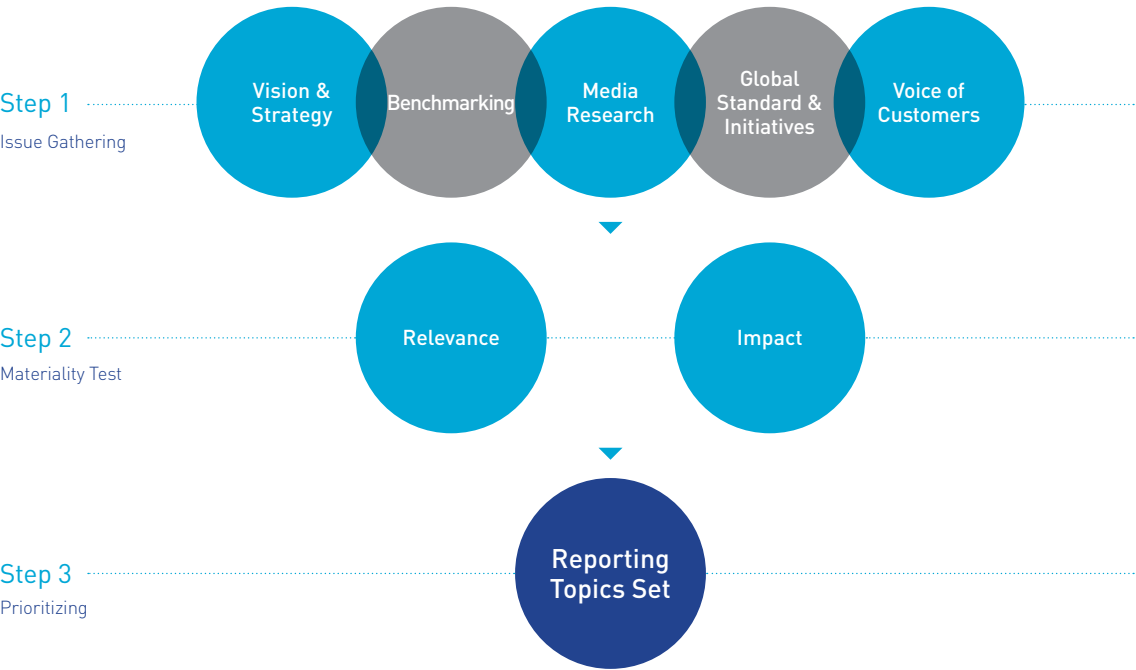
We at Woori I&S strive to communicate with our stakeholders and reflect their views on our management. With key stakeholders identified as investors, shareholders, employees, local community and government, we communicate with each stakeholder through various channels. We will continue to increase the number and broaden the scope of opportunities for stakeholders to participate toward sustainable development.



# MATERIALITY ANALYSIS

## Materiality Analysis Framework

For the key areas to be reported, Woori I&S complies with the convention on the scope and composition of the report as recommended by GRI and the IIRC. To this end, we deduced main material topics by analyzing the in-house vision & strategy, benchmarking, global standards, media, and the Voice of Customers (VoC). We then made our final selection through the Materiality Test and considers the relevance to our operations and the sustainability, as well as the impact it will have on Woori I&S and our stakeholders.



### Relevance of Vision & Strategy

Our vision and strategy are built in consideration of our relationship with various stakeholders in the value chain, not just our employees. We have analyzed internal issues based on vision & core values, strategy, and the CEO Message.

**Analyzed: 2013 Business Plans, 2013 Strategic Direction, website, company newsletter**

### Relevance to Global Initiatives

Woori I&S is declaring, in Korea and abroad, its support for the 10 principles laid out in UNGC. In addition, in selecting the topics, we have adhered to widely-recognized global initiatives and standards such as ISO26000, a social responsibility standard, and DJSI, sustainable management benchmark.

**Analyzed: UNGC, ISO 26000, DJSI, GRI G3.1**

### Industry Issues

Changes in the global market are directly impacting Woori I&S due to globalization of financial services. As such, we have analyzed the issues faced by financial companies in Korea and abroad, and assessed their relevance.

**Analyzed: 3 major overseas companies and 2 major Korean companies**

### Keywords in Media

We investigated topics detrimental in the media in 2012. We have analyzed major issues through 379 articles related to the sustainable management of Woori I&S.

**Analyzed: 12 daily newspapers in Korea**

### Voice of Customers

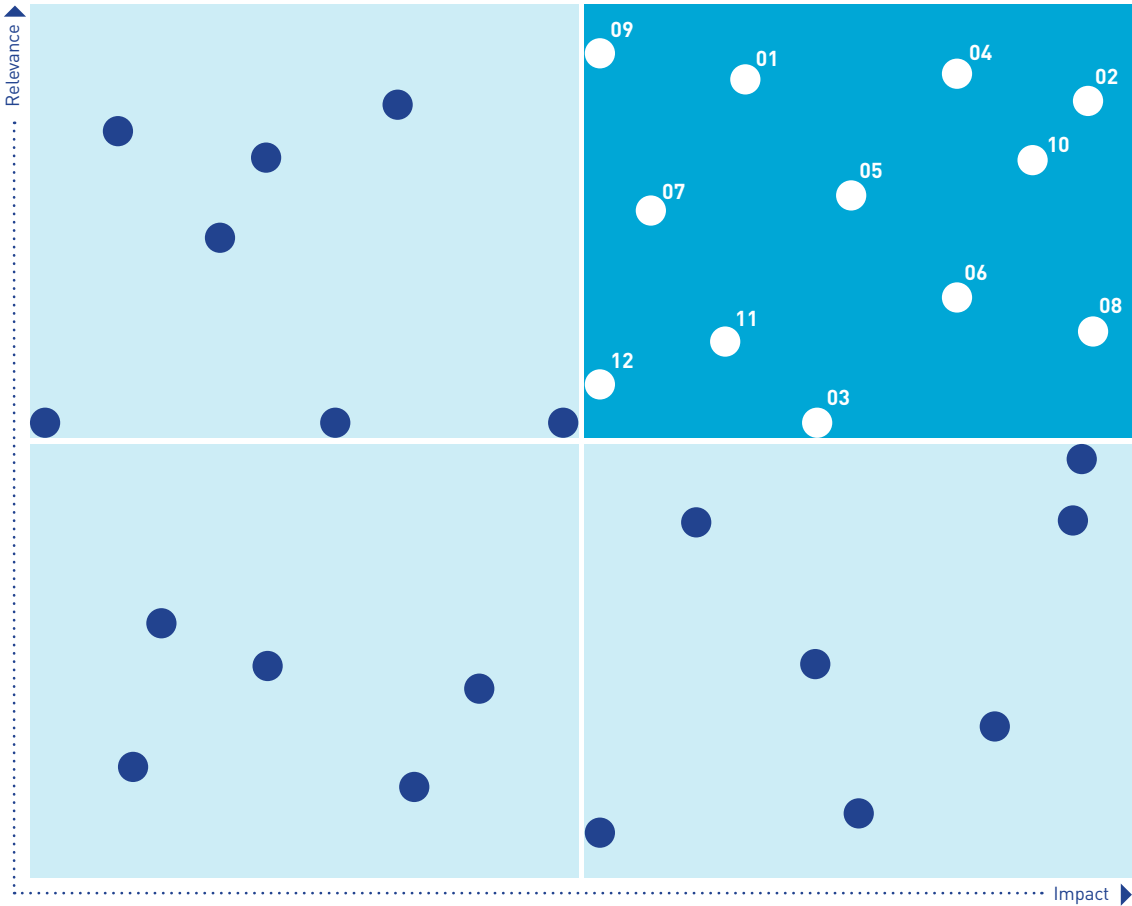
A total of 4,863 cases of the Voice of Customer (VoC) were registered through various channels during the reporting period. In selecting the topics to report, we have analyzed the demands of our customers through the VoC and reviewed the relevance to sustainable management.

**Analyzed: phone, website, HTS, on-site one-on-one communication, postcards from customers, etc.**

# MATERIALITY ANALYSIS

## Result of Materiality Analysis

Material topics were prioritized in consideration of their relevance and impact to the Company. Consequentially, twelve material topics were then selected for inclusion in this report led by executives and the relevant staff jointly selected the material topics based on the results of the Materiality Test.



Topics	Location
01 Contributions to society through financial services	19, 28, 29, 53
02 Compliance with laws and regulations	54, 55
03 Participation in social contribution activities	49, 50, 51
04 Development of new products and services	28, 29, 30, 31
05 Ethical sales activities	40, 41
06 Attracting competent personnel	45
07 Work-life balance	48
08 Information security	29
09 Enhancing personnel competence	46, 47
10 Systematic risk management	35, 36, 37
11 Innovative efforts	32, 33, 34
12 Environmental management activities	52, 53

“To Become  
The Best Overall  
Investment Financial  
Company”



# VALUE CREATION STRATEGY

Woori Investment and Securities Co., Ltd. has been pursuing to become the best Investment Bank in Korea based on investment banking, wealth management and trading. We are committed to do our utmost in order to realize the ideal and dream of Woori I&S, clients and society as a whole, based on our strategy designed to achieve financial as well as non-financial goals.

BUSINESS  
MODEL

Basis for Business Administration

As a financial investment company, Woori I&S conducts its business in accordance with the Capital Market and Financial Investment Business Act and the Foreign Exchange Transactions Act.

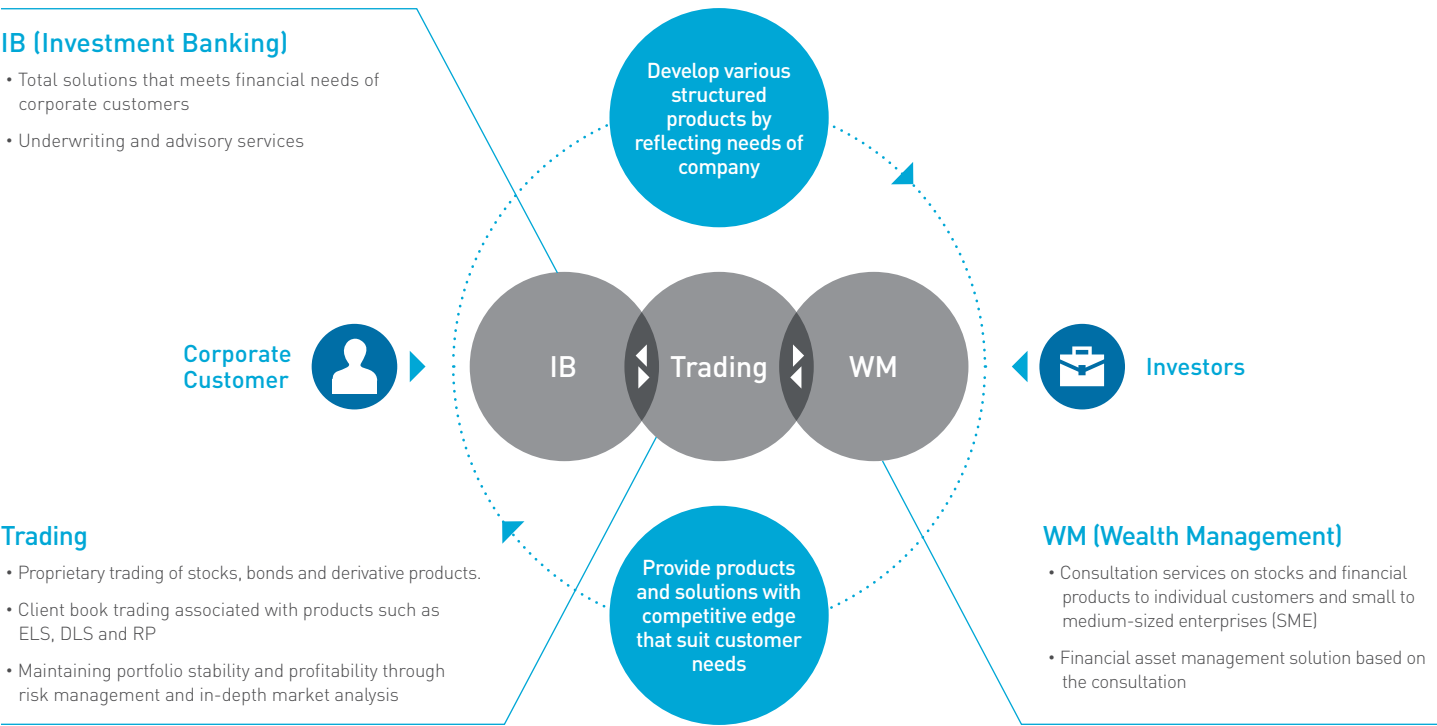
Nature of the Financial Investment Industry

Financial investment services include underwriting and dealing of securities, the development and sales of financial products and consultation on corporate restructuring. The financial investment industry offers opportunities for institutional clients with various financial solutions, individual investors to accumulate assets through securities investment, and allows efficient distribution of capital to society.

Business Model

As its business model, Woori I&S has adopted the investment banking business model based on IB, WM and trading sectors.

Business Model



BUSINESS  
ENVIRONMENT  
ANALYSIS

Business Environment Analysis

	Opportunities
01	Though traditional underwriting is considered to have reached its growth limit, we have yet to see potential for continuous growth in highly profitable cross-border deals and in the Private Equity Fund(PEF) market.
02	Amid the persisting low-interest rate environment, investors are more likely to prefer risky assets, such as stocks, over safe assets, and companies are expected to issue more bonds.
03	As the amended FSCMA bill passes legislation, financial investment companies will be allowed to increase the amount of credit lending to corporate clients. New platforms such as the Alternative Trading System(ATS) will be introduced which will lead to an increase in profitability through cost reduction.
04	The adoption of electronic signature will enable us to develop a mobile business model.
05	The scope of the foreign exchange business by securities companies is expected to expand, thereby providing us with new business opportunities.
06	More diversified sales channels will give rise to more revenue sources, as seen in the introduction of specialized financial product sales companies.
07	The hedge fund market is expected to expand further with the easing of requirements for minimum capital and AUM of hedge fund management companies, which will increase profit from our Prime Brokerage Service.

	Threats
01	Although we have achieved a stable profit structure in the brokerage sector thanks to the continuous increase in trading volume, we are less likely to see positive market indicators to boost trading as the economy is projected to enter a low growth phase in the future.
02	Since the mid-2000s, the asset management market has grown tremendously with its main focus on funds, ELS and Wrap. However, it seems to have reached growth potential due to the underlying asset structure heavily focusing on the domestic market, the tightening of various regulations, and profitability deterioration caused by intensifying competition.
03	The underwriting sector has grown continuously backed by the increase in the need of corporate clients for additional funds. Nonetheless, the overall market has been suffering from persistently deteriorating profitability due to competition among securities companies and polarized demand for bonds in accordance with various credit ratings.
04	The Derivative-linked Securities (DLS), the most iconic product of Client Book, has significantly grown as an alternative investment product in the low interest environment. However, it is reaching its limits due to low-margin policies, limited capacity for extending the profit structure due to market volatility reduction, and difficulties in hedging investments.
05	It seems difficult to expect high growth prospect in the domestic capital market in 2013, due to the indolent global economy. Furthermore, the persistent low interest rate environment and investors' preference for safe assets lead to more difficulties in yielding high profits in the securities sector.

Non-Business Environment Analysis

Change in Demographics

With the aging population of society, we expect changes in asset investment trends. According to Statistics Korea, the number of citizens aged 65 and over in Korea will be increased from 4.37 million in 2005 to 7.82 million by 2015. This figure is projected to be increased to 12 million by 2030. Moreover, with the rapid development of medical science, an average life span will soon reach 100. Such societal changes are expected to bring about significant alterations in terms of the purpose and method of financial investment. Majority of Koreans manage their assets asymmetrically with most of their investment concentrated on real estate, and savings accounts in the form of deposits and installment accounts. However, the decrease in the number of the working age population will lead to a drop in growth rate, which may result in the decline in housing demand and interest rate. Therefore, to secure financial stability after retirement, the current assets with decreasing profitability must be redistributed, and investment assets such as annuities must be expanded. With rapid growth of the post-retirement asset management market projected, we expect to see opportunities in various markets, including monthly-paid products for individual customers and the diversification of investment schemes for institutional investors such as National Pension Services.

Increase in Social Responsibility Investment (SRI)

There has been a growing interest in SRI in Korea in recent years. In many developed economies such as Europe, the financial market has already witnessed Pension Funds and Investment Banks’ active involvement in SRI. In accordance with global trend, Korean institutions, especially National Pension Fund, are increasing the amount and scope of SRI. SRI refers to an investment method that, when it comes to selecting investment targets and volume, it considers companies’ financial and non-financial factors such as companies’ governance structure, social contribution and environmental engagement. This type of investment seeks to address social issues and fosters sustainable development of a country as well as individual companies. The UN has been actively supporting and encouraging such an investment model through the sustainable investment initiative, the UN Principles for Responsible Investments (PRI).

Market Trust

The global financial crisis has eroded customer confidence in financial companies. Despite the lack in confidence, there are corruptions taking place in a few financial companies, and this leads to a public demand to disclose financial companies’ management practices for more transparency. Against this backdrop, an adequate monitoring organization, transparent governance structure and decision-making processes, and the establishment of ethical awareness among employees are becoming essential prerequisites for financial companies to restore trust.

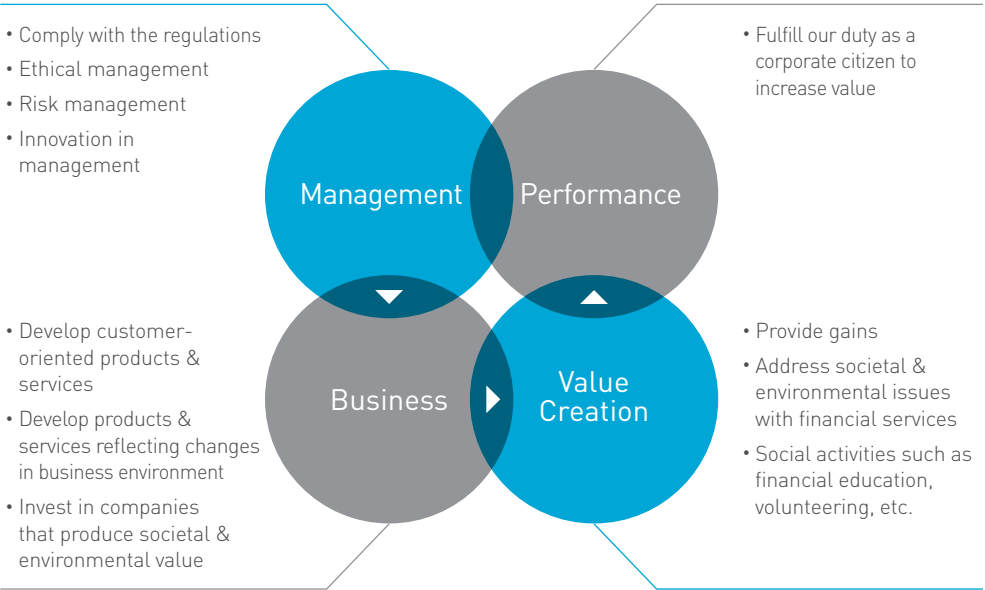
Security of Financial Systems

The development of the data network infrastructure has been utilizing online financial services. However, some companies have recently seen breaches in their computer network, with serious damages such as service interruption and leakage of customers’ data. Under such circumstances, security has emerged as the top priority issue in the financial service sector. A single incident can potentially destroy a company’s reputation and seriously impair society as a whole. An advanced security system and risk management protocol will be required for financial services companies.

BUSINESS STRATEGY

Responsibility as a Corporate Citizen

Through the company’s original purpose of financial investment operations, Woori I&S strives to fulfill its social responsibilities. We are pursuing operations that meet the needs and demands of customers and produce value in the environment and society, by complying with the law and keeping our operations transparent and stable. It is the duty of Woori I&S as a corporate citizen to create a value chain in which customers, shareholders, employees, and society develop together. We recognize our duties as a corporate citizen and, therefore, we are reflecting in our management strategies that will help us to achieve our target goals.



Goals and Strategies for 2013



Woori I&S is operating in five projects with the goal of becoming the “Game Rule Maker that Leads the New Market in the Low-Growth Era”.



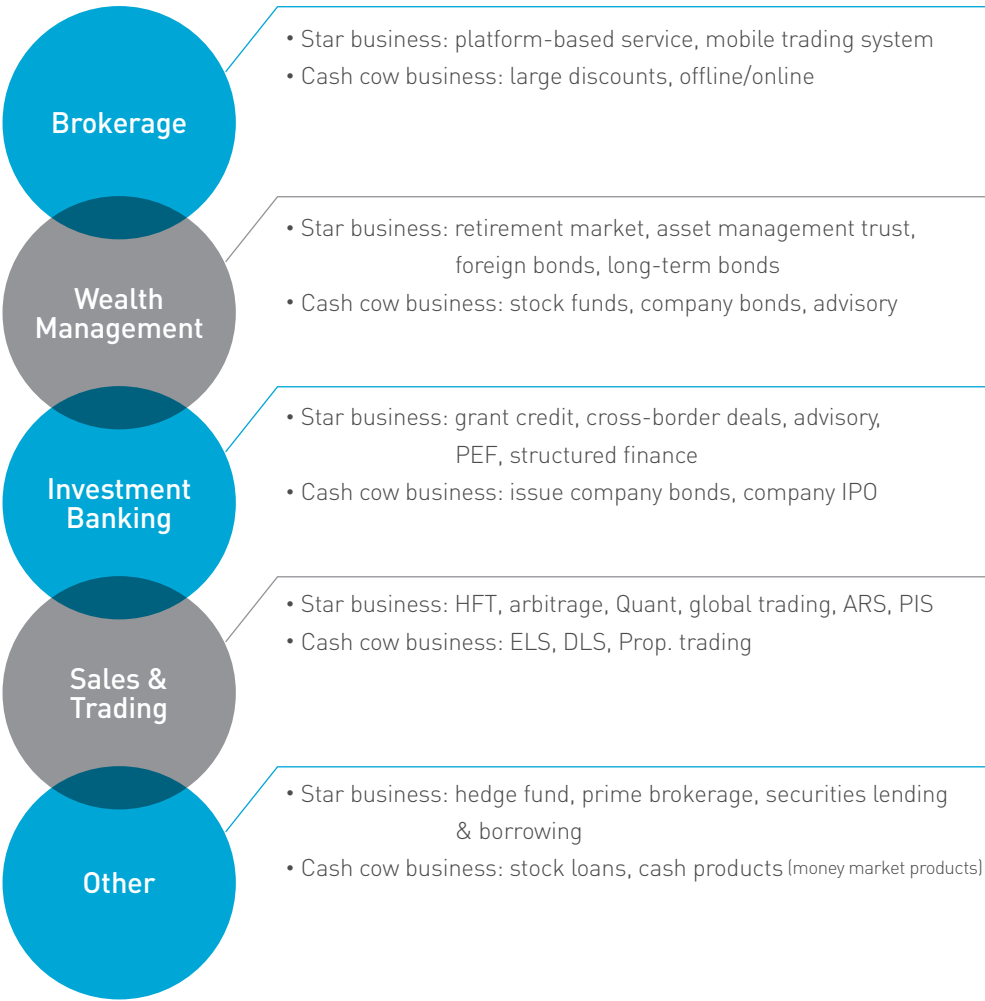
2013 Business Strategy

Two-Track Strategy

We will classify our current operations and future operations into “Star business” and “Cash cow business”, and approach them in a strategic manner.

 Star Business	 Cash Cow Business
This refers to a promising business that has the potential to grow into a new source of revenue due to changes in the environment or the expansion of the sector. Through strategic growth plans, we will predetermine the market and develop the star business into a cash cow business in the future.	Cash cow businesses are the traditional businesses that are currently the main source of revenue. With our unique solutions and network, we will extend our market dominance and enhance profitability.

Two-Track Classification by Sector



Strategy for Each Main Sector in 2013

Investment Banking (IB)

Our IB sector seeks to become the true powerhouse in the IB industry. To this end, our IB sector’s management objective in 2013 will be: securing our No. 1 position in the industry based on the Choose and Focus principle, enhancement of risk management and internal management, and creating profit in new business sectors. We will build the foundation for a stable profit structure and diversification of operation, both in the private deals sector, which is highly profitable, and the structured finances sector, which is seeing consistent growth. We will strengthen our grasp on the market through the training of specialized training of personnel.

Trading

Our trading sector is seeking to maximize absolute profit through the diversification of trading asset scope and the enlargement of the scale. As we foresee a continued low-interest environment in 2013, we will focus on dealing of foreign bonds, which is relatively volatile, and establish a platform for an operating in-house DLS hedge. Also, we expect to establish a trading platform for a foreign bonds and to scale up their sales.

Wealth Management (WM)

With the low-interest environment and the aging of the population, we expect to see a rapid increase in asset management needs. As such, financial products will be diversified—including monthly-paid products, multi-asset distribution products, and overseas investment products—and we are projecting full-scale growth of the wealth management sector. As of the end of 2012, there are 156,000 high net worth individuals in Korea, and this number is increasing and thus, we project that private banking services will be increased in line with this demand. Thus, the WM division, as a customized wealth management partner, will strengthen the comprehensive wealth management model that reflects the life cycle and financial needs of our customers.

Global Operations

With the continued inflow of investment into the Asian market projected in 2013, we expect that the FICC investment atmosphere will persist as investors prefer the Asian market over advanced financial markets, and bonds over equity. Our global operations division is currently focusing on Hong Kong to strengthen our presence in the Asian financial market. The sector’s goal is the diversification of revenue sources and the securing of a foundation for stable profits. We expect to see visible results from the hedge fund market, which we have been assessing, and, with the fixed income sector strengthened through the capital increase of the Hong Kong office, we will continually strengthen our efforts further. Moreover, along with the securing of new markets and customers in the Asian market, we plan to also focus on securing cross-border deals in collaboration with the IB sector.

# VALUE CREATION OUTCOME

Woori Investment & Securities has outperformed the market to stay on the cutting edge of innovation by developing an advanced risk management system and new services that would meet the needs of our clients. Our efforts and activities have been the driving force behind our performance within the business sector.

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Business Performance	24
Development of New Services	28
Innovation From Inside	32
Risk Management	35

# BUSINESS PERFORMANCE

Corporate Bond Underwriting  
2012

No. 1

Rights Offering  
2012

No. 1

Largest Domestic M&A Volume  
2012

No. 1

## IB Sector

### True IB Powerhouse

In 2012, Woori I&S, with its top competitiveness in the industry, became the No. 1 company in the traditional corporate finance sector such as corporate bonds and paid-in capital increase. We also demonstrated the industry’s top performance in the M&A sector with our specialized merger execution.

Regarding the debt capital market, we were able to lead the market despite changes in the issuing system such as the introduction of demand forecasting system for corporate bonds, thereby achieving approximately KRW 8.983 trillion in the lead-managed bond issuance and a 15.95% share in the corporate bond market. Notably, we were able to display outstanding performance despite the rapidly-changing market environment through proactive risk management. Furthermore, we contributed to the revitalization of the ABS market by providing newly structured products based on receivables from sales of device at kt and LG U+.

In the equity capital market, Woori I&S became the top company in underwriting of rights offering. In the case of rights offering by LG Electronics, we successfully funded KRW 940.8 billion amidst market anxiety. Despite the drastic decrease in IPOs, due to the slump in the Korean stock market, we successfully carried out four IPO deals, meeting the needs of market participants and accomplishing optimal funding.

In the M&A sector, Woori I&S was recognized by Bloomberg as the Financial Advisor of the Year – Korea with USD 8.864 billion in gross transaction volume. In particular, we assisted SK Hynix to successfully close a sell-off deal through our advisory services providing multi-faceted analyses and reviews to help them resolve various issues, and promote our involvement as one of our landmark achievements.

Woori I&S is rising as Korea’s top investment bank that has the industrial competitiveness, as we provide strategic solutions, design newly structured products, and develop diverse funding schemes to keep pace with the changes in the needs of our corporate clients.

### CASE • Successful Public Offering of Parallel Oil Field Fund

Through the origination and structuring of the Parallel Oil Field Fund, Korea’s first private sector led public offering fund for overseas natural resources development, Woori I&S could enhance its product development capacity as well as create a new business model. Overseas natural resources development is an area that requires a high level of expertise. The Parallel Oil Field Fund could only be successful thanks to our one and half year long efforts to identify market needs, conduct on-site verification for overseas assets, and design a stable investment structure. Through all this, we could acquire a unique know-how in the development and operation of oil fields, and establish trust with relevant government institutions and companies.

## Trading Sector

### Producing Absolute Profit through Sophisticated Financial Techniques

Our trading sector is consistently contributing to the profit generation for the company through client book expansion and portfolio management that reacts efficiently to market volatility. Also, we are decreasing the ratio of directional trading and creating the most of our profit through various operational techniques and effective risk management at home and abroad. In particular, our FICC derivatives sector has grown into becoming the industry’s first successful new business model, by making bold system investments in its early days, establishing effective infrastructure, and nurturing specialized personnel. The equity derivatives sector is leading the industry with an effective system built on accumulated knowledge and experience.

Amidst the consistent growth of foreign investment in Korean Treasury Bond, the foreign interest is extending to KRW-denominated corporate bonds as well.

Domestic corporate investors and HNW clients are also showing increasingly high interest in Korean paper in overseas markets as well as various foreign currency denominated bonds. In response, we are going beyond the simple brokerage operations for domestic and foreign bonds, to pursue a business model innovation to further boost trading of strategic items through warehousing and market making, thereby expanding our client network to ultimately lead to IB deals such as underwriting sales of won-dominated or foreign bonds to foreign investors. To this end, Woori I&S increased capital at the Hong Kong subsidiary office by USD 100 million since May of 2012, and, since the completion of the English version of the foreign bond back system, we began to operate our approach at the Hong Kong GTC in earnest. Currently, the size of the book operation has been increased by USD 100 million, and we are obtaining visible results already on this early stage.

### 2012 Hong Kong GTC Net Operating Revenue

	Before Increase (Jan. 1 – May 31)	After Increase (Jun. 1 - Dec.31)	Annual (Jan. 1- Dec. 31)
NOR	KRW 1.09 billion	KRW 7.76 billion	KRW 8.85 billion

Annual Net Operating Revenue  
of Trading Department

KRW 273.1 billion

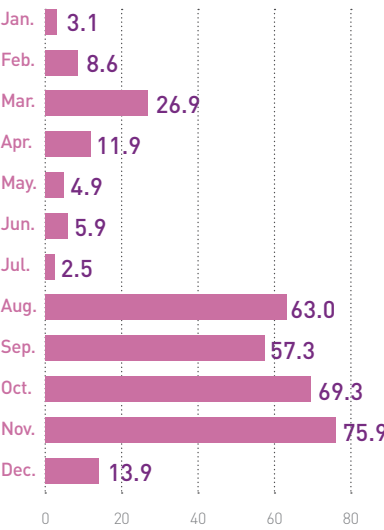
Synergy with affiliates

114 cases

Annual Net Operating Revenue  
From Hong Kong GTC

KRW 8.9 billion

Sales Trend of Commodity DLS (In billions of KRW)



### CASE • Commodity DLS Sales in 2012

Since the first release of the Gold/Silver DLS in November 2011, it has recorded a monthly average issuance of KRW 9.1 billion. Since the 1,000-unit DLS event in August, however, this amount has increased, reaching a total of KRW 275 billion in 2012. With the sudden increase in the corporate investor demands in November, we have been issuing hybrid products that combine stocks and commodities.



## Wealth Management Sector

Total Retail Client Assets

KRW **83.8** trillion

Clients with More than KRW 100 Million in Asset

**53,713**

Annual Net Operating Revenue of WM Department

KRW **38.6** billion

Retail Client Assets (trillions of KRW)

FY 2010	FY 2011	FY 2012
<b>87.1</b>	<b>83.6</b>	<b>83.8</b>



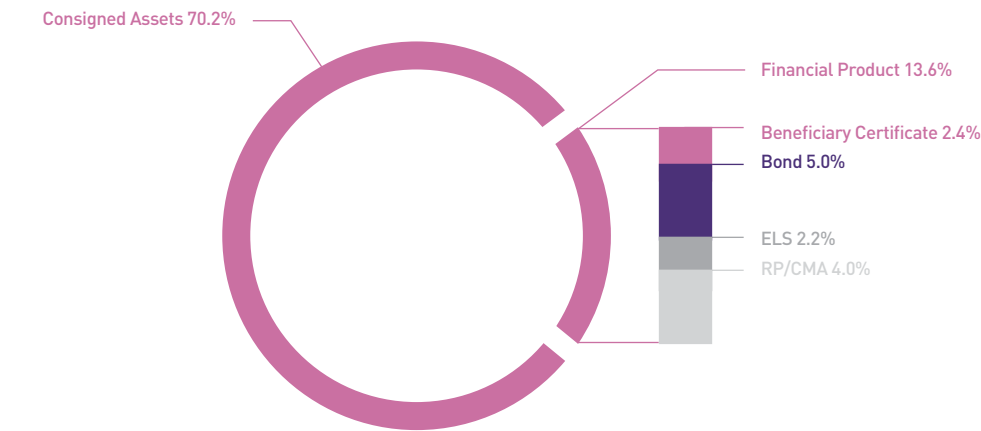
### CASE • Our Main Wealth Management Brand “Octo”

Octo, the first wealth management brand in the industry, is the result of our accumulated asset management know-hows. In the beginning, it was provided in the form of “Comprehensive Buy/Sell Account” inclusive of eight benefits , but its scope has been gradually extended to become a brand platform to provide a wide range of financial products and services for asset management. Moreover, the Octo mascot serves as a messenger to provide our customers with better accessibility to complex financial products with easier and friendly introduction of such products on advertisements and customer communication tools. Two most notable aspects about Octo are that it is the first ever character marketing in the financial industry with the use of a friendly character, and this enabled us to have the consistent communication through an expandable brand. This was unprecedented in the financial services industry, and, as a result, we were able to display differentiated performance compared to other companies in brand recognition.

### A Leader in tailored Wealth Management Services

To maximize customer coverage and to provide tailored asset management solutions that meet customer needs, Woori I&S approaches asset management in three sub-sectors: private banking, wealth management, and direct sales. As of March 31 2013, our total retail client assets reached KRW 83.8 trillion, a 6% increase compared to 2011 despite the global financial turmoil. Net Operating Revenue stands at KRW 38.6 billion, an outstanding accomplishment in the midst of sapping investor sentiment and a challenging business environment. However, the industry is generally facing challenges in the retail sector due to the decrease in trading volumes and fierce competition, and this sluggish growth momentum is projected to continue for some time. On the other hand, increased longevity, the retirement of baby boomers, and the indirect investment trend are causing an increase in the demand for asset management services, especially in the PB services. As of the end of December 2012, Woori I&S holds 53,713 clients with more than KRW 100 million deposits, which outnumbers our main competitors’. These HNW customers serve as core contributors to our business , accounting for 78.1% and 57.3% in asset and profit sectors, respectively.

The Composition of Retail Client Assets (FY 2012, trillions of KRW)



Most Number of Overseas Branches Among Korea's Securities Companies

**10** branches

Best Manager of Funds of Hedge Funds (AsianInvestor Award)

**2** Years in a Row

Global Fixed Income Book Size

USD **200** Million

Global Presence Overview

Asia	• 6 local subsidiaries (1 advisory office, 1 operations, including 2 JV) • 2 offices
Europe	• 1 local subsidiary
Americas	• 1 local subsidiary

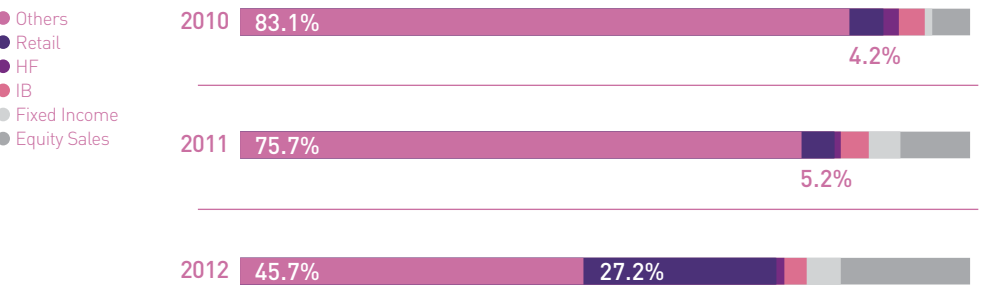
### CASE • Global Hedge Fund Seeding

Seeding investment is a sophisticated financial operation that provides initial funds to a new hedge fund, and incubates the entire process of risk management, marketing, and product development. Our seeding investment is taking place through the “Woori New Alpha Fund” established in 2012 in cooperation with New Alpha in France. A new hedge fund, “Woori New Alpha Fund” has accumulated USD 50 million to date. The operation and management of the fund are handled by our Singaporean affiliate, Woori Absolute Partners (WAP), and the global seeding specialist, New Alpha. This seeding investment in global hedge funds marks the first milestone of a Korean securities company advancing into the field in cooperation with a global partner. We will continue to establish global seeding funds in the future and develop it into a new-growth business.

## Global Sector

### Rising Regional Player in Asia

Woori I&S is strengthening an overseas network with a focus on Asia, creating a foundation for stable profit having a total of ten branches as important business bases in nine countries, and we have been working to diversify our profit structure by going beyond the business model by heavily focusing on equity sales in the past to have more competitiveness in the fixed income, hedge funds, and Global IB sectors.



With the expansion of the bond trading book at the Hong Kong subsidiary in 2012, we have become more active in the market and thereby could accomplish a notable result. In equity sales, our efforts to explore new business opportunities through the expansion of the strategic network enabled us to begin trading with several major sovereign wealth funds including ADIA in the Middle East and the Singaporean GIC. We also installed a foreign stock trading desk at the New York subsidiary to diversify our products. In the hedge fund sector, we have established global partnership with an American investment company, by establishing a global partnership with Skybridge, in which we create a base for investing in global hedge funds as well as establishing a base for our very own hedge fund platform. We also began a joint operation of Asian seeding funds along with New Alpha, a company based in France that specializes in hedge fund investments, preparing for investments in sub-funds and marketing to foreign corporate investors.



# DEVELOPMENT OF NEW SERVICES

**BUSINESS ENVIRONMENT**

In the persistent low-interest environment, the competition in the asset management market is more intense than ever. To survive in this environment, Woori I&S is developing and providing new services addressing diverse needs of our customers.

**WHAT WE'VE DONE**

Developing products appropriate to the aging society, Providing distinguished online & mobile financial services

**KEY PERFORMANCE**

Total Number of Woori Smart Investor Accounts  
(As of Mar. 31, 2013)

Ratio of Transactions through Mobile  
Services in 2012

11,530

14.0%

## Products and Services for the Centenarian Era

It is anticipated that Korea will become an “aged society” around the year 2018. By 2050, more than 50% of the population will become 65 and over. While we are anticipating some major changes in the areas of health, education, retirement, real estate, and financial investment in the aged society where the average life expectancy is 100, customers are facing difficulties in preparing for these changes in a systematic way. Especially with the retirement of baby boomers as of late, the importance of wealth management after retirement is becoming ever more important.

To meet the demands of the aging society, and to ensure a decent quality of life for retirees, Woori I&S is operating the Centenarian Research Center. Here, researches hold the responsibility to undertake various topics of retirement such as health and leisure, with a focus on developing financial services for retirees and financial investment products suitable for this aging society. Furthermore, we are offering education and consultation services for the benefit of our customers who are soon approaching the retirement age soon, in order to fulfill our responsibility as a corporate citizen.

### Product Development

Woori I&S, the Centenarian Research Center and the Future Product Development Department have together made efforts to develop products for retirees and senior clients. With a variety of monthly-paid products to guarantee a stable source of income, and other alternative products in preparation for a low-interest rate environment, we are offering our customers a wide range of options and satisfaction with optimal financial solutions.

### Education

With the downturn of the real estate market and the low-interest on savings, retirees without a diversified portfolio are facing challenges in securing a decent quality of life with a stable income after retirement. In response, our Centenarian Research Center is advising on redistributing of assets with low profitability, and offering various training programs such as the Centenarian Academy which, we expect, will help our customers plan their retirement by taking advantage of annuities and investments.

In addition, we are also offering the Centenarian University service, led by the faculty from Seoul National University, as an educational event for our VIP customers’ fulfilling retirement.

### Consultation

We offer consultation services to enable our clients to create efficient asset management by quantifying the retirement index based on the assets held by the client. Notably, we offer a comprehensive retirement planning service that addresses, aside from asset management, various topics including hobbies and family life. For example, we assist retirees with asset management through a financial asset overhaul by utilizing various products such as separate taxation products and long-term savings insurance.

## Online & Mobile Services

With the development of IT infrastructures, the demand for online services has increased in recent years. With the wide usage of smartphones, in particular, we have seen a drastic increase in the number of customers who use the Mobile Trading System (MTS) services through mobile applications, as well as the Home Trading System (HTS) and web services via PCs. Woori I&S has predetermined the significance of online & mobile services and offered a variety of relevant services.

Mobile App Users: Monthly Average			Ratio and Amount of Trading through Mobile Apps		
CY 2010	CY 2011	CY 2012	CY 2010	CY 2011	CY 2012
20,000	54,000	80,000	2.0%	4.7%	14.0%
			5.0 trillion	11.2 trillion	18.7 trillion

With the increase in financial transactions via online & mobile media, security is becoming a social issue. In response, Woori I&S has established, and is currently enforcing, a Privacy Policy in compliance with the Personal Information Protection Act and the Communication Network Act. These policies are posted on our official website for reference of our customers. On all mobile applications, various security measures have been undertaken, including authorization certificates, vaccines, and keyboard security. We also provide encryption applications and counterfeit applications solutions for the safety of our customers.

Mug Club

The Mug Club is a subscription service for online investment consulting. It notifies our customers of data analyses by our experts in each sector in real-time via emails, text messages, online forums, and phone calls. One-on-one consultation service is offered to customers in Premium category or higher, or online customers with KRW five million or higher in asset on the pervious day. Moreover, the official Mug Club website, the “Mug Café” (mugcafe.wooriwm.com), provides information on recommended stocks, and investment information, real-time stock market broadcasting, and community services. The stocks recommended by the analysts, called “Baristas” in the Mug Café, are listed in detail with date of recommendations, purchase price, target price, loss-cut price, rationale, etc. During the broadcasting time, customers can have a live Q&A session with the analysts who recommended certain stocks.



Our goal in 2013 is to increase our subscriber base to 40,000. To this end, we are seeking to enhance the quality of recommended stocks, improve customer confidence with one-on-one services, and provide opportunities to engage with individual investors and analysts through weekly broadcasting.

Mug Smart

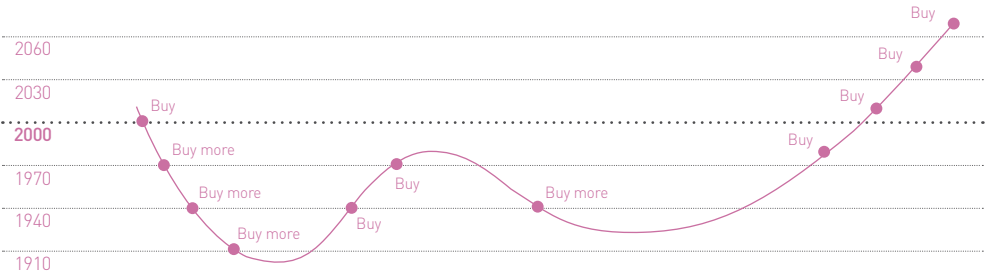
Mug Smart is an application service provided to the mobile customers, whose numbers are increasing rapidly as of late, for advanced stock trading. It provides a number of convenient services utilizing the nature of mobile devices, such as the “one-stop mobile service” which provides not only the services previously offered via HTS, but also services immediately available on the smartphone by acquiring an ID and the digital certificate; the “SNS sharing service” which allows customers to share news and reports with ease on such social network services as KakaoTalk and Facebook; and the “lock screen service” which allows customers to monitor items of interest on the lock screen of the phone in real-time. In 2013, we will introduce the Mobile Customer Center and offer Mobile Consultation services. Starting with a forum-based consultation service, we will also offer regular and item-specific Mobile Consultation service, to proactively manage our customers on mobile devices. Moreover, we will offer mock investment services to expand our customer base.

Woori Smart Investor

Having been released in September of 2011, “Woori Smart Investor” is our unique cost average investment solution developed to assist investors who find it difficult to select items and capture transaction points. The greatest benefit to this solution is the reduction of risk and the stable long-term accumulation of profit by distributing assets through ETFs and, at the same time, distributing prices through installment buy/sell. Based on “Woori Trader” (HTS), a real-time automatic buy/sell system, this solution increases the investor’s ability to react to market volatility, and offers various forms of services, including pre-arranged investment services, funds and wraps. In just eighteen months after its release, this solution has accumulated 11,530 accounts and KRW 466 billion in asset. The public offering fund released in April of 2012 achieved a record high of a 8.0% rate of return (as of March 31, 2013), exceeding KOSPI by 7.6%.

Smart Investor Strategy

- Standard Index: KOSPI
- Installment call on ETFs with every 30 pt. change in index, but buy more when index falls



We are anticipating a favorable response from our investors on the new ‘Woori Smart Investor 5.0 Version’ released in February of 2013. Woori Smart Investor 5.0 Version expands its investment targets to include individual stocks, and provides optimal installment investment strategies that faithfully reflect the buy/sell tendencies of the investor.

INNOVATION  
FROM INSIDE

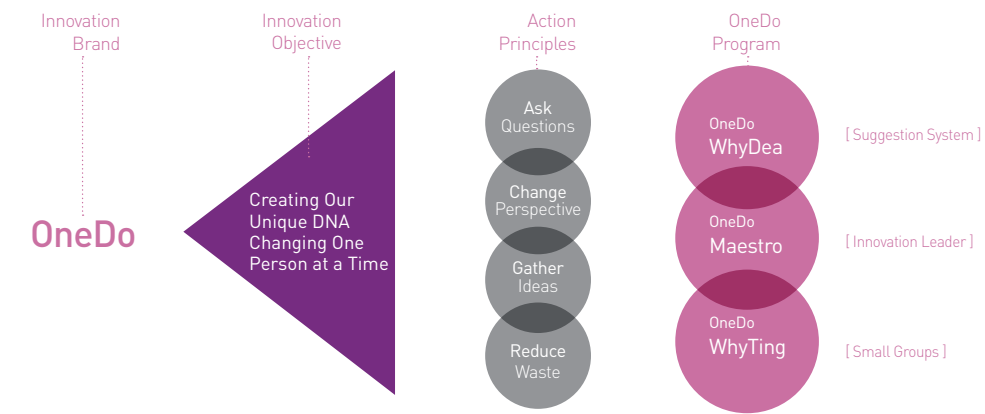


OneDo Innovation Activity

OneDo is our innovation brand and innovative way of management which expresses consistent waste reduction activities carried out through each individual's (One) creative thinking and consistent practice (Do). For the full engagement of the OneDo Innovation Activity, the top management actively participates in the program by meeting those who are showing outstanding performance with our OneDo Innovation, and reviewing some of the selected projects.

OneDo Innovation Activity was one of the case studies explored by the "Global Brand Leadership Center" under Columbia University's School of Business. Entitled "Woori Financial: Becoming a World-Class Organization through OneDo", this case study examines the Woori Financial's 3-year journey with OneDo.

OneDo Innovation Activity System



OneDo Innovation Activity Outcome

With the active participation of all employees in 2012, we recorded a total of 58 cases with KRW 6.4 billion in financial performance. The project that received the highest praise among Woori Financial Group was an innovative project called the "no plastic card" system, the first in the financial industry, which enhanced customer satisfaction while reducing the cost.

OneDo Innovation Activity Outcome 2012		
	Amount (KRW)	Cases (Number of.)
WhyTing	5.51 billion	38
WhyDea	660 million	14
OneDo Projects	270 million	6
Total	6.44 billion	58

CASE • OneDo Innovation Case Study

Traditionally, all investment companies issue an investment card to clients who opened a new account. However, with the increase in the number of customers who use the online services, the number of customers using the card decreased drastically. Especially, if a customer were to open an account without visiting an onsite office location, the subsequent issuing and delivery of the card caused much inconvenience. Section Chief Yong Kim of the Wealth Management Solution Department suggested a process by which investment cards are issued optionally. This suggestion was approved immediately and, by September 2012, the suggestion was applied to our business operations. In December, this was extended to those opening an account by visiting a branch. This enabled Woori I&S to save approximately KRW 270 million in annual operating costs. Furthermore, through this decisive action, we increased customer satisfaction by excluding inconveniences and reducing time for providing services.

Future Product Development Dept. Emblem



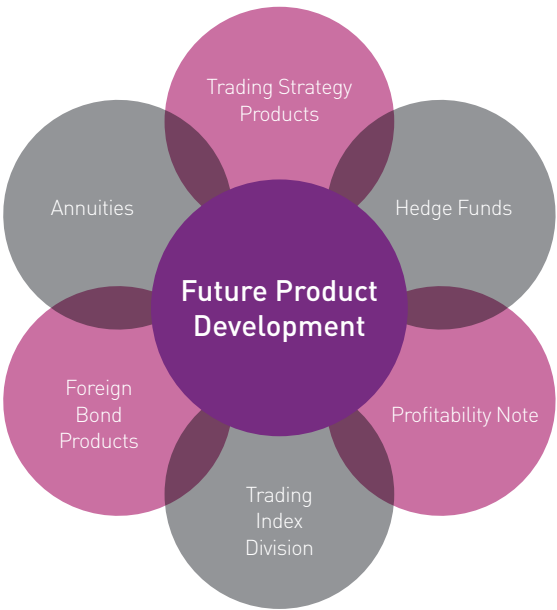
Future Product Development Department

During the reorganizing of the company in January of 2013, Woori I&S officially established the Future Product Development Department, an organization which formerly belonged to task force team. This is part of our efforts to suggest appropriate investment alternatives to our customers in the rapidly changing economic environment through the restructuring of operational structures, by which the company went beyond the simple brokerage of conventional products like stocks and funds to the securing of portfolios based on a diverse selection of products.

With the resources of the entire company at our disposal, the Future Product Development Department seeks to develop and supply new products that can draw the attention of the financial industry. This provides our customers with investment alternatives and products that can adequately respond to the changes in the economic environment.

Furthermore, we anticipate that diversification of our profit structure, which was once heavily dependent upon brokerage, will serve as an opportunity to become a leader in the financial markets. Through brainstorming meetings in each business sector, we have selected six product lines and have been developing relevant products to offer our clients. Moreover, we have been pursuing projects with responsibility and accountability by placing executive level experts to oversee each product line.

Six Product Lines



CASE • Centenarian Plus Income Wrap

The first collaborative project between the Future Product Development Department and the Centenarian Research Center, the Centenarian Plus Income Wrap is a product that brings about both stability and profitability. A monthly income solution that supplements the retirement cash flow, 70% of the portfolio allocated to bond funds for monthly stable profit, and the other 30% used to gain bonus profit through volatile buy/sell tactics and hit & run tactics that takes advantage of the month-end effect with ETFs.

Despite acceleration of baby-boomers retirement, there are limited alternatives in preparing a nest egg. In this aspect, we have developed Centenarian Plus Income Wrap, an effective retirement product for recent retirees. Since its release in March of 2013, within two months, a total of 1,200 accounts were open with KRW 75 billion in sales.

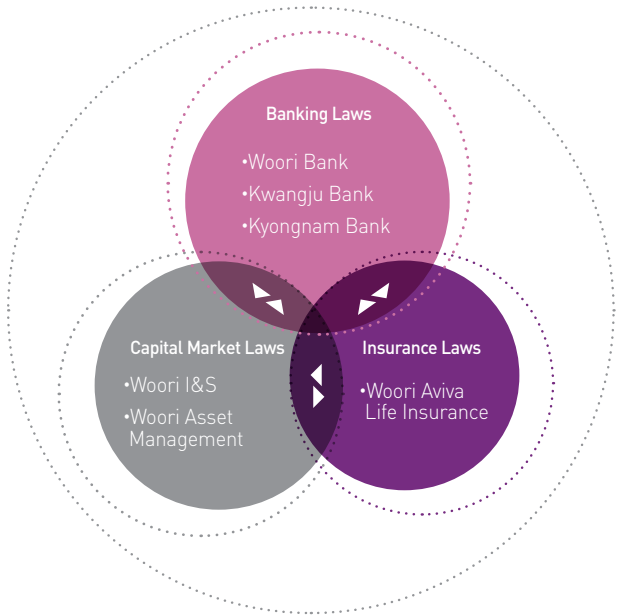
Creating Synergy

Woori Financial Group operates independent affiliates in a variety of fields including banking, securities, and insurance. With these diverse business environments, we are seeking to increase profit by creating synergy among our affiliates. In particular, through the cooperation with the bank – a stronghold of customer assets and networks – Woori I&S is pursuing a variety of opportunities to grow together in a complimentary manner.

Woori Bank now offers investment accounts linked to bank accounts and offering securities-backed loans. And through this collaboration, anticipated net loan increase is estimated KRW 348.2 billion, highlighting the significance of synergy between affiliates.

Woori I&S is also working to maximize the synergy between affiliate companies by taking advantage of the strength of holdings companies, creating new profits and advancing collectively.

Synergy through Sharing of Network and Solution



RISK  
MANAGEMENT



BUSINESS ENVIRONMENT

The downturn of economy and the subsequent series of financial crises have alerted financial companies of the importance of risk management. Woori I&S will do its best to achieve stable and continuous growth through risk management.



WHAT WE'VE DONE

Establishing risk management processes, Expanding scope of risk management, Conducting risk management training programs



KEY PERFORMANCE

Total number of new and regular analyses by Credit Assessment Dept.

Total number of Committee meetings regarding IB deal negotiations

386

48

Systematic Risk Management Process

With the globalization of the national economy and industry, along with the easing regulations on capital flows the correlation between the financial sector and the global economy is becoming more significant. Also, with the expansion of risk transfer in the financial investment industry and product structures becoming ever more complicated, risk management has become a major factor that would determine the survival of a financial company in the market.

Woori I&S has established comprehensive scenarios that reflect financial and non-financial risk factors, and therefore has reached pre-emptive risk management. We have defined risk measurement and management as core competency factors of our company, and have managed and controlled risks to achieve an optimal balance between risk and profit.

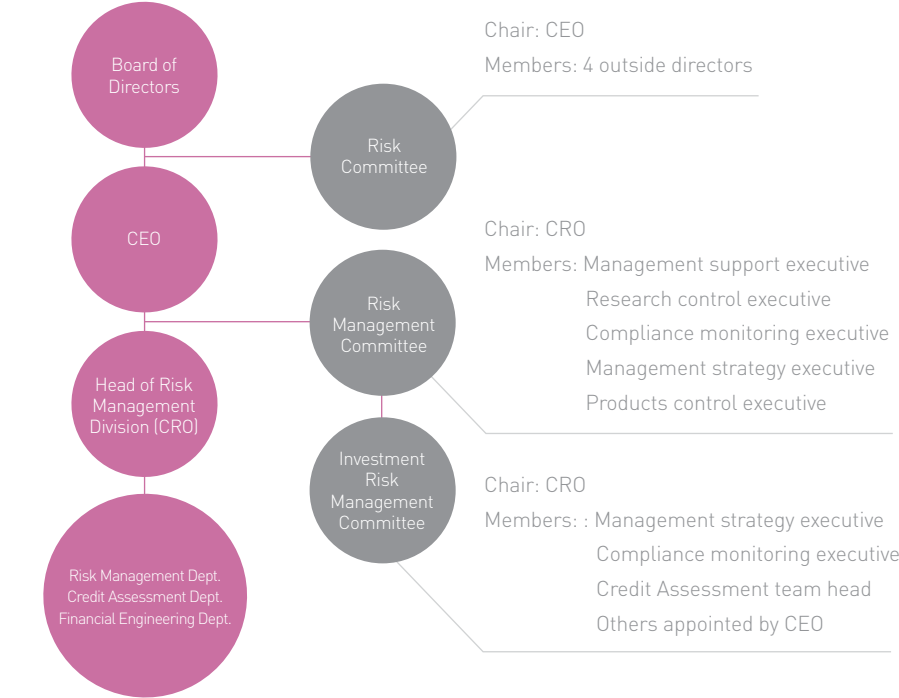
Nonetheless, some of risks may be transferred to customers due to the nature of financial products, in some cases. Woori I&S minimizes risk of this sort and strictly prohibits the sale of any high-risk products that may arise risk issues, and is raising the criteria of complete sales of product by making it mandatory to provide sufficient explanation of products to customers. Since 2012, we have expanded the scope of our risk management further to customer accounts in product sales and trust management.

There is a notion that credit risk management of the securities industry is structurally weaker than that of the banking sector. Woori I&S, however, assign credit ratings of companies based on our internal credit assessment criteria and processes. Our Credit Assessment Dept. is comprised of experts, and collects and assesses timely information. After the assessment, Woori I&S applies different investment limits and processes to companies in accordance with the resulting credit ratings.

All of Woori I&S' employees and executives clearly understand the significance of risk management and we do our very best to protect the company against unexpected risk by implementing appropriate policies and systems.

Organizational Structure of Risk Management

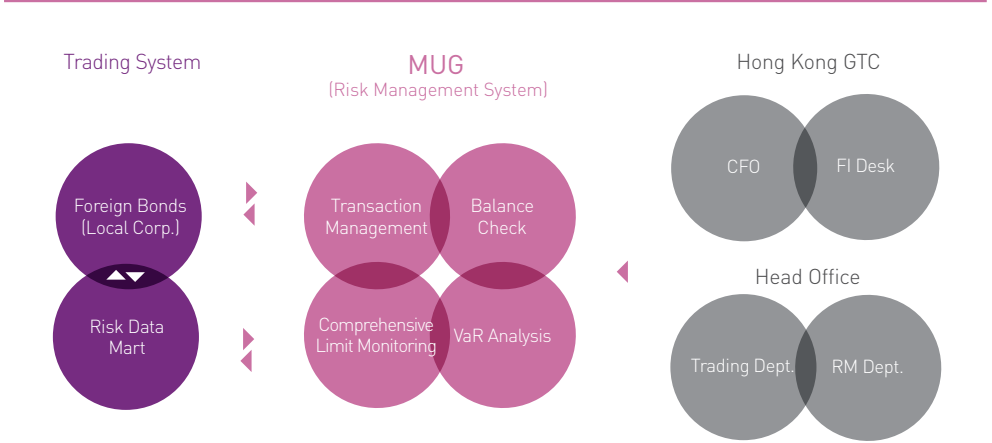
With the Risk Committee chaired by the Company's Chief Executive Officer and the Risk Management Committee chaired by the head of the Risk Management Division (Chief Risk Officer), Woori I&S manages and responds to the risks that the entire company assumes. The Risk Committee reviews and approves essential particulars of the Company's management, including general risk policies and appetites, risk regulations, M&A, new business, and large-scale investment/deals. The Risk Management Committee reviews and approves implementation of the company-wide risk policies & regulations, risk limits at a variety of levels, such as company-wide, book and position, risk management rules and provisions, financial stability, and investment with substantial credit risk. Furthermore, since December 2012, the Risk Management Committee has delegated part of the Committee's authority to the Investment Risk Management Committee that is established to strengthen risk measurement and management regarding investment/deals associated with substantial credit risk.



The Division of Risk Management is composed of three departments: Risk Management, Credit Assessment and Financial Engineering. The Department of Risk Management is responsible for every aspect of risk management practices on the basis of risk management regulations and rules, such as monitoring, analyzing, reporting and controlling of various types of risk that the company is taking. The Department of Credit Assessment is responsible for implementing strategies and policies with regard to assessment and management of credit risk. The Department of Financial Engineering analyses the structures of financial instruments and values these instruments through setting pricing standards and developing/validating pricing models.

CASE • Integrated Risk Management System at GTC in Hong Kong

Woori I&S has been making direct inroads into strategic points around the world to broaden our overseas market, with a particular focus on the Asian bond market. We have invested USD 100 million into establishing the Global Trading Center (GTC) in Hong Kong to pursue an innovative business model that moves us beyond the simple brokerage of foreign and domestic bonds and leads to IB deals including sales and underwriting of KRW-denominated bonds and foreign bonds for foreign investors. As for the Hong Kong GTC, the importance of a rigorous framework for risk management cannot be overemphasized since it is located overseas and trades in a large volume. Woori I&S has established management policies and daily monitoring processes for each risk type such as market risk, credit risk, operational risk, etc. The GTC's system works together with the risk management system of our head office, enabling us to monitor and get timely information on trading exposures of the Hong Kong GTC. This ensures that the level of risk management at the Hong Kong GTC is comparable to that of the head office. We are also making efforts to minimize risks by separating authority and responsibilities of departments with potential conflict of interest among its members, and by maintaining three levels of controls.



Risk Management Training

In order to increase awareness of the importance of risk management, and to improve relevant competency, Woori I&S conducts annual training programs for all employees and executives. We have provided online as well as offline training programs in consideration of the topics and training period to make it more accessible and timely. In 2012, we provided an eight-hour offline training to 187 employees and one hour of online training to 2,882 employees. We plan to continue to strengthen our risk management training programs.

Risk Management Training Results

	CY 2012		CY 2011		CY 2010	
	Off-line	Online	Off-line	Online	Off-line	Online
Trainee	187	2,882	-	2,887	20	-
Total Time	8 hrs.	1 hr.	-	4 hrs.	2 hrs.	-

# SHARING OUR VALUES

Woori Investment & Securities is committed to playing our social role of a responsible corporate citizen. We have strengthened our compliance policy and pursued a variety of activities to reinforce customer values. In addition, we have run various programs to enhance our competitiveness and to achieve work-life balance for employees. We also strive for a society where its members lead excellence standard of life through various social contributions.

Customer Value Management	40
Attraction of Talent	45
Social Activities	49
Environmental Activities	52
Compliance	54



CUSTOMER  
VALUE  
MANAGEMENT



Complete Sales of Financial Products

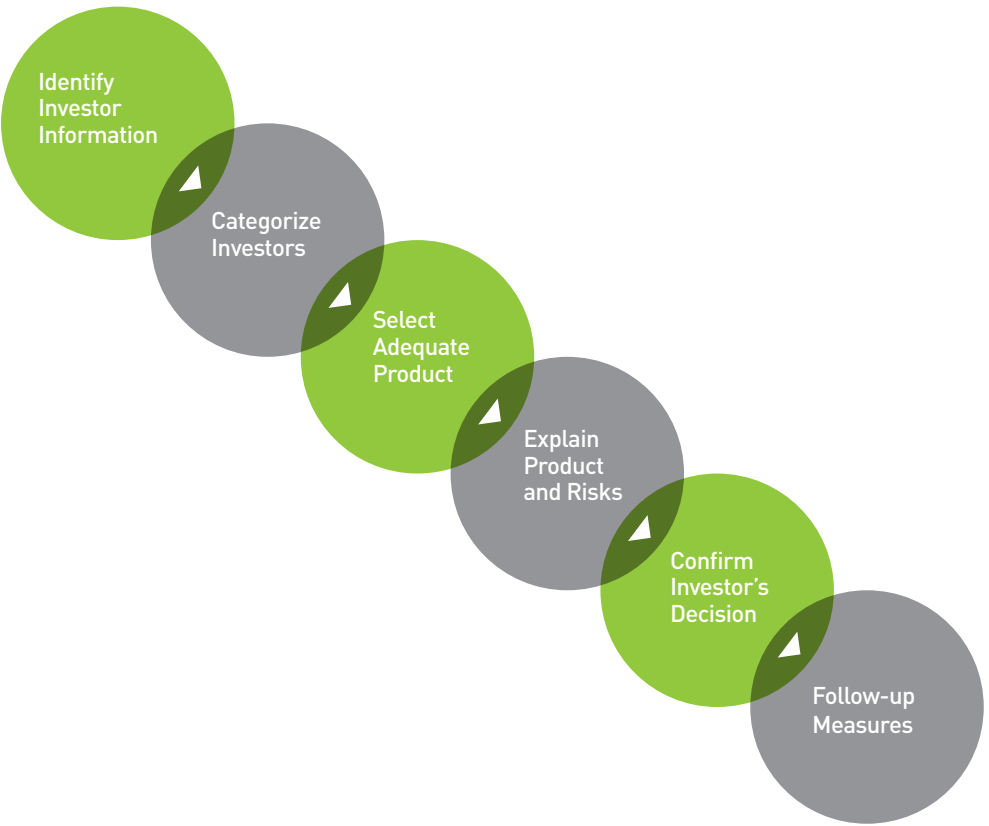
In order to protect the rights of our customers and to foster a proper investment culture, Woori I&S aims for the complete sales of all products. Our employees and executives understand that incomplete sales can damage the trust built with customers over a long period of time, therefore product sales take place under strict procedures.

We make it mandatory for all our employees to provide sufficient clarification of the product including risks, and check whether the customer fully understood the explanation as well as confirm the investor decision before selling the product. Also, in accordance with the Financial Investment Services and Capital Markets Act (FSCMA), customer types and financial products are divided into five categories in order to prevent the recommendation of investment products that are riskier than the investment tendency of the customer.

Moreover, Woori I&S applies high internal standards to complete sales, which is stricter than what is generally required in the industry, thereby promoting appropriate financial product sales practice in the market.

\* Complete Sales : meaning a financial product is sold properly following due process

Complete Sales Process at Woori I&S



Compliance Manager Activities

In every branch, there are Compliance Managers who monitor general compliance activities and confirm product subscription approval. Through such process, we uphold our professionalism and soundness in product sales activities.

Strengthened Product Sales Standards

In order to ensure that an appropriate product is sold, our Customer Asset Management Committee takes into consideration even the credit rating of the product. In addition to the customer investment tendency categories defined by law, the Committee considers previous transaction types and level to provide our customers with an appropriate product. Furthermore, we apply stricter standard in analyzing new product's structure, type, and risk profile. In the case of the oil field fund that was offered recently, senior customers were accompanied with a family member(as a witness) to understand the product's details and risks involved.

Post-Sales Monitoring

Woori I&S operates two organizations separately: one designs and sells products, and the other manages and verifies sales. This structure enables us to provide thorough follow-up measures for products sold regardless conflict of interests. The department in charge of post-sales management continuously monitors as to whether a product is sold following appropriate protocols and procedures. This prevents the sale of inappropriate products early on.



Maximizing Customer Life-Time Value

Woori I&S proactively manages its customer relations to expand the customer base and increase profitability of customer assets, thus maximizing the life-time value of its customers. Customers are divided in accordance with trading stages, thereby encouraging customers on the initial stage of trading to activate investment and re-inviting customers that have withdrawn their investment. In consideration of customers’ investment tendencies and asset size, we designate appropriate service channels and provide adequate services to meet the needs of all customers. Moreover, we provide stratified and differentiated services considering a customer’s current and future value, in order to provide better services suitable for each and every customer.

Customer Classification

Our customers are classified into new, active, and withdrawn depending on the transaction terms and activities. With operations customized to each class – early activation (new), maintenance & expansion (active), and induce new transaction (withdrawn) - a friendly relationship between Woori I&S and its customers can be established early on and maintained for a long period of time.

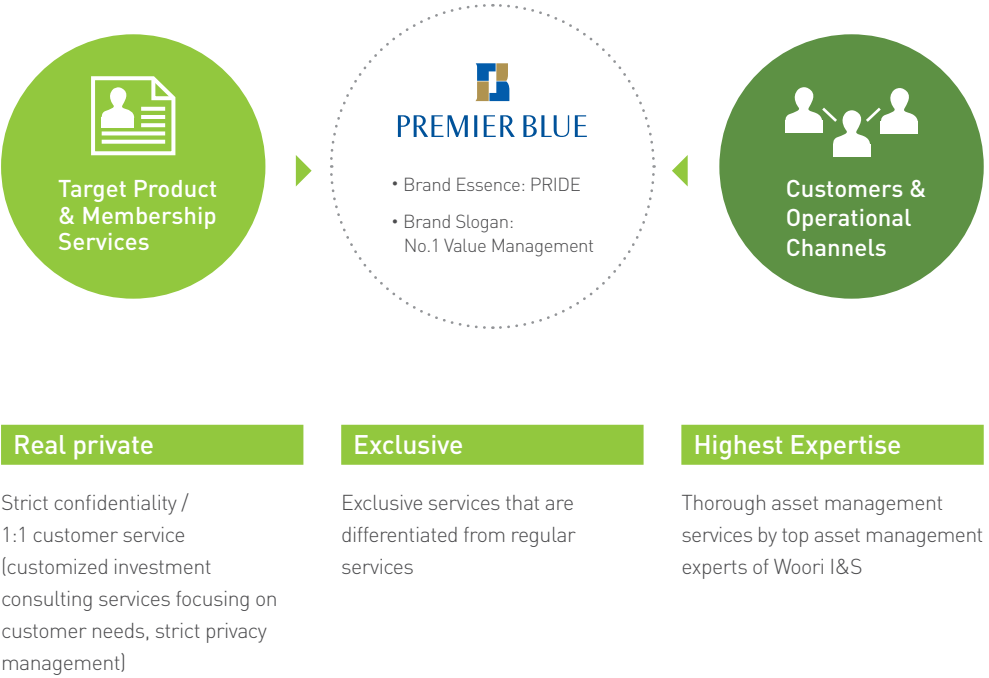
Assignment of Appropriate Service Channels

Our employees manage our customers through tailored services. Employees visit clients who prefer consulting services in person, send e-mails and text messages for those who prefer to buy/sell directly through our system. The establishment of the PB operations allows us to focus on HNWIs, and we have an exclusive service group tailored for various categories of customers.

Preferential Services

Woori I&S categorizes its customers into five classes depending on their current value (income) and future value (asset size). Fee exemption and preferential interests are provided in accordance to customer class. In addition, we take into account the customer’s entire asset invested through the affiliates of Woori Financial Holdings during classification, and we are currently running the “Woori Bonus Family” service whereby customers receive the same services from each of our affiliate company.

Premier Blue



Premier Blue, the main private banking brand of Woori I&S, is a comprehensive asset management and life care brand targeting customers with high level of assets. We opened our very first Premier Blue Center in Gangnam by merging the existing five PB centers in October, 2010. In September 2011, we took over Merrill Lynch Korea’s PB sector and opened the Premier Blue Center Gangbuk branch, integrating Merrill Lynch’s advanced PB system and know-hows into Premier Blue and thereby further strengthened our status as a leading company. As of the end of the year 2012, we re-organized the three wealth management centers into Premier Blue centers, operating five centers collectively.

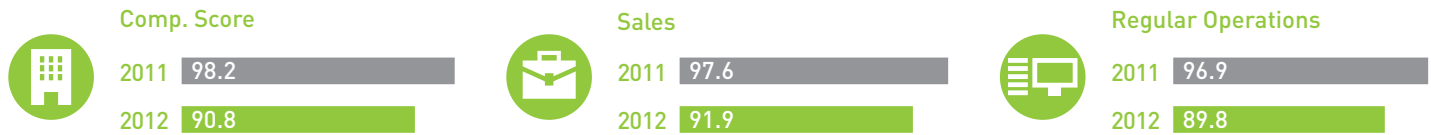
Our Premier Blue centers are comprised of top PBs in the industry. For stable management of our customer assets, these centers provide comprehensive wealth management services including advisory services in tax, inheritance, real estate, and financial consulting. In particular, our global financial service, which includes foreign exchange and hedging tools have strengthened through the acquisition of Merrill Lynch’s PB sector. Thereby we have experienced positive and favorable responses from customers interested in foreign investments. Moreover, we introduced “Art Advisory” service for the first time in the securities industry. In the year 2013, our plan is to focus on providing products for stable asset management in close cooperation with the Future Product Development Department and on enhancing the service quality of Life Care.

With achieving the Top Honors in the PB Awards in 2012 (hosted by Asia Business Daily), Premier Blue is becoming more and more valuable as a premium wealth management brand. By offering our customers with differentiated financial products and services, we seek to provide our customers with top value that matches well with customer pride and confidence, and to strengthen our status as a leader in the domestic PB business.

In-House CS Quality Surveys

In order to provide our customers with better services, Woori I&S conducts an annual CS quality survey, analyzing from various perspectives, such as sales procedure, manners, and consultation skills, we examine our CS competency from the perspective of our customers, come up with improvement tactics and implement them.

In-House CS Quality Survey Results



In 2012, the results from the survey showed that the comprehensive score was 7.4 points lower than the previous year. This is due to the mystery shopping performed throughout the year, not just a certain period of time. Through this effort, we were able to evaluate and improve the CS quality from the perspective of our customers.

\*Mystery shopping: A system by which a supervisory staff visits a branch office acting like an ordinary customer to evaluate the branch's customer service quality from customer's perspectives.

CASE • Surveys by the Financial Supervisory Service

Woori I&S obtained the "Excellent" rating for two consecutive years in the fund sales surveys administered by the Financial Supervisory Service (FSS) in 2010 and 2011. As a result, Woori I&S was exempt in the 2012 survey. FSS administers these surveys in an effort to find out whether the company adequately informs customers during the sales of a fund, regarding risk of capital loss, whether the fund is being sold in favor of other affiliates, etc. Woori I&S also received the "Excellent" rating in the ELS sales survey by FSS. This has served as a fine opportunity for us to let others know that Woori I&S is faithfully fulfilling its duty to protect its investors.



ATTRACTION OF TALENT



BUSINESS ENVIRONMENT

Competition to attract outstanding talents is becoming more fierce due to its essential impact on corporate competitiveness. To attract and train outstanding human resources, Woori I&S is equipped with various specialized training programs.



WHAT WE'VE DONE

Open recruiting, systematic program for human resources development, diverse employees welfare programs.



KEY PERFORMANCE

Annual average training hours per employee      Employee welfare expenditure



Company Fostering Dreams and Visions

Woori I&S's Ideal Human Resource



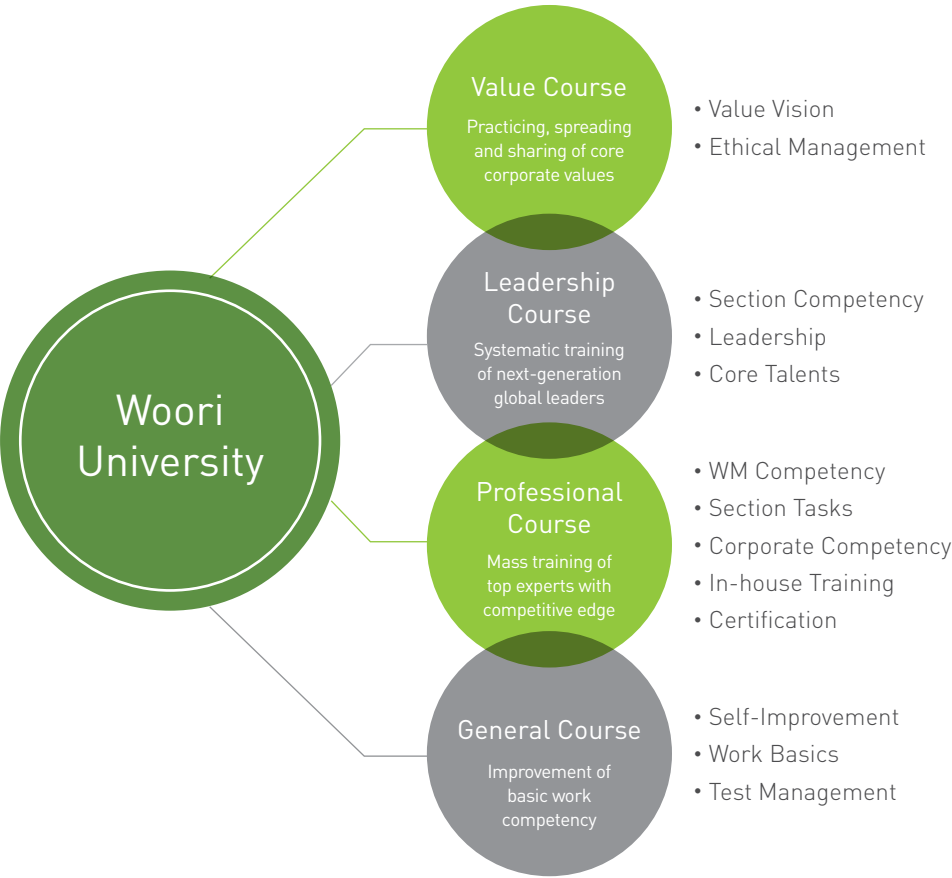
Each employee at Woori I&S strives to become the best in his/her sector. Standing firmly on their conviction of their own infinite potential, all personnel at Woori I&S, employees and executives alike, will continually improve themselves to secure expertise in their field, achieving individual and corporate dreams through cooperation and harmony in the organization.

Open Recruiting

Woori I&S provides equal opportunities to potential candidates, regardless of their educational background or gender. In 2012, we hired twenty-six high school graduates to fill entry level positions. For candidates with disabilities or national merit, we provide wider opportunities. As of March 2013, we have sixteen workers with disabilities and 105 workers with national merit. We plan to further increase the hiring the disabled through events such as Disability Employment Fair. Furthermore, we strongly support the hiring of local citizens, giving advantages to local school graduates when hiring for a local branch. We also have many other employees with diverse backgrounds, displaying outstanding performance and receiving the recognition and reward.

Expert Training Strategies

For the training of talents appropriate for our corporate values and growth strategies, we have established the <Woori University> HRD framework. In this framework, we are sharing the core corporate values, systematically raising leaders, and training the industry’s leading experts.



Value Course

This program is to share values which the company aspires to achieve. Recently, we are emphasizing values related to sustainable management such as the enhancement of corporate ethics and risk management.

Leadership Course

We have provided leadership training programs for employees at different stages of their career and nurtured core talents through our own “leadership pipeline”: “active learner (employee) – self-motivated worker (assistant manager) – creative expert (section chief) – strategic veteran (deputy director) – performing leader (department manager)”.

Professional Course

We are conducting distinguished training programs for each sector for the purpose to prepare employees to become a group of experts who lead the market in their given sector.

General Course

A voluntary training program for the enhancement of basic work competency, the general course offers foreign language training among other things. This is available on mobile devices as well.

Distinguished Training Programs

The financial industry requires highly-trained experts. In addition to the Professional Courses at Woori University, Woori I&S is training specialized experts through various training programs, nurturing them to serve as our core competency factor.

In-House Training School

Through in-house offering, we select employees who wish to be trained as experts and provide training in IB, trading, products, and PB. With in-house teachers and external experts in each sector, this program is offered online as well as offline over the course of three months, with an emphasis on practical knowledge directly related to on-site works. After a certain period of training, the workers may be given with an opportunity to work in the relevant sector after re-configuration of human resources in the company.

MBA Support Program

For the distinguished training and management of core talents, we select outstanding employees with potential and offer part-time MBA programs through many fine Korean universities, so that they can understand changes in business environments and enhance their competence as global leaders.

Wealth Management Expert Training Program

A program established to strengthen the comprehensive financial design competency, this training program comprises four tracks: products, market, services, and life. We are also focusing on providing distinguished brokerage solutions and PB specialization courses.

CASE • Delicious Sandwich

A word that contains the dreams of office workers in Manhattan, “sandwich” is a symbol of a leisurely evening time after an intensive daytime work where workers have quick lunch in their offices, nearby parks, and on benches on the side of the street. In order to achieve our company culture aim, “a company where dreams are fulfilled: company culture where the dreams of workers and the vision of the company are achieved altogether,” Woori I&S holds seminars on a variety of topics. The goal of these seminars is to improve competency through creative thinking by accumulating wide range of knowledge that spans across various sectors and strengthening the observation of major trends. The seminars take place during lunch hours every second Friday of a month. Lectures address various areas including humanities, science, culture, management, philosophy, global issues, art, and other general topics. The topic for each month is selected in advance and the lecturers are selected through employee survey to encourage active participation of our employees.

Employee Welfare

Woori I&S strives to create a cozy and healthy workplace where every employee works with pleasure while managing work-life balance. To this end, we provide our own welfare services inclusive of welfare benefits in general and consulting services for mental health, etc. Furthermore, we conduct a survey of our employees to identify the level of their satisfaction at their work, engagement on tasks and views on the corporate culture, thereby to perform our utmost to foster a corporate culture where everyone works with pleasure and create a competitive corporate atmosphere. Based on survey results, we are pursuing various measures and activities to improve our corporate culture.

EAP (Employee Assistance Program)

Many of those working in the financial industry suffer from mental stress due to the nature of the business. Such stress negatively affects not only work efficiency, but also the creation of a pleasant workplace. By providing company-level support for a variety of issues that arise in the life of our employees, at work or at home, Woori I&S seeks to help restore work-life balance. We also provide professional counseling services to improve employee satisfaction and work efficiency. The counseling services cover non-work-related issues such as marital issues and family issues as well as work-related issues such as conflicts at work, interpersonal relationships, and stress management. This program is available to the employee’s family at no additional cost, and all records from the counseling sessions are kept strictly confidential.

Family Day

At Woori I&S, we believe that happy family life of our employees have positive impacts on work performance. As such, under the motto “Balance of Work and Life”, we are running the “Family Day” program whereby all employees finish work at 5 pm on the second and the fourth Friday of each month. We encourage our employees to spend more time with their family, thereby helping them enjoy decent quality of life at home as well as at work.

Sabbatical Program

In order to improve productivity through adequate rest and to cultivate a culture of enjoying vacation, Woori I&S runs a sabbatical program which offers a one week vacation every five years. Through this program, we seek to give our employees a chance to be refreshed and a chance for self-improvement, so that they can be more enthusiastic and creative after they return to work.

SOCIAL  
ACTIVITIES

**BUSINESS ENVIRONMENT**

There has been much discussion on the issue of social responsibility of corporate citizens. Through a variety of social contribution activities, Woori I&S strives to achieve a business model where the company and the society grow together.

**WHAT WE'VE DONE**

A variety of CSR activities such as volunteer charity work by employees and executives and Woori Angel Funding

**KEY PERFORMANCE**

Volunteer teams in service

Annual pool of Woori Angel Fund I & II

101

KRW

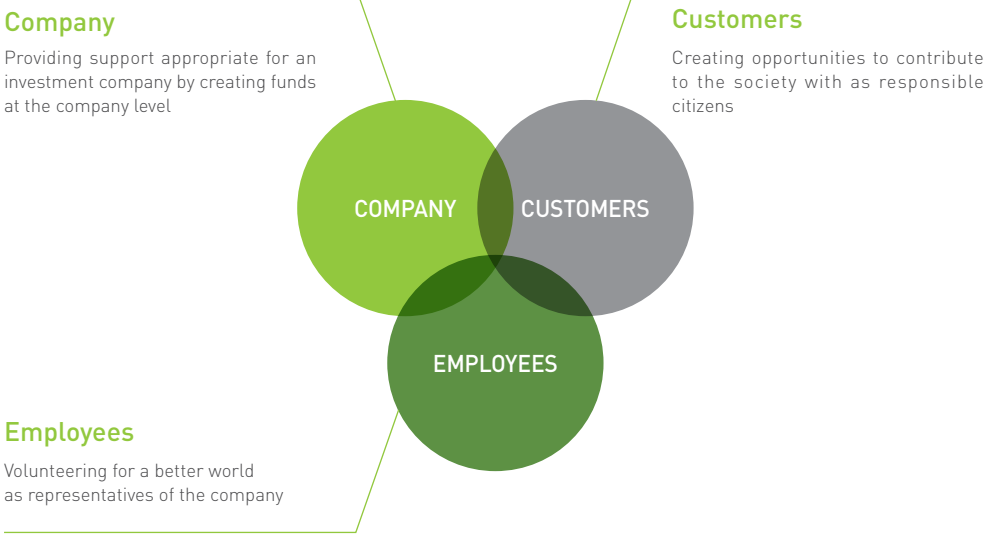
390

million

Our Social Contribution Goal

Our social contribution slogan is “A brighter future with Woori I&S”. This means that we wish to help our customers create a basis for happiness and freedom in the future, and would readily become their friend, neighbor and colleague. We pledge to build a brighter world by sharing happiness with our underprivileged neighbors, and to build a better world by being a friendly neighbor to our customers and the society at large.

Social Contribution Aim



Diverse Social Contribution Activities

Since 2005, Woori I&S has been carrying out social contribution activities through volunteer work by our employees and executives. As a result, we have been able to carry out diverse activities, including “One Company, One Village”, “Hope Tree Scholarship” and “Woori Angel Fund”. In 2011 and 2012, we put together social contribution activity organizations and systems to increase efficiency and encourage employees’ participation. Through this effort, we have been able to carry out our social activities in a systematic manner, having divided our activities into three themes: dreams, hope, and a better tomorrow. Furthermore, by encouraging our employees to contribute to the Woori Angel Fund, and by introducing the social contribution certification system to manage our activities systematically, we are actively practicing our social values of sharing.

Volunteer Activities

CY 2012 volunteer activities

271<sup>times</sup>

CY 2012 donations from Volunteer Mileage

8<sup>times</sup>

Woori Angel Fund Amount or Raised in 2012

Woori Angel Fund I

KRW 205,696,000

Woori Angel Fund II

KRW 186,058,000

Volunteering

Currently, a total of 3,002 employees and executives are participating in volunteer work in 101 volunteer groups. Groups are formed at branches and at the head office to allow as many employees as possible to participate. Also, by structuring our efforts in this way, there is active communication between branch offices and departments, and we are fostering social contribution activities as a corporate culture. For further organized social contribution activities, we created three themes: ‘dreams’(education, child welfare), ‘hopes’(social welfare, local communities), and ‘a better tomorrow’ (green growth environment) to run programs that meet the needs of the local communities.

To enhance the social contribution activities of the 101 volunteer groups, Woori I&S holds annual online votes through its intranet with volunteers and groups to reward outstanding cases. To encourage the culture of sharing, we have also introduced the Volunteer Mileage system whereby, when the cumulative volunteer hours are 50 or over, the company donates KRW 500,000 to a charity organization chosen by employees.

Woori Angel Fund

Since 2005, Woori I&S has been operating the Woori Angel Fund I along with the world-renowned relief organization, World Vision, to bring hopes and love to our underprivileged neighbors and children. With the know-how from managing the Woori Angel Fund I, we established the Woori Angel Fund II managed directly by Woori I&S.

Woori Angel Fund I and II are voluntary contribution systems created to support social contribution activities for the needy, to which our employees and executives contributes a certain portion of their monthly contribution. While the contribution method is the same for Woori Angel Fund I and II, the funds from the Woori Angel Fund I are delivered through World Vision, whereas the funds from the Woori Angel Fund II are delivered through our own donation program.

In making a contribution, employees can freely choose the program and the amount through the company’s intranet. Woori I&S also contributes to the funds through matching grants with an average of KRW 33 million spent on charitable activities every month.

The Woori Angel Fund is fulfilling its role as a reliable source that supports our underprivileged neighbors and children, and becoming a tangible figure of the donation culture to which the company and its employees unite.

Hope Tree Scholarship

In an effort to help underprivileged children living under challenging circumstances and to be able to concentrate on their studies without losing hopes, Woori I&S has been offering its annual scholarships to forty-one high school students with outstanding academic performance since the second half of 2005. Local Woori I&S branch offices set up sisterhood ties with selected scholarship student, and has provided various support programs to nurture them to grow as future leaders.

Octo Junior Camp

Woori I&S hosts Octo Junior Camp to provide financial education to juniors. Octo Junior Camp provides various contents and programs to the children of our customers, including career planning and education on the economy. Marking its eighth year in 2013, the Octo Junior Camp offers suitable educational contents in accordance with children’s education level, by dividing them into two groups: upper elementary and middle school group. This camp provides programs enabling children to learn and obtain knowledge by participating in a variety of activities.

One Company, One Village

As part of the Love Our Farms campaign, Woori I&S has established sisterhood ties with Junam-ri village in the Gyeongbuk province and Soyong village in the Chungbuk province. Each year in May, employees and executives visit Junam-ri to help farming families with the grafting work in orchards. In October of 2012, we helped neighbors in Soyong village with their harvest, sharing the joys of the harvest and bonding friendly ties with the local community. Moreover, through direct trading of local agricultural goods, Woori I&S is practicing the Love Our Farms campaign.

Financial Support for the Underprivileged

‘Smile Micro-credit Financing’ is a project offering self-support assistance and providing small funds without collaterals or guarantees to those having difficulties in accessing official sector financial institutions, thereby providing them with a base for economic independence. Woori I&S has been contributing KRW 500 million annually since 2009, and ‘Woori Smile Financial Foundation’ has donated KRW 40.7 billion in loans as of March, 2013. Woori I&S will continue with such financial support for our financially isolated neighbors.

Second-Hand Clothing Donations

Woori I&S has established a partnership with ‘Otcen’, a non-profit organization registered to the Ministry of Environment, for their ‘Dreaming Sketchbook’ program designed to donate second-hand clothing, and provide support to children in third world countries. Donated clothes are shipped to the third-world countries and sold at a bazaar, and the fundraised from the program are used to provide children with art education and relevant supplies in the developing regions. We plan to further expand our efforts and provide assistance to aid underprivileged neighbors on a regular basis, as part of our diverse social contribution activities. We will also actively carry out other global social contribution activities in the future.



ENVIRONMENTAL  
ACTIVITIES



BUSINESS ENVIRONMENT

The Company’s efforts to protect the vulnerable environment is a primary responsibility of a corporate citizen. Woori I&S will contribute in making a brighter future of the Earth by creating an eco-friendly work environment and through energy conservation and green financial services activities.



WHAT WE’VE DONE

Environmental activities such as energy conservation, Participating in Carbon Disclosure Project (CDP), Social Responsibility Investment (SRI)



KEY PERFORMANCE

Water conservation

Paper conservation

7,840<sup>tons</sup>

12.6<sup>tons</sup>

Eco-Friendly Management

Compared to other industries, the financial industry which Woori I&S operates in has relatively low impact on environment due to the nature of the business. However, Woori I&S recognizes the importance of environmental issues and accepts the responsibility and interest as a member of society.

Against this backdrop, Woori I&S is carrying out various activities focusing on the conservation of energy and other natural resources. Also, by practicing Social Responsibility Investment (SRI), we are reducing pollution and contributing to the development of a variety of alternative energy-generating technologies and industries.

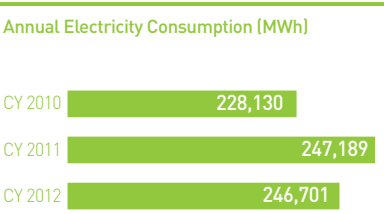
Environmental Activities

Energy Conservation

Woori I&S adheres to the government recommended temperature regulations in all its buildings to reduce excessive use of heating and cooling. We also limit unnecessary lighting of advertising towers and night time lighting, and have replaced guidance lights with LED. These initiatives are part of our efforts to practice energy conservation. We are also consistently pursuing various other activities, such as voluntary called operation of elevator on odd-even floors ensuring the lights are off when leaving work, and turning down the lighting by 50% during lunch times, among others.

Waste Management

The total waste generated by Woori I&S is approximately 240 tons per year and among this waste, more than 50% is processed as recyclables. Moreover, in accordance with the construction waste minimization policies, we store used office equipment and furniture in separate storage spaces at the head office and in Pangyo. Through this effort, when there are any constructions or renovation of branches, we generally use the stored equipment and furniture for 70% or more during that time.



(unit : tons)

Category	CY 2010	CY 2011	CY 2012
Total Waste Produced	240	247	238
• Landfill	100	107	118
• Recyclable	140	140	120

CY 2012 Total Savings from Water Conservation (unit :KRW)

19,780,000

\* KRW 2,523 /ton (average annual water fees)

Paper Use (unit : tons)

CY 2011 75.8 CY 2012 63.2

Water Management

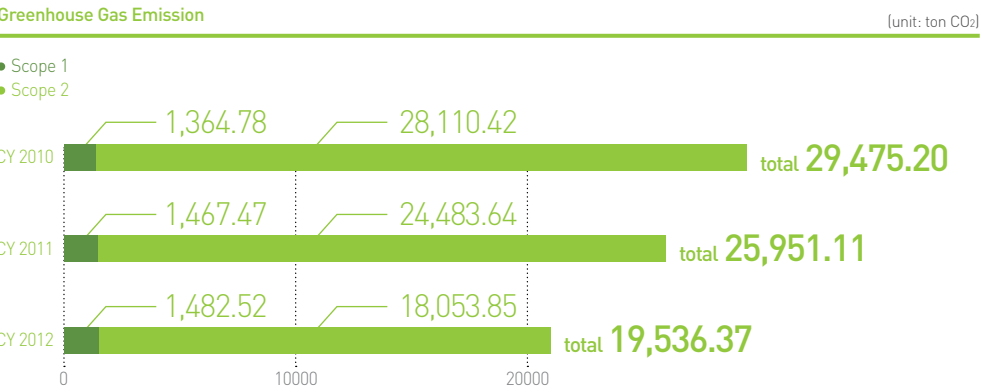
As United Nations designated Korea as a nation with water shortage, Woori I&S is actively pursuing water conservation measures in various ways, such as reducing water pressure in the pipelines. Assuming the hours of water running remains the same as in 2011’s, the total amount of water saving in 2012 is estimated to be 7,840 tons with reduced water pressure.

Responding to Climate Change

Woori Financial Group established a greenhouse gas management system in 2011. Part of the efforts are to reflect the reduction of greenhouse gas emission in the management objectives, and we are doing our part as a industry leader through voluntary management and participation, even though Woori I&S is not required to report these under the government-initiated energy/greenhouse gas target management system. We were also designated by the Korean CDP Commission in 2011 as a carbon management leader in the non-banking industry. Woori I&S will continue to participate proactively in reducing greenhouse gas emissions and take preemptive steps in responding to future changes.

Paper use reduction

With the introduction of electronic transaction systems in 2006 and the mobile office system in 2010, we are improving work efficiency and minimizing the use of unnecessary resources such as paper. Each branch office is also carrying out its own conservation campaign such as using reusable paper, minimizing color printing, error-checking before printing, etc. in order to practice paper conservation in daily operations.



CASE • Environmental Protection through SRI

In cooperation with the Korea Finance Corporation, Woori I&S is operating the Emerging Drive Fund to nurture emerging industries and support reliable companies in relevant industries. Through this effort, we contributed to the R&D support for domestic small and medium size companies making investments in 2011 and 2012 for the purpose of supplying funds for R&D and equipment purchase to Top Engineering, a manufacturer of the next-generation display, OLED. As an iconic eco-friendly product, OLED possesses all three “lows” (low energy consumption, low carbon, low waste) which are essential to green IT. Currently, Top Engineering has been developing new products with the investment fund provided by Woori I&S and its OLED sector is expected to begin generating revenue in earnest during the latter half of year 2013. In addition, we made pre-IPO investments in Wonik Materials, a manufacturer and distributor of solar battery materials, and converted preferred stocks and BW investments in DKT, a chemical process equipment and energy company. In collaboration with Woori Asset Management, we have introduced and are currently selling ‘A2 Fund,’ which invests in companies producing OLED and secondary batteries. Recently, the application of second batteries are not limited to small batteries for mobile devices and IT power supplies, but have also been expanding into areas such as electric cars and power-storage units, making it an iconic eco-friendly business that will replace the conventional fossil fuel business.

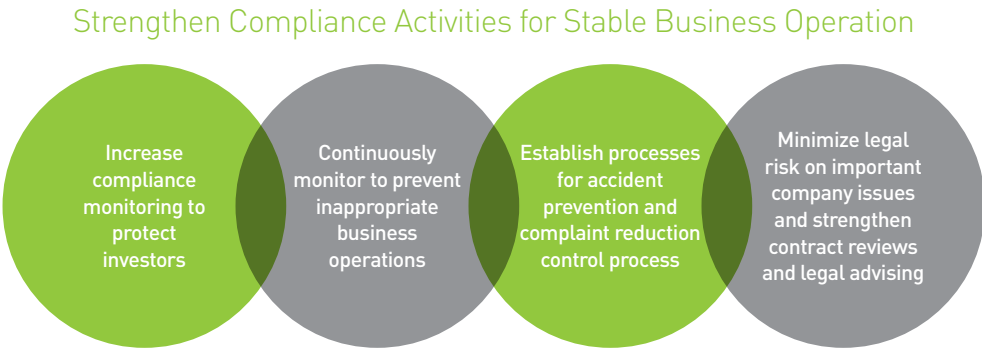
COMPLIANCE



Increased Compliance Activity

Trust with our customers is the fundamental basis for Woori I&S to operate our business. In order to further strengthen this trust, Woori I&S operates compliance department. The compliance department seeks to eliminate corruption fundamentally by establishing internal policies and procedures. In addition, this department heightens the ethical awareness of our employees through training and shares knowledge about relevant regulations. Moreover, the scope of compliance was recently expanded, and the compliance activity was tightened by requiring a preview in releasing new products, producing advertising material, risk management, and changing work processes.

Compliance Strategies



Advanced Investor Protection System

In accordance with the Personal Information Protect Act, we have assigned personal information managers to each department and branch and created a personal information viewing system to enhance the protection of personal information. Also, by inspecting the complete sales process of all branch offices, we have achieved fulfillment in our duty to protect the rights and interests of our investors, and are deducing improvement measures. Moreover, we have established, and are operating, a process whereby any conflicts of interest factors are detected in advance so that our investors do not suffer loss from conflicts of interest, and the transmission of related trading information is reviewed and approved in advance.

Compliance System

We are continually setting and amending compliance standards and guidelines that are appropriate for the work environment. In 2012, we reflected the revision to the Association Model Standard in our internal standards and policies. Outdoor activity policies and Erroneous Sales Protocol were revised and shared with all employees. Furthermore, in order to carry out due diligence for our customers, we introduced a checklist for compliance self-inspection at the head office and support departments, and examined a total of 3,552 items through internal compliance issue pre-deliberation process. Moreover, all employees and executives renew their compliance pledge every year, with 2,944 employees including overseas branches reaffirmed their commitment to compliance.

Financial Crime Prevention System

In accordance with the Act on Reporting and Use of Certain Financial Transactions, we are eliminating any possibilities of money laundering activities that use financial transactions in Korea, and joining the international anti-money laundering efforts by such organizations as the OECD. Woori I&S have established Anti-Money Laundering (AML) system to fortify customer verification process, and we have adopted Transaction Monitoring System (TMS) to screen any suspicious transactions. We also implemented Cash Transaction Reports (CTR) for any high volume cash transactions and actively report to Financial Intelligence Unit (FIU) for any suspicious customers' transaction activities. In addition, we select customers with high level of assets among those having the comprehensive asset management services on a quarterly basis and a person in charge of the report reviews and approves the relevant data of such customers to prevent any risk of money laundering.

Compliance Training

Woori I&S conducts regular training programs annually on compliance-related issues and protocols. In 2012, we operated an on-line training program for all employees, and held twenty-four group sessions for 1,067 employees. In particular, we are striving to provide systematic compliance training by running differentiated and stratified training programs in ethics and compliance suitable for each position, new employees, new employees with previous career backgrounds and newly appointed branch manager.

Proactive Response to Changes in Business Environment

We expect an advent of global IB in the near future. If Woori I&S is to continue to grow as a comprehensive financial investment company, we need to sufficiently establish adequate compliance policies and systems keeping pace with changes and any additions to our business, through updates and in connection with existing systems and policies. By anticipating and proactively responding to the changing business environment, Woori I&S will further solidify its position as a leading company to outpace the industry.



# FINANCIAL SECTION

## MANAGEMENT'S DISCUSSION & ANALYSIS

### GLOBAL & DOMESTIC MARKET ENVIRONMENT

In 2012, the global economy and the financial industry remained in turmoil, due to the aftermath of the global financial crisis. Major economies suffered from sluggish GDP growth and the European fiscal crisis prolonged. However, as major central banks continue to express commitment to boost the economy, and market indicators of the U.S. economy recover, uncertainties over economic prospect is reduced.

Korean economy also encountered challenges as export growth rate declined due to the slow recovery of the European market and emerging markets such as China. Also, as household debt increased and the real estate market weakened, consumption declined. As a result, economic growth slowed down and companies grew reluctant to make new investments.

The total market trading value in the stock market plunged sharply, along with corporate funding demand. Despite the economic slowdown, however, the inflow of abundant liquidity from major economies into the domestic market followed by implementation of quantitative easing policies, boosted bonds and foreign exchange markets, thereby improving credibility of foreign currency and credit standing. Furthermore, the interest rate has dropped twice which led the KOSPI to sustain near 2,000 points.

In the midst of persistent global economic slowdown, we anticipate a gradual recovery due to abundant liquidity and reduction in political uncertainties. Still, many challenges are expected to emerge in the process of European economic recovery, but we expect a robust growth from the U.S. and Chinese economy thanks to stable policy measures by governments and central banks as well as economic stimulus measures to boost and accelerate the domestic economy.

We expect some visible signs of economic recovery in Korea as economic recovery is prospected after the inauguration of the new administration, and as economic stimulus measures would bring positive impact in the economy. In addition, the improvement in the global economic conditions are expected due to increase in export, won value appreciation and interest rate cut, giving rise to the recovery of the domestic economy.

In the stock market, foreign investors' investment sentiment is expected to be weakened due to economic uncertainties and decline in corporate earnings. On the contrary, pension funds such as the National Pension Service are projected to increase the ratio of stocks in their investment portfolio. On the whole, the stock market has negative factors including economic uncertainties and weakened corporate performance, as well as positive factors such as increase in stock valuation and continuous momentum-buy from pension funds. As a result, the stock market is expected be affected by particular economic events rather than overall trading trends.

Regarding the bond market, bond interest rates are expected to be determined according to the extent of economic recovery and external variables. Regarding the overall supply and demand of bonds, we expect the corporate demand of bond investments will continue to increase, but the overall size of bond supply is not likely to be increased simultaneously. Accordingly, interest rate of bonds will be increased within a certain limit. Furthermore, with abundant market liquidity and the demand for blue chip corporate bonds with high yields, we project contraction trend in credit spread for corporate bonds.

PERFORMANCE AND PROSPECT

Due to the overall slowdown in the financial market, we faced many challenges in business expansion in 2012. Although we saw a boost in overall net interest margin, commission from brokerage business significantly declined due to the drop in market trading value. Also, with the decrease in corporate investments, the overall profitability in the IB business has deteriorated as the demand for funding through bond issuance, rights offerings and IPOs declined compared to the previous year and the M&A sector showed a stunted growth.

In order to prevail over the market slowdown, Woori I&S has promoted modification in our business model through advanced financial techniques such as structured and derivative financial products. We have also strengthened our global business with the Global Trading Center (GTC) in Hong Kong subsidiary. Furthermore, in preparation for the centenarian era, we have expanded our customer base centering on high net worth individuals and those who seek for a better retirement-related product and services. Woori I&S has also diversified its business portfolio by exploring new incomes sources including mobile services, securities lending business, and foreign bonds.

With the continued financial uncertainties globally, it will not be easy for Woori I&S to improve its surrounding business environment. In brokerage, intensifying competition amidst the decreased market trading value and the increased low-commissioned mobile trading will pose challenges to the recovery of profitability. We also suspect that the inflow of money to funds will be limited in the wealth management business. We anticipate continued decrease in the sales of equity-type funds (and mixed equity-type funds) with high commissions. As for the IB sector, while a few M&A deals are anticipated in the market due to corporate structural reformations, the prolonged economic slowdown will consequence a challenging M&A market inevitably. Moreover, although we expect a quantitative growth in IPOs in the capital market, the overall IB growth will be limited.

However, in the midst of such market hindrance, we anticipate a variety of business opportunities that may arise in accordance with the market shift. With the upcoming amendment of the Financial Investment Services and Capital Markets Act, we expect a structural growth in the securities industry through the diversification of income sources. In particular, Woori I&S will be able to pursue profitable business with grounds of capital strength and risk management capability.

Furthermore, with the acceleration of baby-boomers retirement and with the “aged society”, we project a full-scale growth in our wealth management businesses. Woori I&S is already preparing for the market demand with the Centenarian Research Center and Premier Blue to assimilate clients seeking retirement related products and high net worth individuals seeking customized financial products. In the wealth management market, we expect a continued growth in the sales of ELS and DLS, which are considered as alternative investment tools to funds and wraps in this volatile market condition. As for the IB sector, we expect an adequate growth in the bonds issuance market with the continued low-interest rate environment, and we also anticipate a growth in the overseas M&A market thanks to the strong KRW. In 2012, Woori I&S was ranked No. 1 in the domestic bond issuance sector and total volume of M&A deals. We have confidence that we will uphold outstanding performance in 2013.

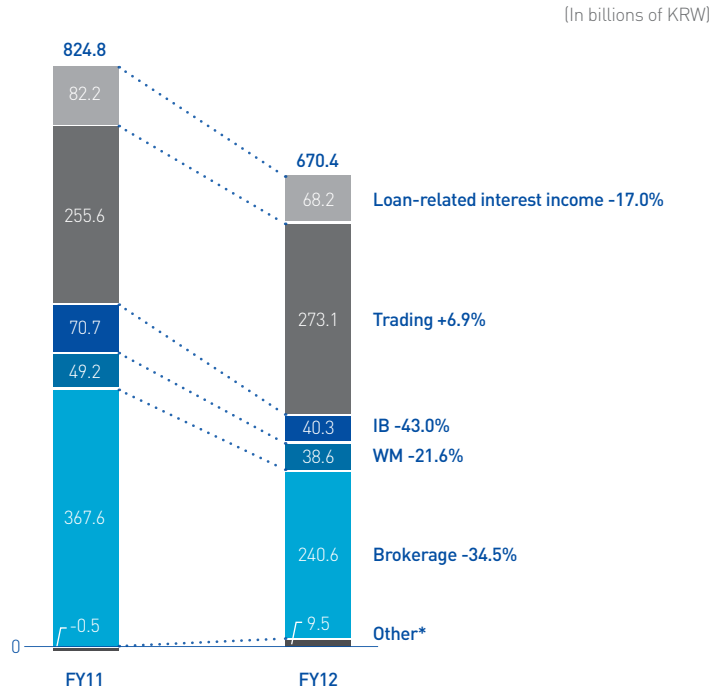
INCOME ANALYSIS

Income Statement							(In billions of KRW)
	FY11	FY12	Change	1Q12	2Q12	3Q12	4Q12
Net Operating Revenue (I) <sup>(1)</sup>	843.9	675.7	-19.9%	169.7	175.4	142.7	187.9
(+) Gain or Loss on Valuation and Disposal of Loans	-19.1	-5.3	-	6.6	2.7	-10.6	-4.1
Net Operating Revenue (II) <sup>(2)</sup>	824.8	670.4	-18.7%	176.4	178.2	132.1	183.8
(-) Sales in General and Admin Expenses	592.9	561.1	-5.4%	153.1	135.9	126.7	145.3
Operating Income	231.8	109.3	-52.8%	23.2	42.2	5.5	38.4
Non-Operating Income	-3.1	-0.5	-	-0.6	0.2	-3.2	3.0
Pretax Income	228.7	108.8	-52.4%	22.6	42.4	2.3	41.5
Net Income	169.8	88.1	-48.1%	19.5	34.4	2.1	32.1
ROE <sup>(3)</sup>	5.4%	2.4%	-3.0%p	2.9%	3.3%	0.2%	3.2%
SG&A Expenses/NOR Ratio <sup>(4)</sup>	71.9%	83.7%	+11.8%p	86.8%	76.3%	95.9%	79.1%
Net Capital Ratio <sup>(5)</sup>	632.7%	591.9%	-40.8%p	575.2%	549.0%	603.0%	591.9%

(1) Net Operating Income Revenue (I) = Operating Income – Operating Expenses [Except Gain or Loss on Valuation and Disposal of Loans and Selling and Administrative Expenses]  
(2) Net Operating Income Revenue (II) = Operating Income – Operating Expenses + Selling and Administrative Expenses  
(3) ROE = [Comprehensive Income Attributable to Controlling Interest \* 4] / [Quarterly Average Equity Capital of Controlling Interest]  
(4) SG&A Expenses/NOR Ratio = Sales in General and Administrative Expenses / Net Operating Revenue (II)  
(5) Net Capital Ratio = Net Capital / Total Risk

Due to the continued global recession and financial turmoil, the overall profitability has decreased compared to FY2011. With the significant decrease in the total market trading value brokerage and other related operations have seen reduced income. This economic slowdown has affected not only corporate finances but the asset management market, as well. Because of this, the Net Operating Revenue of FY2012 stood at 675.7 KRW billion, a 19.9% decrease from FY2011. Sales in General and Administrative Expenses and Non-Operating Income decreased slightly, at KRW 561.1 billion and KRW -500 million respectively. Net Income was at KRW 88.1 billion. In terms of quarterly performance, the profitability turned upward after hitting the bottom in the 3rd quarter. This is giving rise to some expectations for the recovery in performance in 2013 fiscal year, coupled with the positive prospect for the gradual recovery of the global economy.

Net Operating Revenue



\* "Other" includes gain or loss on disposal and valuation of loans/receivables.

With the 30% decrease in total market trading value, the Net Operating Revenue from the brokerage sector, the largest revenue-generator of FY2011, decreased from KRW 367.6 billion in FY2011 to KRW 240.6 billion, a 34.5% decrease. The IB sector and the WM sector have also seen a decrease at 43.0% and 21.6% respectively. Such drops may be attributed to the conservative management practices of companies resulting from the aggravating global economic environment and the sluggish domestic economic recovery, as well as to individual investor's reluctance to make new investments amid the uncertainty in the market.

On the other hand, the trading sector has seen a 6.9% increase compared to FY2011 in Net Operating Revenue with KRW 273.1 billion. This was possible because the trading sector increased the asset size of the client book mainly through Hong Kong GTC and responded efficiently to the market volatility. Loan-related interest income decreased by 17.0%, standing at KRW 68.2 billion compared to FY2011, and we have recorded KRW 9.5 billion in Net Operating Revenue in others sector, including gain or loss on disposal and valuation of loans and receivables.

Sales in General and Administrative Expenses

[In billions of KRW]

	FY11	1Q12	2Q12	3Q12	4Q12	FY12
SG&A Expenses	592.9	153.1	135.9	126.7	145.3	561.1
Labor expenses	352.4	91.6 <sup>(2)</sup>	87.0	72.0	94.6 <sup>(3)</sup>	345.1
IT expenses	8.7	2.4	3.8	1.3	4.6	12.1
Advertising expenses	17.8	4.2	3.0	3.2	3.2	13.6
Misc. commissions	43.4	11.6	6.3	10.5	8.7	37.1
Tax and dues	32.4	6.7	7.6	7.2	7.5	29.0
Others <sup>(1)</sup>	138.2	36.6	28.2	32.5	26.7	124.2
No. of employees	3,057	3,063	3,085	3,089	3,053	3,053

(1) Others include rent, employee training, depreciation, amortization and service commission fees.  
(2) The figure includes backpay in regards to the settlement of wage increase W9.9bn.  
(3) The figure includes incentives W7.2bn.

Sales in General and Administrative Expenses in FY2012 stood at KRW 561.1 billion, a 5.4% decrease from FY2011. Due to the effects of recession, we spent 24% less on advertising (KRW 13.6 billion), and misc. commission and taxes and dues decreased by 15% and 11% respectively compared to FY2011, recording KRW 37.1 billion and KRW 29 billion. Reflecting the aggravated performance, labor expenses were recorded at KRW 345.1 billion, KRW 7.3 billion less than FY2011. During the same term, the number of employees was 3,053, without any significant changes.

Non-Operating Income

[In billions of KRW]

	FY11	1Q12	2Q12	3Q12	4Q12	FY12
Non-Operating Income	-3.1	-0.6	0.2	-3.2	3.0	-0.5
- Gains and Losses on Disposal of Tangibles	-2.2	-0.5	-0.4	-0.7	-0.1	-1.6
- Impairment Losses on Intangibles	0.0	0.0	0.0	-0.9 <sup>(1)</sup>	-0.9 <sup>(1)</sup>	-1.7
- Gains and Losses on Equity Method	15.0	0.0	0.0	0.0	3.0	3.0
- Others	-15.9	0.1	0.6	-1.6	1.0	-0.2

(1) Includes KRW 900 million in impairment loss on intangibles from decrease in FMV of Golf Membership by Woori Futures  
(2) Includes KRW 3 billion in valuation gain on Mars-2 equity method

Non-Operating Income was KRW -500 million, which is improved from KRW -3.1 billion in FY2011. While gains and losses on equity method were recorded at KRW 3 billion, KRW 12 billion less than FY2011, we saw KRW -200 million recognized in "Others" which has improved since KRW -15.7 billion in FY2011.

PERFORMANCE ANALYSIS BY SECTOR

### Investment Banking

**IB Commission Income**

(In billions of KRW)

Category	FY11	FY12
Underwriting	45.7	29.1
Advisory	25.0	11.2
<b>Total</b>	<b>70.7</b>	<b>40.3</b>

**Main Performance**

	FY2011	FY2012
Bond underwriting		
- Total volume (In billions of KRW)	8.4	7.0
- Market share	8.1%	7.7%
Rights offering		
- Total volume (In billions of KRW)	272.5	354.2
- Market share	13.4%	18.6%
M&A		
- Total volume (million USD)	9,355	8,864
- Market share	18.0%	15.9%

### Trading

**Trading Gains and Losses**

(In billions of KRW)

Category	FY11	FY12
Trading-related Interest income	293.5	344.8
Gains and losses on trading	-37.9	-71.6
<b>Total</b>	<b>255.6</b>	<b>273.1</b>

**Overview of Main Balance**

	FY2011	FY2012
Domestic bonds (In trillions of KRW)	8.5	11.1
- Prop. trading	0.4	0.8
- Client book	8.1	10.4
Domestic stocks (In billions of KRW)	269.0	348.5
- Prop. trading	59.5	72.0
- Client book	209.5	276.6
RP Sales (In trillions of KRW)	6.4	6.4
- CMA RP	3.1	2.9
- Others	3.3	3.5

In 2012, Woori I&S was ranked No. 1 in corporate bond underwriting, rights offering, and total volume of domestic M&A deals. Nonetheless, the size of DCM market was decreased by 11%, and ECM market by 47% compared to FY2011, due to the recession in the industry at large. Profit from the IB sector in FY2011 was recorded at KRW 40.3 billion, a 43% decrease. We recorded KRW 29.1 billion in underwriting profit, and KRW11.2 billion in advising, a 36.3% decrease and a 55.2% decrease from FY2011, respectively.

The trading sector achieved a total of KRW 273.1 billion in profit in FY2012, a 6.9% increase from FY2011. The rise in the sales of RP and derivative-combined securities led to an increase in the size of client book, thereby raising the average balance of bond up to KRW 10.9 trillion, a 1.5 trillion increase from FY2011. As a result, the trading-related interest income increased. Moreover, we saw gains in bond valuation resulting from the interest rate drop, and operating gains and losses saw general improvement thanks to the reduced volatility of interest rate.

### Wealth Management

**Commission from Financial Product Sales**

(In billions of KRW)

Category	FY11	FY12
Beneficiary certificates	20.4	18.5
Wrap	19.5	10.7
Trusts	9.4	9.3
<b>Total</b>	<b>49.2</b>	<b>38.6</b>

**Overview of Customer Assets and Sales Volume**

	FY2011	FY2012
Beneficiary certificates year-end balance (In trillions of KRW)	10.4	11.7
- MMF	3.1	3.5
- Bonds	3.6	4.4
- Stocks	1.9	1.8
- Alternative Investments	1.8	2.0
Wrap balance (In trillions of KRW)	4.1	5.6
ELS sales (In trillions of KRW)	4.7	4.6
Retail bond sales (In trillions of KRW)	3.1	2.7

### Brokerage

**Brokerage Commissions (net)**

(In billions of KRW)

Category	FY2011	FY2012
Brokerage M/S (%)	6.9	6.2
M/S in individual market (%)	6.5	6.1

**Main Performance**

	FY2011	FY2012
Average of daily market trading value (In trillions of KRW, ELW excluded)	9.0	6.3
Commission rate (bp)	12.4	12.6

**Reference**

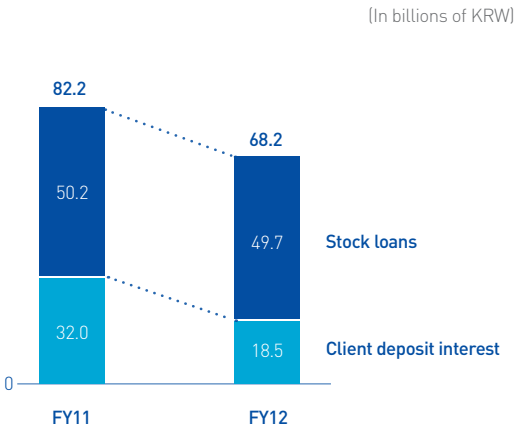
	FY2011	FY2012
Average of daily market trading value (In trillions of KRW, ELW excluded)	9.0	6.3
Commission rate (bp)	12.4	12.6

The wealth management sector recorded KRW 38.6 billion in profit, a 21.6% decrease from FY2011. Commission from Wrap saw a 45% decrease with KRW 10.7 billion, a greater decrease than any other product lines. Regarding fund sales commissions, bond-type funds and AI funds saw increased sales balance, while stock and mixed-stock types funds sales balance saw a slight reduction with a 9.1% decrease from FY2011 at KRW 18.5 billion. The amount of trust commission were maintained at more or less the same level as in FY2011 at KRW 9.3 billion.

Total market trading value in FY2012 saw a 37.1% decrease at KRW 3,165 trillion, compared to the KRW 5,028 trillion in FY2011. Consequently, profit from brokerage also fell to KRW 240.6 billion, a 34.5% decrease from FY2011. With the decrease in the market share of low commission markets such as online TX channels and the ELW market, we saw a decrease in the total market share, standing at 5.9%, a 0.5% decrease from FY2011. However, because of the increase in the commissions from institutional markets while commissions in the individual market remained at a similar level, the total fees saw a slight increase from 11.0 bp of FY2011 to 12.3 bp in FY2012.

Loan-related Interest Income

Loan-related Interest Income



Overview of Main Balance

	(In billions of KRW)	
	FY2011	FY2012
Stock-loan	790.4	904.7
Margin loan	449.3	378.8
Client deposit	1,008.0	934.5

Loan-related interest income, majorly driven by stock-loans, was recorded at KRW 49.7 billion, similar to FY2011. On the other hand, due to the slowdown in the stock market, the average balance of customer deposits and related interest income saw a slight decrease at KRW 18.5 billion, a 42% decrease from FY2011. As such, total loan interest income in FY2012 was recorded at KRW 68.2 billion, a 17% decrease in FY2011.

INDEPENDENT AUDITORS’ REPORT

English Translation of a Report Originally Issued in Korean



To the Shareholders and the Board of Directors of  
Woori Investment & Securities Co., Ltd.

We have audited the accompanying consolidated financial statements of Woori Investment & Securities Co., Ltd. and its subsidiaries (the “Group”). The consolidated financial statements consist of the consolidated statements of financial position as of March 31, 2013 and March 31, 2012, respectively, and the related consolidated statements of comprehensive income, changes in equity and cash flows, all expressed in Korean Won, for the years ended March 31, 2013 and March 31, 2012, respectively. The Group’s management is responsible for the preparation and fair presentation of the consolidated financial statements and 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of March 31, 2013 and March 31, 2012, respectively, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012, respectively, in conformity with Korean International Financial Reporting Standards (“K-IFRS”).

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

June 17, 2013

Notice to Readers

This report is effective as of June 17, 2013, auditors’ report date. Certain subsequent events or circumstances may have occurred between this auditors’ report date and the time the report is read. Such events or circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to the auditors’ report.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF MARCH 31, 2013 AND MARCH 31, 2012

	(Unit: Korean Won in millions)	
	March 31, 2013	March 31, 2012
ASSETS		
Cash and cash equivalents	₩112,215	₩240,644
Financial assets at fair value through profit or loss (Notes 4, 6, 7, 11, 17, 18, 27 and 28)	18,802,662	13,121,335
Available-for-sale financial assets (Notes 4, 6, 8, 11 and 17)	666,317	1,852,328
Investments in associates (Note 9)	149,345	146,319
Derivative assets (hedging) (Notes 4, 11 and 27)	6,763	806
Loans and receivables, net (Notes 4, 6, 10, 11, 16 and 47)	6,955,305	7,080,823
Premises and equipment, net (Notes 12 and 17)	304,554	317,011
Investment properties, net (Note 13)	74,910	78,727
Intangible assets, net (Note 14)	40,551	52,386
Current tax assets (Note 44)	28,904	20,329
Deferred tax assets (Note 44)	1,149	1,522
Other assets (Notes 15 and 16)	85,409	72,757
Total assets	₩27,228,084	₩22,984,987
LIABILITIES		
Deposits due to customers (Notes 4, 11 and 19)	₩1,345,053	₩1,444,114
Financial liabilities at fair value through profit or loss (Note 4, 11, 20, 27 and 28)	8,475,862	7,309,136
Borrowings (Notes 4, 11, 21 and 47)	10,538,654	8,584,478
Debentures (Notes 4, 11 and 22)	998,762	301,024
Other financial liabilities (Notes 4, 11 and 23)	2,269,099	1,747,277
Derivative liabilities (hedging) (Notes 4, 11 and 27)	2,541	6,793
Provisions (Notes 24 and 47)	9,307	9,887
Current tax liabilities (Note 44)	-	1,505
Deferred tax liabilities (Note 44)	64,657	75,261
Other liabilities (Notes 25 and 26)	40,259	55,768
Total liabilities	₩23,744,194	₩19,535,243
EQUITY		
Owners' equity:		
Capital stock (Note 29)	1,120,500	1,120,500
Capital surplus (Note 29)	1,156,640	1,154,395
Other equity (Note 30)	165,538	170,529
Retained earnings (Notes 31 and 32) [the beginning balance of regulatory reserve for credit loss as of March 31, 2013 was ₩18,481 million and the amounts estimated to be appropriated as of March 31, 2013 and March 31, 2012 were ₩10,644 million and ₩18,481 million, respectively]	1,031,728	994,894
	3,474,406	3,440,318
Non-controlling interests	9,484	9,426
Total equity	3,483,890	3,449,744
Total liabilities and equity	₩27,228,084	₩22,984,987

\* See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED MARCH 31, 2013 AND MARCH 31, 2012

	(Unit: Korean Won in millions, except for income per share data)	
	2012	2011
OPERATING REVENUE:		
Fee and commission income (Notes 34 and 49)	₩ 408,571	₩571,003
Gain on financial instruments at fair value through profit or loss (Note 35)	2,570,314	2,202,258
Gain on available-for-sale financial assets (Note 36)	19,585	62,339
Gain on derivative instruments (hedging) (Note 37)	7,527	221
Interest income (Note 38)	723,507	675,719
Gain on loans and receivables (Note 39)	-	592
Gain on foreign currency transaction (Note 40)	78,522	60,114
Other operating revenue (Note 42)	25,927	33,746
	3,833,953	3,605,992
OPERATING EXPENSE:		
Fee and commission expense (Note 34)	73,048	70,990
Loss on financial instruments at fair value through profit or loss (Note 35)	2,656,842	2,258,580
Loss on available-for-sale financial assets (Note 36)	9,398	31,201
Loss on derivative instruments (hedging) (Note 37)	2,410	528
Interest expense (Note 38)	336,986	330,720
Loss on loan and receivables (Note 39)	5,358	19,719
Loss on foreign transaction (Note 40)	72,593	66,213
General and administrative expenses (Note 41)	560,686	592,203
Other operating expense (Note 42)	6,634	2,759
	3,723,955	3,372,913
OPERATING INCOME		
Non-operating income (Note 43)	11,764	23,451
Non-operating expense (Note 43)	12,948	27,833
NET INCOME BEFORE INCOME TAX EXPENSE	108,814	228,697
INCOME TAX EXPENSE (Note 44)	20,713	58,896
NET INCOME	₩88,101	₩169,801
Net income attributable to owner [the net income after the planned reserves provided for the years ended March 31, 2013 and 2012 amount to ₩77,051 million and ₩154,996 million, respectively (Note 32)]	₩87,695	₩166,077
Net income attributable to the non-controlling interests	₩406	₩3,724
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:		
Gain (loss) on valuation of available-for-sale financial assets	₩(2,170)	₩(3,686)
Share of other comprehensive income (loss) on investment in associates	-	(785)
Gain (loss) on valuation of derivative instruments	978	(3,302)
Gain (loss) on overseas business translation	(4,515)	6,304
	(5,707)	(1,469)
TOTAL COMPREHENSIVE INCOME		
Comprehensive income attribute to owners	₩ 82,394	₩168,332
Comprehensive income attribute to non-controlling interests	(310)	2,677
NET INCOME PER COMMON SHARE [In Korean Won] (Note 45)	₩428	₩1,045

\* See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED MARCH 31, 2013 AND MARCH 31, 2012

(Unit: Korean Won in millions)							
	Capital stock	Capital surplus	Other equity	Retained earnings	Owners' equity	Non-controlling equity	Total equity
Balance as of April 1, 2011	₩786,800	₩849,694	₩170,951	₩874,811	₩2,682,256	₩245,550	₩2,927,806
Dividend paid				(45,994)	(45,994)		(45,994)
Total comprehensive income							
Net income				166,077	166,077	3,724	169,801
Other comprehensive income							
Loss on valuation of available-for-sale financial assets			(3,244)		(3,244)	(442)	(3,686)
Share of other comprehensive loss on investment in associates			(416)		(416)	(369)	(785)
Loss on valuation of derivative instruments			(3,302)		(3,302)		(3,302)
Gain on overseas business translation			6,540		6,540	(236)	6,304
Increase in paid-in capital of owner	333,700	300,397			634,097		634,097
Increase in paid-in capital of subsidiaries					-	34,536	34,536
Decrease in paid-in capital of subsidiaries					-	(15,008)	(15,008)
Disposal of treasury stock		2,241			2,241		2,241
Increase of capital surplus		2,063			2,063		2,063
Changes in equity of non-controlling interests						(258,329)	(258,329)
Balance as of March 31, 2012	₩1,120,500	₩1,154,395	₩170,529	₩994,894	₩3,440,318	₩9,426	₩3,449,744
Balance as of April 1, 2012	₩1,120,500	₩1,154,395	₩170,529	₩994,894	₩3,440,318	₩9,426	₩3,449,744
Dividend paid				(50,861)	(50,861)		(50,861)
Total comprehensive income							
Net income				87,695	87,695	406	88,101
Other comprehensive income							
Loss on valuation of available-for-sale financial assets			(2,170)		(2,170)		(2,170)
Share of other comprehensive loss on investment in associates			978		978		978
Gain on valuation of derivative instruments							
Loss on overseas business translation			(3,799)		(3,799)	(716)	(4,515)
Increase in paid-in capital of parent company		23			23	-	23
Disposal of treasury stock		1,927			1,927		1,927
Increase of capital surplus		295			295		295
Changes in equity of non-controlling interests					-	368	368
Balance as of March 31, 2013	₩1,120,500	₩1,156,640	₩165,538	₩1,031,728	₩3,474,406	₩9,484	₩3,483,890

\* See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2013 AND MARCH 31, 2012

(Unit: Korean Won in millions)		
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	₩88,101	₩169,801
Adjustments		
Income tax expense	20,713	58,896
Interest income	(723,507)	(675,719)
Interest expense	336,986	330,720
Dividend income	(17,128)	(20,427)
Distribution income	(3,295)	(4,521)
	(386,231)	(311,051)
Additions of expenses not involving cash outflows:		
Loss on valuation of financial assets held for trading	32,172	29,894
Loss on valuation of financial liabilities held for trading	26,878	12,088
Loss on valuation of financial assets designated at fair value through profit or loss	7,817	52,646
Loss on valuation of financial liabilities designated at fair value through profit or loss	355,855	114,480
Loss on valuation of derivatives instruments	418,254	416,648
Loss on disposal of available-for-sale financial assets	4,306	4,803
Impairment loss on available-for-sale financial assets	5,092	26,398
Loss on valuation of derivative instruments (hedging)	303	390
Bad debt expense	5,358	19,719
Loss on foreign currency translation	22,955	23,891
Salaries	-	2,100
Severance benefits-defined benefit	17,663	19,406
Depreciation	28,768	29,656
Amortization	10,682	10,029
Lease expense	312	1,184
Provisions	628	553
Loss on disposal of premises and equipment	1,851	2,353
Impairment loss on intangible assets	2,741	2,293
Loss on disposal of investments in subsidiaries and associates	2,007	18,056
Other operating costs	2,656	-
Depreciation of investment property	752	715
	947,050	787,302
Deductions of revenues not involving cash inflows:		
Gain on valuation of financial assets held for trading	139,466	92,195
Gain on valuation of financial liabilities held for trading	9,843	11,558
Gain on valuation of financial assets designated at fair value through profit or loss	63,444	13,738
Gain on valuation of financial liabilities designated at fair value through profit or loss	69,701	204,736
Gain on valuation of derivatives instruments	574,369	376,181
Gain on disposal of available-for-sale financial assets	18,781	58,068
Gain on valuation of available-for-sale financial assets	804	-
Reversal of impairment loss on available-for-sale financial assets	-	4,271
Gain on valuation of derivative instruments (hedging)	2,465	221

(Continued)



(Unit: Korean Won in millions)		
	2012	2011
Gain on disposal of loans and receivables	-	592
Gain on foreign currency translation	35,902	37,237
Lease profit	249	-
Reversal of provisions	2,784	3,463
Gain on disposal of premises and equipment	274	130
Share of profits of associates	3,026	14,969
Gain on disposal of investments in subsidiaries and associates	85	-
	921,193	817,359
Changes in operating assets and liabilities:		
Increase in financial assets at designated fair value through profit or loss	₩(5,378,895)	₩(2,592,090)
Decrease in collective fund for default loss	423	1,151
Decrease in derivative assets (hedging)	(3,434)	10,401
Decrease in loans and receivables	120,909	734,247
Increase in other assets	(15,281)	(1,451)
Decrease in deposits due to customers	(96,960)	(50,735)
Increase in financial liabilities at fair value through profit or loss	883,451	2,739,574
(Decrease) increase in other financial liabilities	492,083	(648,081)
(Decrease) increase in derivative liabilities (hedging)	(2,452)	344
Decrease in provisions	(703)	(314)
Decrease in other liabilities	(33,165)	(19,886)
	(4,034,024)	173,160
Cash received (paid for) operating activities:		
Income taxes paid	(41,145)	(67,423)
Interest income received	688,335	627,757
Interest expense paid	(320,320)	(317,673)
Dividend received	18,479	24,610
Distribution income received	3,295	4,521
	348,644	271,792
Net cash provided by (used in) operating activities	(3,957,653)	273,645
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposal of available-for-sale financial assets	1,495,124	1,516,775
Disposal of investments in subsidiaries and associates	24,324	98,362
Dividends received from investments in associates	-	366
Decrease in deposits	16,887	63,112
Disposal of premises and equipment	1,885	4,294
Disposal of investment properties	1,940	-
Disposal of intangible assets	1	196
Disposal of lease assets	2,187	-
Acquisition of available-for-sale financial assets	(298,471)	(1,075,591)
Increase in deposits	(12,515)	(58,974)
Acquisition of premises and equipment	(16,338)	(39,234)
Acquisition of investment properties	-	(7)
Acquisition of intangible assets	(1,223)	(5,973)
Net cash provided by (used in) investing activities	1,213,801	503,326
(Continued)		

(Unit: Korean Won in millions)		
	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES :		
Increase in borrowings	₩990,796,840	₩946,813,190
Decrease in borrowings	(988,836,963)	(947,832,490)
Increase in deposit received	-	2,392
Decrease in deposit received	(633)	(894)
Increase of paid-in capital of subsidiaries	10,887	34,536
Increase of paid-in capital of parent company	23	634,097
Disposal of treasury stock	1,927	-
Increase in debentures	700,000	-
Decrease in debentures	(1,166)	(286,110)
Decrease in paid-in capital of subsidiaries	(1,256)	(15,008)
Dividend	(55,080)	(45,994)
Net cash provided by (used in) financing activities	2,614,579	(696,281)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(129,273)	80,690
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	844	8,584
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	240,644	151,370
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	₩112,215	₩240,644

\* See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED MARCH 31, 2013 AND MARCH 31, 2012

1. GENERAL

(1) Woori investment & Securities Co., Ltd.

Woori Investment & Securities Co., Ltd. (the “Company”) was incorporated on January 16, 1969 to engage in Korea Exchange, underwriting and brokerage services, and operates through 108 domestic branches, 4 domestic offices and 2 overseas offices. The Company merged with LG Merchant Bank Co., Ltd. on October 1, 1999 and changed its name to LG Investment and Securities Co., Ltd. On March 31, 2005, the Company merged with Woori Securities Co., Ltd. and changed its name to Woori Investment & Securities Co., Ltd. The Company’s capital stock as of March 31, 2013 is ₩1,021,145 million for common stock and ₩99,355 million for preferred stock. Major shareholders as of March 31, 2013 are as follows:

	Number of shares		Percentage of ownership (%)	
	Common stock	Preferred stock	Common stock	Preferred stock
Woori Finance Holdings Co., Ltd.	75,426,214	-	37.85	-
Other	123,827,649	18,870,968	62.15	100.00
	199,253,863	18,870,968	100.00	100.00

(2) The financial statements for the Company and its subsidiaries (the “Group”) include the following subsidiaries

Subsidiaries	Capital stock	Main business	Location
Woori Investment & Securities Co., Ltd.			
Woori Futures Co., Ltd.	KRW 25,000 million	Securities investments	Korea
Woori Investment Asia Pte, Ltd.	USD 50,000,000	Securities investments	Singapore
Woori Absolute Global Opportunity Fund (*6)	USD 79.2	Securities investments	Cayman islands
LG Investment Holdings B.V.	EUR 16,423,982	Securities investments	Netherland
Woori Securities (H.K.) Ltd. (*3)	USD 122,500,000	Securities business	China
Connacht Capital Market Investment (*8)	-	Securities investments	Malaysia
Woori Securities Int'l Ltd.	USD 5,788,000	Securities investments	U.K.
Woori Securities America, Inc.	USD 3	Securities investments	U.S.A
Woori CBV Securities Corporation (*1)	VND 135,000 million	Securities business	Vietnam
MARS 1 <sup>st</sup> Private Equity Fund (*9)	-	Other financial business	Korea
MARS 2 <sup>nd</sup> Private Equity Fund (*2)	KRW 282,000 million	Other financial business	Korea
Woori Absolute Partners Pte, Ltd.	USD 5,000,000	Securities investments	Singapore
Woori Korindo Securities Indonesia	IDR 105,020 million	Securities investments	Indonesia
Woori Absolute Return Investment Strategies Fund	USD 300	Securities investments	Cayman islands
KoFC Woori Growth Champ Private Equity Fund (*2, 3)	KRW 72,700 million	Other financial business	Korea
Woori Investment advisory Co.,Ltd (Beijing)	USD 3,208,720.08	Securities investments	China
KAMCO Value Recreation 9th Securitization Specialty Co., Ltd. (*4)	KRW 10 million	Asset securitization	Korea
G3 Pro Short-Term and other beneficiary interest (*10)	-	Beneficiary certificates	Korea
MARS INS First, Ltd. (*9)	-	Other financial business	Korea
Woori Giant First Co., Ltd.	KRW 30,000 million	Other financial business	Korea

Subsidiaries	March 31, 2013		March 31, 2012		The day of Financial statements
	Number of shares owned	Percentage of ownership (%)	Number of shares owned	Percentage of ownership (%)	
Woori Investment & Securities Co., Ltd.					
Woori Futures Co., Ltd.	5,000,000	100	5,000,000	100	March 31, 2013
Woori Investment Asia Pte, Ltd.	50,000,000	100	50,000,000	100	March 31, 2013 (*5)
Woori Absolute Global Opportunity Fund (*6)	7,920	100	44,700	100	February 28, 2013 (*7)
LG Investment Holdings B.V.	1,642,398,242	100	1,642,398,242	100	March 31, 2013 (*5)
Woori Securities (H.K.) Ltd. (*3)	122,500,000	100	22,500,000	100	March 31, 2013 (*5)
Connacht Capital Market Investment (*8)	-	-	15,000,000	100	September 30, 2012
Woori Securities Int'l Ltd.	5,788,000	100	5,788,000	100	March 31, 2013 (*5)
Woori Securities America, Inc.	300	100	300	100	March 31, 2013 (*5)
Woori CBV Securities Corporation (*1)	6,615,000	49	6,615,000	49	February 28, 2013 (*7)
MARS 1st Private Equity Fund (*9)	-	-	1,116,000	52.9	March 31, 2013
MARS 2nd Private Equity Fund (*2)	25,066,666,670	8.9	25,066,666,670	8.9	March 31, 2013 (*5)
Woori Absolute Partners Pte, Ltd.	5,000,000	100	5,000,000	100	March 31, 2013 (*5)
Woori Korindo Securities Indonesia	150,000,000	60	150,000,000	60	March 31, 2013 (*5)
Woori Absolute Return Investment Strategies Fund	30,000	100	30,000	100	February 28, 2013 (*7)
KoFC Woori Growth Champ Private Equity Fund (*2,3)	19,833	27.3	15,819	27.3	March 31, 2013 (*5)
Woori Investment advisory Co., td. (Beijing)	-	95.05	-	100	March 31, 2013 (*5)
KAMCO Value Recreation 9 <sup>th</sup> Securitization Specialty Co., Ltd. (*4)	150	15	150	15	March 31, 2013 (*5)
G3 Pro Short-Term and other beneficiary interest (*10)	-	-	-	-	March 31, 2013 (*5)
MARS INS First, Ltd.(*9)	-	-	4,000	100	March 31, 2013
Woori Giant First Co., Ltd.	3,000,000	100	3,000,000	100	March 31, 2013 (*5)

(\*1) As the Company has controlling power over the entity so as to obtain benefits, the entity is included in the consolidation scope.

(\*2) As the Group has controlling power over the entity so as to obtain benefits, the entity is included in the consolidation scope.

(\*3) For Woori Securities (H.K.) Ltd. and KoFC Woori Growth Champ Private Equity Fund, the number of holding shares has increased due to the paid-in capital increase occurred during the year ended March 31, 2013.

(\*4) Classified as a special purpose entity (“SPE”) and included in the consolidation scope in accordance with Standing Interpretations Committee (“SIC”) No. 2012, considering the activities of the SPE, the decision-making powers, benefits and risks.

(\*5) Provisional settlement data were used, and verification procedure about the reliability on the companies’ financial statements has been conducted.

(\*6) The number of holding shares decreased due to the paid-in-capital decrease occurred during the for year ended March 31, 2013.

(\*7) Provisional settlement data were used, and verification procedure about the reliability on the companies’ financial statements has been conducted.

(\*8) Connacht Capital Market Investment has been excluded from the consolidation scope because of its liquidation as of December 31, 2012.

(\*9) MARS 1st Private Equity Fund and MARS INS First, Ltd. have been excluded from the consolidation scope because of their liquidation as of March 29, 2013.

(\*10) Twins subordinated bonds 1<sup>st</sup> has been excluded from the consolidation scope because of disposal occurred during the year ended as of March 31, 2013.

(3) Summarized financial information of subsidiaries whose financial information is included on the consolidated financial statements, is as follows (Unit: Korean Won in millions):

Subsidiaries	As of and for the year ended March 31, 2013			
	Assets	Liabilities	Operating revenue	Net income
Woori Futures Co., Ltd.	₩457,925	₩379,813	₩34,341	₩5,508
Woori Securities (H.K.) Ltd.	170,285	26,966	18,149	4,278
Woori Investment Asia Pte, Ltd.	49,475	1,358	4,472	547
Woori Absolute Global Opportunity Fund	8,004	41	375	(265)
Woori Absolute Return Investment Strategies Fund	36,211	194	1,941	1,305
Woori CBV Securities Corporation	8,818	1,591	484	(317)
Woori Securities Int'l Ltd.	1,808	249	699	(1,394)
Woori Securities America, Inc.	6,457	93	1,926	(1,385)
Woori Absolute Partners Pte, Ltd.	4,145	11	1,050	(223)
Woori Korindo Securities Indonesia	56,526	42,303	5,015	1,401
LG Investment Holdings B.V.	31,311	5,074	239	(286)
MARS 2 <sup>nd</sup> Private Equity Fund (*2)	235,420	211,750	2,588	5,264
Woori Investment advisory Co., Ltd. (Beijing)	2,292	99	2,617	140
KoFC Woori Growth Champ 2010 No.3 Private Equity Fund (*1, 2)	100,934	78,718	6,849	56
KAMCO Value Recreation 9 <sup>th</sup> Securitization Specialty Co., Ltd.	895	1,552	-	492
G3 Pro Short-Term and collective investment schemes	128	6	1	-
	₩1,170,634	₩749,818	₩80,746	₩15,121

Subsidiaries	As of and for the year ended March 31, 2012			
	Assets	Liabilities	Operating revenue	Net income
Woori Futures Co., Ltd.	₩399,909	₩314,641	₩43,574	₩11,222
Woori Securities (H.K.) Ltd.	31,591	3,103	12,866	1,959
Woori Investment Asia Pte, Ltd.	48,934	193	4,016	(1,090)
Woori Absolute Global Opportunity Fund	48,346	46	1,547	(330)
Connacht Capital Market Investment	25,109	14	783	(60)
Woori Absolute Return Investment Strategies Fund	36,984	1,277	739	268
Woori CBV Securities Corporation	8,797	1,374	949	69
Woori Securities Int'l Ltd.	3,413	396	1,402	(1,157)
Woori Securities America, Inc.	8,070	142	3,600	11
Woori Absolute Partners Pte, Ltd.	4,456	-	1,476	294
Woori Korindo Securities Indonesia	42,592	28,492	4,553	1,523
LG Investment Holdings B.V.	32,534	5,398	359	88
MARS 1 <sup>st</sup> Private Equity Fund (*1)	9,938	4,677	181	(8,370)
MARS 2 <sup>nd</sup> Private Equity Fund	230,199	209,754	945	6,161
Woori Investment advisory Co., Ltd. (Beijing)	1,933	21	158	(1,463)
KoFC Woori Growth Champ 2010 No.3 Private Equity Fund (*1, 2)	80,881	20,377	3,615	1,932
KAMCO Value Recreation 9 <sup>th</sup> Securitization Specialty Co., Ltd.	1,595	2,745	252	(20)
Twins subordinated bonds 1 <sup>st</sup> and others	6,533	111	80	(2,722)
	₩1,021,814	₩592,761	₩81,095	₩8,315

(\*1) Consolidated financial information with MARS INS First, Ltd. and Woori Giant First LLC.

(\*2) Non-controlling interests of MARS 1<sup>st</sup> Private Equity Fund, MARS 2<sup>nd</sup> Private Equity Fund and KoFC Woori Growth Champ 2010 No.3 Private Equity Fund were classified as liabilities.

2. SIGNIFICANT BASIS OF PREPARATION AND ACCOUNTING POLICIES

(1) Basis of Consolidated Financial Statement Preparation

The Group has adopted Korean International Financial Reporting Standards ("K-IFRS") as issued by the International Accounting Standards Board ("IASB") for the annual periods beginning on April 1, 2011. Major accounting policies used for the preparation of the consolidated financial statements are stated below. These accounting policies have been applied consistently to the consolidated financial statements for the current period and accompanying comparative period. The Group's consolidated financial statements have been prepared based on the historical cost method except for specific non-current assets and certain financial assets or liabilities reported at fair value. The consolidated financial statements of the Group were approved by the board of directors on June 12, 2013.

1] The Group has newly adopted the following new and revised standards and interpretations that made changes in accounting policies:

Amendments to K-IFRS 1001 – Presentation of Financial Statements

In accordance with the amendments to K-IFRS 1001, the Group changed the presentation of operating income by deducting cost of sales and general and administration expenses from operating income line items. The Group applied these amendments retroactively for the comparative period and restated the statements of comprehensive income for the years ended March 31, 2013 and March 31, 2012. Accordingly, Interest expense and General and administrative expenses amounting to 580 million Won and 752 million Won for the year ended March 31, 2013, respectively, and 523 million Won and 714 million Won for the year ended March 31, 2012, respectively, were reclassified into non-operating income (expense) from operating income (loss). As a result, operating income increased by 1,332 million Won for the current year and increased by 1,237 million Won for prior year. There was no impact on net income and earnings per share for the year ended March 31, 2013 and March 31, 2012.

Amendments to K-IFRS 1107 Financial Instruments Disclosures – Transfers of Financial Assets

In accordance with the amendments to K-IFRS 1107, the Group discloses the nature of the transferred assets, the nature of the risks and rewards of ownership to which the Group is exposed, the carrying amounts of the transferred assets and the associated liabilities and other requirements for each class of transferred financial assets that are not derecognized in their entirety. In addition, when the Group derecognizes transferred financial assets in their entirety but has continuing involvement in them, the Group discloses the carrying amount of the assets and liabilities that are recognized in the Group's consolidated statements of financial position and the amount that best represents the Group's maximum exposure to loss and others, such information to evaluate the nature of, and risks associated with, the Group's continuing involvement. The Group is in the process of evaluating the impact of the amendments on the consolidated financial statements.

Amendments to K-IFRS 1012 Deferred Tax – Recovery of Underlying Assets

The amendments to K-IFRS 1012 allows that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the Group expect to recover the carrying amount of an asset. Investment properties are measured using the revaluation model under K-IFRS 1040 Investment Property or non-depreciable assets measured using the revaluation model in K-IFRS 1016 Property, Plant, and Equipment, are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted as it could occurred under certain circumstances. The adoption of the amendments has no effect on consolidated financial statements.

Amendments to K-IFRS 2114 – Minimum Funding Requirements

The amendments permit the benefit of such prepayment to be recognized as an asset. The adoption of the amendments has no effect on financial statements.

2} The Group has not applied early the following new and revised K-IFRS early that have been issued but are not yet effective:

**Amendments to K-IFRS 1001 – Presentation of Financial Statements**

The amendments of K-IFRS 1001 requires that other comprehensive income shall be presented and classified by “items” not to be reclassified subsequently to net income and “items” to be reclassified subsequently to net income upon meeting certain conditions. The amendments to K-IFRS 1001 are effective for annual periods beginning on or after July 1, 2012. The Group is in process of evaluating the impact of the amendments on the consolidated financial statements.

**Amendments to K-IFRS 1019 – Employee Benefits**

The amendments to K-IFRS 1019 mainly relate to the elimination of the ‘corridor approach’ permitted under the previous version of K-IFRS 1019. The amendments delete the options to present income (loss) from retirement benefit obligation and plan assets either in comprehensive income or other comprehensive income. The amendments require the Group to disclose the changes in retirement benefit obligation separately into three components service cost, net interest and recognition factor. Service cost and net interest shall be recognized in comprehensive income and recognition factor shall be recognized in other comprehensive income. The amendments to K-IFRS 1019 are effective for annual periods beginning on or after January 1, 2013. The Group is in process of evaluating the impact of the amendments on the consolidated financial statements.

**Amendments to K-IFRS 1032 – Financial Instruments: Presentation**

The amendments to K-IFRS 1032 clarify the existing application issue related to the offset of financial assets and financial liabilities requirements. The Group’s right to set-off must not be contingent upon any future events but enforceable anytime during the contract period in all of the circumstances, i.e. in the event of default, insolvency or bankruptcy of the entity or the counterparties as well as in the ordinary course of business. The amendments to K-IFRS 1032 are effective for annual periods beginning on or after January 1, 2014. The Group is in process of evaluating the impact of the amendments on the consolidated financial statements.

**Amendments to K-IFRS 1107 – Financial Instruments: Disclosures**

The amendments to K-IFRS 1107 are mainly focusing on presentation of the offset between financial assets and financial liabilities. The amendments to K-IFRS 1107 are effective for annual periods beginning on or after January 1, 2013. The Group is in progress of reviewing the effect of the amendments on financial statements as of March 31, 2013.

**Enactment of K-IFRS 1110 – Consolidated Financial Statements**

K-IFRS 1110 establishes a single source of guidance for assessing control of an investee thanks to three combined elements consisting of power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to affect those returns through its power over the investee. K-IFRS 1110 is effective for annual periods beginning on or after January 1, 2013. The Group is in process of evaluating the impact of the amendments on the consolidated financial statements.

**Enactment of K-IFRS 1111 – Joint Arrangements**

The enactment of K-IFRS 1111 classifies a joint arrangement whereby the parties that have joint control into joint operations and joint ventures depending on the rights and obligations of the parties. In case of joint operations, the joint operator accounts for its share of the joint assets, liabilities, revenues and expenses. In case of the joint venturer, joint ventures account for its investment in the joint venture using the equity method. K-IFRS 1111 is effective for annual periods beginning on or after January 1, 2013. The Group is in process of evaluating the impact of the amendments on the consolidated financial statements.

**Enactment of K-IFRS 1112 –Disclosure of Interests in Other Entities**

The enactment of K-IFRS 1112 establishes disclosures requirements for entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. K-IFRS 1112 is effective for annual periods beginning on or after January 1, 2013. The Group is in process of evaluating the impact of the amendments on the consolidated financial statements.

**Enactment of K-IFRS 1113 – Fair Value Measurement**

The enactment of K-IFRS 1113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The enactment defines fair value, establishes a framework for measuring fair value and requires extensive disclosures about fair value measurements. K-IFRS 1113 is effective for annual periods beginning on or after January 1, 2013. The Group is in process of evaluating the impact of the amendments on the consolidated financial statements.

**(2) Basis of Consolidated Financial Statement Preparation**

The consolidated financial statements incorporate the financial statements of the Group and entities (including special purpose entities) controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. The carrying amount of non-controlling interests is adjusted to reflect their proportional share of changes in equity subsequent to the initial recognition. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those adopted by the Group.

All intra-group transactions, related assets and liabilities, income and expenses are eliminated in full on consolidation.

Changes in the Group’s ownership interests in subsidiaries without loss of control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the owners’ 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 owners of the Group.

When the Group loses control of a subsidiary, the 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 profit 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 net income 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 1039 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

**(3) Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets transferred by the Group at the acquisition date, liabilities incurred by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in net income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 Income Taxes and K-IFRS 1019 Employee Benefits respectively;

Goodwill is measured as the excess of the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer’s previously held equity interest in the acquire over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer’s previously held interest in the acquiree (if any); the excess is recognized immediately in profit or loss 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 or, when applicable, on the basis specified in another K-IFRS.

When a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is remeasured to 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. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to net income where such treatment would be appropriate if that interest were disposed of. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (within a year after the acquisition date), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

**(4) Investments in associates**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate making decision on the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence is generally presumed to exist when the Group holds 20% or more, but less than 50%, of the voting rights. The net income of current period and the financial results of 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 an associate 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 associate and any impairment. When the Group’s share of losses of an associate 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 associate. 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 an associate 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. Upon a loss of significant influence over an associate, the Group discontinues the use of the equity method and measures at fair value of any investment that the Group retains in the former associate 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 39 Financial Instruments; Recognition and Measurement. The Group accounts for all amounts recognized in other comprehensive income in relation to that associate on the same basis as would be required if the associate 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. The requirements of K-IFRS 1039 Financial Instruments: Recognition and Measurement 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 an associate. 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 and 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. When the Group transacts with its associates, unrealized profits and losses resulting from the transactions with the associates are eliminated to the extent of interests in the associate.

**(5) Goodwill**

Goodwill is recognized as the acquisition cost less accumulated impairment loss at the date of acquiring control (acquisition date). For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (“CGU”) expected to benefit from the synergies of the combination. A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis based on the carrying amount of each asset in the CGU. Any impairment loss for goodwill is recognized directly in net income in the consolidated statement of income. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of a subsidiary, the relevant amount of the related goodwill is included in the determination of the gain or loss on disposal. The group’s accounting policy for goodwill related to acquisition of the associates is described in Note 2 (4).

**(6) Accounting for foreign currencies translations**

The individual financial statements of each entity of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity of the Group are expressed in Currency Units (CU), which are the functional currency of the company and the presentation currency for the consolidated financial statements. In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated. Exchange differences are recognized in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Note 2 below for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group’s foreign operations are expressed in Currency Units using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). On the disposal of a foreign operation (i.e. a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognized, but they are not reclassified to profit or loss.



In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests in equity and are not recognized in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. The Group identifies the most appropriate functional currency for each foreign operation based on the foreign operation’s activities. If Korean Won is not the foreign operation’s functional currency, its assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated into Korean Won at foreign exchange rates at the end of each reporting date while the revenues and expenses are translated into Korean Won at average exchange rates for the period unless these do not approximate to the foreign exchange rates at the dates of the transactions. Foreign exchange differences arising on the translation of a foreign operation are recognised directly in equity and included in net income on its disposal.

**(7) Financial assets**

All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. 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. Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (“FVTPL”), held-to-maturity (“HTM”) investments, available-for-sale (“AFS”) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

**1) Effective interest method**

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

**2) Financial assets at FVTPL**

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL upon initial recognition. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling it in near term. Every financial instrument, containing one of more embedded derivatives, treated separately from the host contract, is classified as held for trading if it is a derivative that is not designated and effective as a hedge instrument or not a financial guarantee contract. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Transaction costs attributable to acquisition upon initial recognition are immediately recognized in profit or loss in the period occurred.

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its
- performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or
- investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and K-IFRS 1039 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the other gains and losses line item in the Statement of Income.

**3) HTM investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as HTM investments. HTM investments are measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

**4) AFS financial assets**

Non-derivatives financial assets that are not classified as at held-to-maturity; held-for-trading; designated as at fair value through profit or loss; or loans and receivables are classified as at financial assets AFS. Financial assets can be designated as ale on initial recognition. Financial assets AFS are initially recognized at fair value plus directly related transaction costs. They are subsequently measured at fair value. Unquoted equity investments whose fair value cannot be measured reliably are carried at cost. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on AFS equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established. The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.



5) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

6) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group’s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables. For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

7) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. 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. In case of removing the all financial assets, the difference between value received and sum of the cumulative gain or loss recognized in other comprehensive income (loss) and book value is recognized in profit or loss.

8) Fair value of financial assets

Derivatives, financial assets and liabilities held for trading, AFS financial assets are recognized at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. The fair values of quoted financial instruments in active markets are based on bid prices. If there is no active market for a financial instrument such as non-marketable equity securities, the Group establishes the fair value using valuation techniques. These include the use of recent arm’s length transactions, reference to the current fair value of similar transactions and discounted cash flow analyses. Fair value measurement methods for each type of financial instruments are as follows:

Classification	Fair value measurement technique
Securities	Securities are measured at fair value using a price quoted by a third party, such as a pricing service or using valuation techniques.
Loans and receivables	Loans and receivables are measured by discounting expected future cash flows at a market interest rate of other loans with similar condition.
Derivatives	Derivatives are measured at fair value using a quoted market price in an active market. If a quoted market price is not available, they are measured at fair value using valuation techniques. Valuation techniques are including recent deals made between independent parties who are willing to deal with the reasonable judgment, reference from the current fair value of substantially similar to other instruments if it can be used, discounted cash flow method and option pricing models.
Deposits due to customers	Fair value measurement for deposits due to customers is classified by maturity date. However, if the carrying value is not significantly different from the fair value, it assumes that the carrying value is equal to the fair value.
Borrowings	Borrowings are measured by discounting expected future cash flows using current market rate.
Debentures	Debentures are measured by discounting expected future cash flows using current market rate.

(8) Financial liabilities and equity instruments

1) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

2) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

3) Financial Liabilities

All financial liabilities are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities measured at amortized cost.

4) Financial liabilities at FVTPL

Financial liabilities are classified at FVTPL when the financial liabilities is either held for trading or designated as at FVTPL. A financial liability is classified as held for trading if it meets one of the following criteria:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a recognition or measurement inconsistency that would otherwise arise;
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and K-IFRS 1039 “Financial Instruments: Recognition and Measurement” permits the entire hybrid (combined) contract to be designated as at FVTPL.

5) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

6) Derecognition of financial assets

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire.

(9) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in such case the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either as hedges of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations (net investment hedges).

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

1) Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realized or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

2) Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

3) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the statement of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

4) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the ‘other gains and losses’ line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the income statement as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss.

When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

5) Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the ‘other gains and losses’.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss in the same way as exchange differences relating to the foreign operation.

(10) Lease

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) As a lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group’s net investment in the leases being the minimum lease payments and any unguaranteed residual value discount interest rate implicit in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term. Operating lease assets are included within premise and equipment and depreciated over their useful lives.

2) 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 statements of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as 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.

(11) Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in carrying amount of an asset or as an asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

The Group does not depreciate land and certain tangible assets. Depreciation expense is computed using the straight-line method based on the estimated useful lives of the assets as follows:

Estimated useful lives	
Buildings and structures	40 years
Delivery equipment or vehicles	4 years
Equipment	4 years

If each part of an item of property, plant and equipment has a cost that is significant in relation to the total cost of the item, it is depreciated separately.

The Group reviews the depreciation method, the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

In addition, when an acquisition of a tangible asset occurs free-of-charge or at a value less than fair market value, due to government subsidy, the acquisition cost less government subsidy is recorded as the acquisition cost upon initial acquisition and depreciation expense is calculated based on the carrying amount.

(12) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are recognized in carrying amount of an asset or as an asset if it is probable that future economic benefits associated with the assets will flow into the Group and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

Amongst the investment properties, land is not depreciated. However, investment properties other than land are depreciated over 10-40 years of their useful lives using the straight-line method.

The depreciation method, residual value and useful lives of investment properties are reassessed or reviewed at the end of each annual reporting period, and any changes from them are treated as change in accounting estimates.

(13) Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

2) Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

(14) Impairment of non-monetary assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount for an individual asset cannot be estimated, recoverable amount is determined for the CGU. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is immediately recognized as an expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(15) Bonds under resale or repurchase agreements

Bonds purchased under resale agreements are recorded as loans and bonds sold under repurchase agreements are recorded as borrowings when the Group purchases or sells securities under resale or repurchase agreements.

Interests incurred on resale or repurchase agreements are reported as interest income or expense.

(16) Securities in short position

The Group has the short selling transaction. When the Group borrowed securities, the Group recognized securities in short position and when the Group sells the securities, the securities are recognized as securities in short position. The difference between the selling price and buying price when buy and redeem is recognized as gain or loss on financial assets held for trading. Also, the difference between fair value and carrying value of the securities in short position is recognized as gain or loss on valuation of securities in short position.

(17) Employee benefits

1) Short-term employee benefits

The Group recognizes the undiscounted amount of short-term employee benefits expecting payment in exchange for the services, when employee renders services. Also, the Group recognizes expenses and liabilities in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences. Though the Group may have no legal obligation to pay a bonus, considering some cases, the Group has a practice of paying bonuses. In such cases, the Group has a constructive obligation, and thus the Group recognizes expenses and liabilities when the employees render service.

2) Retirement benefits

The Group operates defined benefit plans. For defined benefit plans, the liability recognized in the consolidated statements of financial position is the present value of the current defined benefit obligation at the date of the consolidated statements of financial position, less the fair value of plan assets, as adjusted for unrecognized past service cost.

The defined benefit obligation is calculated on an annual basis by independent actuaries according to the projected unit credit method. The present value of defined benefit obligations is expressed in a currency in which retirement benefits will be paid and is calculated by discounting expected future cash outflows with the interest rate of high quality corporate bonds which maturity is similar to the payment date of retirement benefit obligations.

Actuarial gains and losses arising from the differences between changes in actuarial assumptions and what has actually occurred are recognized in net income in the period in which they occur.

3) Termination benefits

Termination benefits are paid when employment is involuntarily terminated by the Group before the normal retirement date or an employee accepts voluntary retirement in exchange for benefits. The Group recognizes termination benefits when employment is terminated based on detailed formal plans or voluntary retirement is encouraged, providing termination benefits. Termination benefits are discounted at present value when they are due more than 12 months after the reporting date.

(18) Share-based payment

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

(19) Current tax payable and deferred tax

Income tax consists of current tax and deferred tax.

1) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(20) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

(21) Interest income and expense recognition

The Group recognizes interest income and expenses from HTM financial assets measured at amortized cost, loans and receivables, and other financial liabilities on an accrual basis using the effective interest method. Effective interest method is the method of calculating the amortized cost of financial assets or liabilities and allocating the interest income or expense over the relevant period. The effective interest rate reconciles the expected future cash in and out through the expected life of financial instruments or shorter period if appropriate, and net carrying value of financial assets or liabilities.

(22) Earnings per share (“EPS”)

Basic EPS is calculated by earnings subtracting the dividends paid to holders of preferred stock and hybrid securities from the net income attributable to ordinary shareholders from the statements of comprehensive income and dividing 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.

(23) Others

The group recognized transaction income and loss of the derivatives in connection with the swap as the total amount until the first quarter, but changed it as net amount from the second quarter. As a result of this alteration, changes in value and sales of financial assets and liabilities have been reduced by 40,946 million, respectively. The financial statement presented for comparative purposes reflects the effect of the account reclassification and there is no impact on the net assets and net profit.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTION

In the application of the Group’s accounting policies described in note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may be different from those estimates. The estimates and underlying assumptions are continuously reviewed. The changes in accounting estimates are recognized in the period in which the estimate is changed if the change affects only that period, or in the period of change and future periods if the change affects both current and future periods.

(1) Impairment of goodwill

The Group performs impairment test of goodwill annually or more frequently when there is indication that a CGU may be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group’s management to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value.

(2) Fair value of financial instruments

Described in notes 11, the Group individually recognizes an impairment loss on financial assets by assessing the occurrence of loss events or it assesses impairment for a group of financial assets with similar credit risk characteristics. Notes 11 provides sensitivity analysis about Impairment loss for financial assets is the difference between such assets’ carrying value and the present value of estimated recoverable cash flows. The estimation of future cash flows requires management judgment.



**(3) Impairment loss on financial assets**

The Group performs impairment test of goodwill annually or more frequently when there is indication that a CGU may be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group’s management to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value.

**(4) Defined Benefit Plan**

Financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments. Financial liabilities are initially measured at fair value. Transaction cost that are directly attributable to the issue of financial liabilities are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction cost directly attributable to acquisition of financial liabilities at fair value through profit or loss are recognized immediately in net income.

**(5) Deferred tax**

Deferred tax assets and liabilities are recognized and measured based on management’s judgment. In particular, whether or not to recognize deferred tax assets and the scope of recognition are determined by assumptions on future circumstances and possibility of realization.

**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, determine the level of risks to be accepted, or to manage the risks.

The Group’s risk management procedure is set for improvement in the quality of assets held and investments by making a decision about how to avoid or mitigate risks through the identification of the cause of the potential risk and its scope.

The Group takes the approach to minimize risk and maximize it profit by managing risks to an acceptable level and eliminating excessive risks of financial instruments. For this, the following procedures are performed: risk recognition, measurement and assessment, control, and monitoring and reporting.

The risk is managed by the risk management department based on the Group’s policy. The Risk Management Committee of the Group makes the decision on the risk strategy such as allocation of risk assets and limit settlement.

**(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 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 counterparty’s default risk.

**2) Credit line management**

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

**3) Credit risk mitigation**

The Group mitigates credit risk resulting from the obligor’s credit condition by using financial and physical collateral, guarantees, netting agreements and credit derivatives.Maximum exposure to credit risk.

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

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

		March 31, 2013	March 31, 2012
Loans and receivables	Government	₩90,000	₩-
	Banks	3,883,184	3,505,413
	Corporates	1,671,193	1,467,682
	Consumers	1,310,928	2,107,728
	Subtotal	6,955,305	7,080,823
Financial assets at FVTPL	Debt securities for trading	15,689,975	9,844,920
	Derivative assets	582,840	516,848
	Subtotal	16,272,815	10,361,768
AFS financial assets	AFS debt securities	122,656	1,338,736
Derivative assets (hedging)	Currency derivatives	6,763	806
Off-balance sheet	ABCP purchase (*)	338,300	556,500
Total		₩23,695,839	₩19,338,633

(\*) Composed of ABCP purchase agreement and purchase agreement of beneficiary certificate

**5) Credit risk of loans and receivables**

The credit risk of loans and receivables by loan conditions are as follows (Unit: Korean Won in millions):

March 31, 2013							
	Corporate						
	Government	Bank	General	Small & Medium	Subtotal	Consumer	Total
Loans neither overdue nor impaired	₩90,000	₩3,883,184	₩1,355,398	₩213,061	₩1,568,459	₩1,305,776	₩6,847,419
Loans overdue but not impaired	-	-	-	-	-	5,125	5,125
Impaired loans	-	-	74,703	65,818	138,891	1,931	141,822
Gross loans	90,000	3,883,184	1,429,471	278,879	1,708,350	1,312,832	6,994,366
Provisions for credit losses	-	-	17,100	20,056	37,156	1,904	39,060
Total, net	₩90,000	₩3,883,184	₩1,412,371	₩258,823	₩1,671,194	₩1,310,928	₩6,955,306

March 31, 2012							
	Corporate						
	Government	Bank	General	Small & Medium	Subtotal	Consumer	Total
Loans neither overdue nor impaired	₩-	₩3,505,413	₩1,138,119	₩184,399	₩1,322,518	₩2,099,249	₩6,927,180
Loans overdue but not impaired	-	-	-	-	-	7,130	7,130
Impaired loans	-	-	43,435	168,890	212,325	7,333	219,658
Gross loans	-	3,505,413	1,181,554	353,289	1,534,843	2,113,712	7,153,968
Provisions for credit losses	-	-	17,929	49,231	67,160	5,984	73,144
Total, net	₩-	₩3,505,413	₩1,163,625	₩304,058	₩1,467,683	₩2,107,728	₩7,080,824



a) Credit quality of loans and receivables

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

	March 31, 2013						
	Corporate						Total
	Government	Bank	General	Small & Medium	Subtotal	Consumer(*1)	
Investment grade(*2)	₩90,000	₩3,883,184	₩1,355,331	₩212,645	₩1,567,976	₩1,305,756	₩6,846,916
Non-investment grade(*3)	-	-	-	-	-	-	-
Total	₩90,000	₩3,883,184	₩1,355,331	₩212,645	₩1,567,976	₩1,305,756	₩6,846,916
Value of collateral	-	-	-	-	-	4,656,412	4,656,412

	March 31, 2012						
	Corporate						Total
	Government	Bank	General	Small & Medium	Subtotal	Consumer(*1)	
Investment grade(*2)	₩-	₩3,505,413	₩1,137,958	₩184,396	₩1,322,354	₩2,099,228	₩6,926,995
Non-investment grade(*3)	-	-	-	-	-	-	-
Total	₩-	₩3,505,413	₩1,137,958	₩184,396	₩1,322,354	₩2,099,228	₩6,926,995
Value of collateral			538,733	-	538,733	5,165,429	5,704,162

(\*1) Amount after deducting allowance for doubtful accounts  
(\*2) Classified from AAA to BBB for corporates, from level 1 to level 6 for consumers by the internal credit rating  
(\*3) Classified from BBB- to C for corporates, from level 7 to level 10 for consumers by the internal credit rating

b) Aging analysis of loans and receivables that are overdue but not impaired are as follows (Unit: Korean Won in millions):

Overdue	March 31, 2013				
	Government	Bank	Corporate(*)	Consumer(*)	Total
	₩-	₩-	₩-	₩5,105	₩5,105
Less than 30 days	₩-	₩-	₩-	₩5,105	₩5,105
30 to 60 days	-	-	-	-	-
60 to 90 days	-	-	-	-	-
Total	₩-	₩-	₩-	₩5,105	₩5,105
Value of collateral	-	-	-	6,507	6,507

Overdue	March 31, 2012				
	Government	Bank	Corporate(*)	Consumer(*)	Total
	₩-	₩-	₩-	₩6,957	₩6,957
Less than 30 days	₩-	₩-	₩-	₩6,957	₩6,957
30 to 60 days	-	-	-	172	172
60 to 90 days	-	-	-	1	1
Total	₩-	₩-	₩-	₩7,130	₩7,130
Value of collateral	-	-	-	2,772	2,772

(\*) Amount after deducting allowance for doubtful accounts

c) Individually impaired loans and receivables

Considered as impaired loans and receivables by the Group are as follows (Unit: Korean Won in millions):  
The collateral value held is the collateral-allocated amount used when calculating the respective provision for loan loss.

	March 31, 2013						
	Government	Bank	General	Small & Medium	Subtotal	Consumer(*1)	Total
	₩-	₩-	₩ 57,040	₩46,177	₩103,217	₩67	₩103,284
Impaired loans	₩-	₩-	₩ 57,040	₩46,177	₩103,217	₩67	₩103,284
Value of collateral	-	-	71,830	68,579	140,409	-	140,409

	March 31, 2012						
	Government	Bank	General	Small & Medium	Subtotal	Consumer(*1)	Total
	₩-	₩-	₩25,666	₩119,662	₩145,328	₩1,370	₩146,698
Impaired loans	₩-	₩-	₩25,666	₩119,662	₩145,328	₩1,370	₩146,698
Value of collateral	-	-	27,768	165,480	193,248	3	193,251

(\*) Amount after deducting allowance for doubtful accounts

6) Credit quality of debt securities

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

Grade	March 31, 2013		
	FVTPL (held for trading)	AFS financial assets	Total
	₩11,946,839	₩51,354	₩11,998,193
(1) AAA	₩11,946,839	₩51,354	₩11,998,193
(2) AA--AA+	2,960,064	-	2,960,064
(3) BBB--A+	765,164	67,334	832,498
(4) C--BBB-	-	-	-
(5) Lower than D	17,908	3,968	21,876
Total	₩15,689,975	₩122,656	₩15,812,631

Grade	March 31, 2012		
	FVTPL (held for trading)	AFS financial assets	Total
	₩8,265,008	₩1,205,041	₩9,470,049
(1) AAA	₩8,265,008	₩1,205,041	₩9,470,049
(2) AA--AA+	821,613	81,507	903,120
(3) BBB--A+	758,299	41,533	799,832
(4) Lower than BBB-	-	10,655	10,655
Total	₩9,844,920	₩1,338,736	₩11,183,656

7) Geographical and industrial distribution of credit risk

a) Geographical distribution of credit risk

The geographical distribution of credit risk of financial asset is as follows. The Group classifies the countries by the control point.  
(Unit: Korean Won in millions):

March 31, 2013							
		Korea	USA	UK	China	Others	Total
Loans and receivables	Government	₩90,000	₩-	₩-	₩-	₩-	₩90,000
	Banks	3,731,269	5,783	1,423	6,093	138,616	3,883,184
	Corporates	1,530,915	99	26	7,811	132,342	1,671,193
	Consumers	1,310,758	12	-	-	158	1,310,928
	Subtotal	6,662,942	5,894	1,449	13,904	271,116	6,955,305
Financial assets at FVTPL	Debt securities for trading	15,508,346	-	-	154,243	27,386	15,689,975
	Derivative assets	582,720	-	-	120	-	582,840
	Subtotal	16,091,066	-	-	154,363	27,386	16,272,815
AFS financial assets	AFS debt securities	122,656	-	-	-	-	122,656
Derivative assets (hedging)	Derivative assets	6,763	-	-	-	-	6,763
Off-balance	ABCP purchase	338,300	-	-	-	-	338,300
Total		₩23,221,727	₩5,894	₩1,449	₩168,267	₩298,502	₩23,695,839

March 31, 2012							
		Korea	USA	UK	China	Others	Total
Loans and receivables	Government	₩-	₩-	₩-	₩-	₩-	₩-
	Banks	3,450,486	4,048	2,375	5,689	42,815	3,505,413
	Corporates	1,419,901	-	-	-	47,781	1,467,682
	Consumers	2,107,728	-	-	-	-	2,107,728
	Subtotal	6,978,115	4,048	2,375	5,689	90,596	7,080,823
Financial assets at FVTPL	Debt securities for trading	9,780,949	-	-	11,469	52,502	9,844,920
	Derivative assets	516,848	-	-	-	-	516,848
	Subtotal	10,297,797	-	-	11,469	52,502	10,361,768
AFS financial assets	AFS debt securities	1,338,736	-	-	-	-	1,338,736
Derivative assets (hedging)	Derivative assets	806	-	-	-	-	806
Off-balance	ABCP purchase	556,500	-	-	-	-	556,500
Total		₩19,171,954	₩4,048	₩2,375	₩17,158	₩143,098	₩19,338,633

b) Industrial distribution of credit risk

The industrial distribution of credit risk of financial asset is as follows (Unit: Korean Won in millions):

March 31, 2013								
		Service	Manufacturing	Bank and insurance	Construction	Consumers	Others	Total
Loans and receivables	Government	₩-	₩ -	₩-	₩-	₩ -	₩90,000	₩90,000
	Banks	-	-	3,833,184	-	-	-	3,833,184
	Corporates	21,303	87	1,203,030	150	-	446,623	1,671,193
	Consumers	-	-	5,145	-	1,305,783	-	1,310,928
	Sub-total	21,303	87	5,091,359	150	1,305,783	536,623	6,955,305
Financial assets at FVTPL	Debt securities for trading	1,083,922	876,688	7,538,834	211,124	-	5,979,407	15,689,975
	Derivative assets	4,839	452	558,424	-	16,160	2,965	582,840
	Sub-total	1,088,761	877,140	8,097,258	211,124	16,160	5,982,372	16,272,815
AFS securities	AFS debt securities	2,581	6,764	3,968	17,466	-	91,877	122,656
Derivative assets (hedging)	Derivative assets	-	-	6,763	-	-	-	6,763
Off-balance	ABCP purchase	286,300	-	52,000	-	-	-	338,300
Total		₩1,398,945	₩883,991	₩13,252,348	₩228,740	₩1,321,943	₩6,610,872	₩23,695,839

March 31, 2012								
		Service	Manufacturing	Bank and insurance	Construction	Consumers	Others	Total
Loans and receivables	Government	₩-	₩-	₩-	₩-	₩-	₩-	₩-
	Banks	-	-	3,505,413	-	-	-	3,505,413
	Corporates	18,889	238,769	685,578	37,182	-	487,264	1,467,682
	Consumers	-	-	-	-	2,107,728	-	2,107,728
	Sub-total	18,889	238,769	4,190,991	37,182	2,107,728	487,264	7,080,823
Financial assets at FVTPL	Debt securities for trading	2,338,454	671,096	2,068,702	373	-	4,766,295	9,844,920
	Derivative assets	162,943	35,250	210,074	31	-	108,550	516,848
	Subtotal	2,501,397	706,346	2,278,776	404	-	4,874,845	10,361,768
AFS securities	AFS debt securities	8,060	125,635	797,955	-	-	407,086	1,338,736
Derivative assets (hedging)	Derivative assets	-	-	806	-	-	-	806
Off-balance	ABCP purchase	-	-	556,500	-	-	-	556,500
Total		₩2,528,346	₩1,070,750	₩7,825,028	₩37,586	₩2,107,728	₩5,769,195	₩19,338,633

(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 changes in the interest rates, credit spreads, foreign exchange rates and the price of equity securities.

1) Market risk management

For trading activities, the Group makes judgment to avoid, bear or mitigate risks by identifying the underlying source of the risks: measuring parameters and evaluating their appropriateness.

2) Market risk measurement

The Group uses both standard risk measurement model and internal risk measurement model approach to measure market risk. A standard risk measurement model is used to calculate individual market risk of owned capital while internal risk measurement model is used to measure internal risk management measure. The risk management committee allocates owned capital to market risk. The risk management department measures the Value at Risk (“VaR”, maximum losses) limit by department and risk factor and loss limit on a daily basis and reports regularly to the Risk Management committee.

3) Risk Control

At the beginning of each year, the Risk Management Committee establishes the VaR limit, loss limit and risk capital limit for its management purposes. In addition, depends on management strategies and characteristics, the Group gives the various limits by individual, rate, sensitivity and stress loss limit, etc.

4) Sensitivity analysis of market risk

The Group performs sensitivity analysis for both trading and non-trading activities. For trading activities, the Group uses a VaR model which uses certain assumptions of possible fluctuations in market condition and, by conducting simulations of gains and losses, under which the model estimates the maximum losses that may occur. For non-trading activities, it is measured and managed by the interest rate VaR calculations based on a ‘Gap’ in interest rate per Bank for International Settlements (“BIS”) Framework. For sensitivity analysis, the Group set the risk factors of interest rates, currencies, equities, credit, and instruments, and quadratic parametric VaR method was used by using volatility of each risk factors and variance and covariance matrix. Variance and covariance matrix is calculated based on continuous rate of return basis by using time series of risk factors. In addition, VaR is calculated based on 99% confidence level and one day of retention period. In addition, VaR is calculated based on 99% confidence level and one day of retention period. On the other hand, for the case of complex structures instruments like ELS and others that cannot be evaluated by a simple formula, the Group apply the sensitivities of Delta, Gamma, Vega, and etc. calculated and derived from the fair value method to the market risk system; hence it may result in not fully reflecting the fair value of assets and liabilities.

a) Trading activities

The minimum, maximum and average VaR for the years ended March 31, 2013 and 2012, respectively, and the VaR as of March 31, 2013 and 2012, respectively, are as follows (Unit: Korean Won in millions):

Factors	2012				2011			
	March 31, 2013	Average	Maximum	Minimum	March 31, 2012	Average	Maximum	Minimum
Interest rate	₩3,753	₩3,083	₩6,148	₩1,415	₩3,883	₩5,297	₩7,732	₩3,195
Stock price	3,364	3,210	7,543	989	3,771	4,171	7,478	1,903
Foreign currencies	2,027	809	3,309	177	466	773	2,713	126
Commodity	147	140	656	7	132	206	3,112	2
Total risk	4,938	4,997	10,519	2,013	6,206	7,253	10,173	4,183

b) Non-trading activities

The interest rate VaR, calculated, respectively, based on the BIS Framework of the Group is as follows (Korean Won in millions):

	March 31, 2013	March 31, 2012
VaR	26,644	38,158

5) Other market risk

a) Interest rate risk

The Group manages the interest bearing assets and liabilities by measuring the risk of interest rate fluctuation for each maturity of cash flow (Time Bucket). The maturity structure of interest rates by each maturity is as follows:

	March 31, 2013						
	Total	Within 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 5 years	After 5 years
Asset							
Loans and receivables (*)	₩4,732,819	₩1,967,219	₩1,408,159	₩739,838	₩430,441	₩164,523	₩22,639
AFS financial assets	122,656	31,256	5,044	4,914	10,203	71,239	-
Total	₩4,855,475	₩1,998,475	₩1,413,203	₩744,752	₩440,644	₩235,762	₩22,639
Liabilities							
Borrowings	₩10,544,347	₩9,330,366	₩1,160,305	₩43,675	₩10,001	₩-	₩-
Debentures	1,100,535	-	-	313,363	-	787,172	-
Total	₩11,644,882	₩9,330,366	₩1,160,305	₩357,038	₩10,001	₩787,172	₩-

	March 31, 2012						
	Total	Within 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 5 years	After 5 years
Asset							
Loans and receivables (*)	₩5,231,782	₩2,293,482	₩848,335	₩575,801	₩1,216,748	₩51,155	₩246,261
AFS financial assets	1,393,849	51,517	280,209	192,600	514,014	355,509	-
Total	₩6,625,631	₩2,344,999	₩1,128,544	₩768,401	₩1,730,762	₩406,664	₩246,261
Liabilities							
Borrowings	₩8,588,383	₩7,236,021	₩1,327,868	₩-	₩24,494	₩-	₩-
Debentures	335,053	-	-	-	1,166	333,887	-
Total	₩8,923,436	₩7,236,021	₩1,327,868	₩-	₩25,660	₩333,887	₩-

(\*) Loans and receivables that did not generate interest, such as accounts receivables and accrued income are excluded.

b) Currency risk

Currency risk occurs from the financial instrument denominated in a foreign currency other than the functional currencies. Therefore, no currency risk arises from non-monetary items or financial instruments denominated in the functional currency. Financial instruments in foreign currencies exposed to currency risk are as follows (Unit: USD in millions, JPY in millions, CNY in millions, EUR in millions and Korean Won in millions):

	March 31, 2013									
	USD		JPY		CNY		EUR		Others	Total
	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Won equivalent	Won equivalent
Assets										
Loans and receivables	127	₩141,761	790	₩9,329	26	₩4,716	2	₩2,207	₩74,956	₩232,969
Financial assets at FVTPL	989	1,100,023	1,005	11,865	268	48,024	7	10,571	35,511	1,205,994
AFS financial assets	64	71,192	-	-	-	-	-	-	-	71,192
Total	1,180	₩1,312,976	1,795	₩21,194	294	₩52,740	9	₩12,778	₩110,467	₩1,510,155
Liabilities										
Deposits due to customers	193	₩214,288	367	₩4,334	-	₩-	2	₩3,518	₩20,995	₩243,135
Financial liabilities at FVTPL	7	7,801	-	-	-	-	-	-	-	7,801
Borrowings	185	205,339	-	-	-	-	-	-	-	205,339
Other financial liabilities	72	80,387	-	-	1	90	-	-	3,621	84,098
Total	457	₩507,815	367	₩4,334	1	₩90	2	₩3,518	₩24,616	₩540,373

	March 31, 2012									
	USD		JPY		CNY		EUR		Others	Total
	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Foreign currency	Won equivalent	Won equivalent	Won equivalent
Assets										
Loans and receivables	320	₩363,967	193	₩2,671	29	₩5,193	3	₩3,914	₩34,748	₩410,493
Financial assets at FVTPL	393	447,376	1,005	13,872	243	43,903	-	-	-	505,151
AFS financial assets	39	44,208	-	-	-	-	-	-	-	44,208
Total	752	₩855,551	1,198	₩16,543	272	₩49,096	3	₩3,914	₩34,748	₩959,852
Liabilities										
Deposits due to customers	171	₩195,065	81	₩1,123	-	₩-	2	₩2,710	₩5,383	₩204,281
Financial liabilities at FVTPL	-	153	-	-	-	-	-	-	-	153
Borrowings	156	177,825	-	-	-	-	-	-	-	177,825
Other financial liabilities	22	24,658	-	-	-	-	-	-	1,376	26,034
Total	349	₩397,701	81	₩1,123	-	₩-	2	₩2,710	₩6,759	₩408,293

(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. Of the financial liabilities on the consolidated statements of financial position, financial liabilities in relation to liquidity risk become the objects of liquidity risk management. 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 such gap ratio through various cash flows analysis (i.e. based on remaining maturity and contract period, etc.); while maintaining the gap ratio at or below the target limit.

2) Maturity analysis of non-derivative financial liabilities

The Group’s maturity analysis of non-derivative financial liabilities, cash flows of principals and interests, by remaining contractual maturities are as follows (Unit: Korean Won in millions):

	March 31, 2013						
	Total	Within 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 5 years	After 5 years
Deposits due to customers	₩1,345,053	₩1,222,818	₩-	₩ -	₩122,220	₩-	₩15
Financial liabilities at FVTPL	7,876,363	1,607,862	128,476	266,758	637,803	4,978,721	256,743
Borrowings	10,544,347	9,330,366	1,160,305	43,675	10,001	-	-
Debentures	1,100,535	-	-	313,363	-	787,172	-
Other financial liabilities	2,269,468	1,954,672	-	-	299,901	14,895	-
Total	₩23,135,766	₩14,115,718	₩1,288,781	₩623,796	₩1,069,925	₩5,780,788	₩256,758

	March 31, 2012						
	Total	Within 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 5 years	After 5 years
Deposits due to customers	₩1,444,114	₩1,126,800	₩-	₩-	₩314,707	₩-	₩2,607
Financial liabilities at FVTPL	6,699,996	1,297,887	248,765	236,854	457,241	4,274,320	184,929
Borrowings	8,588,383	7,236,021	1,327,868	-	24,494	-	-
Debentures	335,053	-	-	-	1,166	333,887	-
Other financial liabilities	1,748,231	1,352,854	-	-	335,314	16,059	44,004
Total	₩18,815,777	₩11,013,562	₩1,576,633	₩236,854	₩1,132,922	₩4,624,266	₩231,540

Above maturity analysis includes both principal and interest cash flows by contractual maturities.

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

	Total	Within 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 5 years	After 5 years
March 31, 2013	₩600,475	₩73,672	₩26,546	₩47,396	₩41,917	₩281,281	₩129,663
March 31, 2012	₩615,512	₩37,699	₩24,144	₩36,329	₩241,077	₩236,419	₩39,844

4) Maturity analysis of off-balance sheet accounts is as follows (Unit: Korean Won in millions):

	Total	Within 3 months(*)	3 to 6 months	6 to 9 months	9 to 12 months	1 to 5 years	After 5 years
March 31, 2013	₩338,300	₩338,300	₩-	₩-	₩-	₩-	₩-
March 31, 2012	₩556,500	₩548,500	₩-	₩8,000	₩-	₩-	₩-

(\*) It was included in the 3 months, because for the case of ABCP purchase agreement provided by the Group, if the maturity of the contract exists but refinancing is not issued, the Group needs to immediately implement the agreement.

(4) Capital Management

Capital regulation for financial investment firms is established by the Financial Investment Services Regulation. Woori Investment & Securities Co., Ltd. and Woori Futures Co., Ltd. manage and control 150% or above to follow the regulation. Woori Investment & Securities Co., Ltd. report quarterly to Financial Supervisory Service for compliance with net capital ratio on non-consolidated basis.

5. OPERATING SEGMENTS

Disclosures of sales information were prepared in accordance with K-IFRS 1108: Operating segments. K-IFRS requires the CEO of the Group to disclose resource allocation and segment information of the Group that periodically review and evaluate the performance. Segment reporting for the Group is composed of Sales, Investment Bank (“IB”), Trading, headquarter and other departments, and the configuration of these reporting segments are distinguished based on business activities that providing different services. The nature of the main business activities of each reporting segment are as follows:

Reporting segment	Main business activities
Sales	Asset management services including brokerage consignment, financial commodity sale and etc. to individual, domestic or foreign institutional investors
IB	Corporate finance services including corporate finance, M&A, PE, and Investment Advisor and etc.
Trading	Stocks and bonds operations, supply derivatives and capital investment
Headquarters and others	Activities other than the above including headquarters management

(1) Financial information of segment reporting

March 31, 2013							
	Sales	IB	Trading	Headquarter/Other	Subtotal	Adjustments	Total
Assets	₩2,649,932	₩66,417	₩15,571,840	₩8,939,895	₩27,228,084	₩-	₩27,228,084
Liabilities	2,069,391	481	15,059,863	6,614,459	23,744,194	-	23,744,194

March 31, 2012							
	Sales	IB	Trading	Headquarter/Other	Subtotal	Adjustments	Total
Assets	₩1,731,902	₩105,389	₩16,399,561	₩4,748,135	₩22,984,987	₩-	₩22,984,987
Liabilities	1,652,683	94,612	16,277,220	1,510,728	19,535,243	-	19,535,243

2012							
	Sales	IB	Trading	Headquarter/Other	Subtotal	Adjustments	Total
Operating revenue							
Interest income	₩119,505	₩10,868	₩349,257	₩243,877	₩723,507	₩-	₩723,507
Non-interest income	515,118	82,116	1,900,907	618,560	3,116,701	(6,255)	3,110,446
	634,623	92,984	2,250,164	862,437	3,840,208	(6,255)	3,833,953
Operating expense							
Interest expense	78,620	8,161	204,958	45,686	337,425	(439)	336,986
Non-interest expense	132,453	25,929	1,916,252	759,041	2,833,675	(7,392)	2,826,283
Administrative expense	405,686	42,400	72,354	40,885	561,325	(639)	560,686
	616,759	76,490	2,193,564	845,612	3,732,425	(8,470)	3,723,955
Operating income	₩17,864	₩16,494	₩56,600	₩16,825	₩107,783	₩2,215	₩109,998

2011							
	Sales	IB	Trading	Headquarter/Other	Subtotal	Adjustments	Total
Operating revenue							
Interest income	₩108,350	₩9,831	₩356,508	₩201,030	₩675,719	₩-	₩675,719
Non-interest income	550,796	89,527	1,528,141	762,313	2,930,777	(504)	2,930,273
	659,146	99,358	1,884,649	963,343	3,606,496	(504)	3,605,992
Operating expense							
Interest expense	71,397	9,782	214,653	34,888	330,720	-	330,720
Non-interest expense	56,923	16,609	1,514,816	864,024	2,452,372	(2,382)	2,449,990
Administrative expense	413,182	44,012	75,655	59,775	592,624	(421)	592,203
	541,502	70,403	1,805,124	958,687	3,375,716	(2,803)	3,372,913
Operating income	₩117,644	₩28,955	₩79,525	₩4,656	₩230,780	₩2,299	₩233,079

(2) Information on financial products and services

The financial products of the Group are classified as interest, non-interest and other goods; There is no single external customer accounts for more than 10% of the sales revenue of the Group during the year.

(3) Information on geographical areas

Of the Group's revenue (interest income and non-interest income) from external services, revenue from the domestic customers for the years ended March 31, 2013 and 2012 amounted to ₩3,796,988 million and ₩3,573,545 million, respectively, and revenue from the foreign customers amounted to ₩36,965 million and ₩32,447 million, respectively. The Group's non-current assets (investment in associates, property investment, premises and equipment, and intangible assets) as of March 31, 2013 and March 31, 2012 are ₩564,768 million, ₩589,874 million, respectively, for domestics, and ₩4,592 million and ₩4,569 million respectively, for foreign customers. The amounts for foreign customers are owned by the Group's oversea subsidiaries and branches.

6. RESTRICTED USE OF DEPOSITS

Details of restricted use of deposits are as follows (Unit: Korean Won in millions):

Counterparties		March 31, 2013	March 31, 2012	Descriptions
Financial assets at FVTPL:				
Reserve for claims of customers' deposits (trust) (*1)	KSFC	₩814,500	₩833,364	Reserve for claims of customers' deposits
Loans and receivables				
Deposits:				
Subscription deposits	Korea Securities Depository	71	-	Subscription deposits
Reserve for claims of customers' deposits (deposits) (*1)	KSFC	285,531	256,753	Reserve for claims of customers' deposits
Securities borrowed	Korea Securities Depository	-	250,000	Securities borrowed
Deposits for exchange-traded Derivatives transaction	Samsung Futures and others	107,242	19,265	Deposits for exchange-traded derivatives
Guarantee deposits for stock borrowings from KSFC	KSFC	11,731	8,732	Guarantee deposits for stock borrowings from KSFC
Guarantee deposits for KSFC trading	KSFC	-	27,390	Guarantee deposits for KSFC trading
Restricted due from financial institutions	Standard Chartered Bank and others	46	46	Guarantee deposits for checking accounts
Other (deposits)	Shinhan Bank and others	357,074	520,876	Pledged as collateral and etc.
AFS financial instrument assets Collective fund for default loss (*2)	Korea Exchange	9,908	10,330	Reserve for default loss to Korea Exchange
		₩1,586,103	₩1,926,756	

(\*1) Pursuant to the Financial Investment Services and Capital Markets Act, the Group is required to deposit with the Korean Securities Finance Corporation ("KFSC") for the payment of its customers' deposits and those amounts are restricted for use.

(\*2) The Group deposits collective fund for default loss in Korea Exchange for default losses to compensate.

for default losses caused by transactions in securities and derivative linked markets in accordance with the Financial Investment Services and Capital Markets Act.

7. FINANCIAL ASSETS AT FVTPL

(1) Details of financial assets at FVTPL are as follows (Unit: Korean Won in millions):

	March 31, 2013	March 31, 2012
Deposits		
Reserve for claims of customers' deposits (trust)	₩814,500	₩833,364
Securities		
Equity securities	376,713	302,047
Government bonds	1,953,377	935,839
Local government bonds	325,334	299,442
Financial bonds	3,074,573	2,572,980
Corporate bonds	5,682,344	4,733,263
Beneficiary certificates	576,192	654,649
Corporate commercial papers	159,873	487,580
Securities in foreign currencies	1,205,994	505,151
Securities loaned	111,196	2,712
Transferred bonds as RP	1,645,827	393,153
Others	1,617,471	145,539
Subtotal	16,728,894	11,032,355
Derivative assets (trading)		
Interest rate derivatives	281,731	116,787
Currency derivatives	43,266	251,269
Equity derivatives	200,719	126,657
Credit derivatives	30,912	11,352
Commodity derivatives	25,122	10,524
Others	1,107	259
Subtotal	582,857	516,848
Total	₩18,126,251	₩12,382,567

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

	March 31, 2013		
	Face value (contract)	Acquisition cost	Fair value (carrying value)
Derivatives linked securities			
Equity linked securities	₩644,903	₩642,099	₩662,164
Other derivatives linked securities	10,103	10,103	11,169
Other			
Other securities	2,620	2,484	3,078
	₩657,626	₩654,686	₩676,411

	March 31, 2012		
	Face value (contract)	Acquisition cost	Fair value (carrying value)
Derivatives linked securities			
Equity linked securities	₩756,685	₩748,894	₩718,446
Other derivatives linked securities	10,000	10,000	10,237
Other			
Structured deposit	10,000	10,000	10,085
	₩776,685	₩768,894	₩738,768

8. AFS FINANCIAL ASSETS

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

	March 31, 2013			
	Acquisition cost	Carrying value	Gross unrealized gain (loss) (*)	Accumulated impairment loss
Equity securities	₩98,136	₩303,384	₩215,358	₩10,110
Investment in partnerships	124,545	117,445	9,699	16,799
Government bonds	2,963	3,046	83	-
Financial bonds	39,963	40,510	547	-
Corporate bonds	66,769	67,225	456	-
Beneficiary certificates	51,439	41,733	[1,373]	8,333
Securities in foreign currencies	62,303	71,192	8,889	-
Collective fund for default loss	9,908	9,908	-	-
Others	16,600	11,874	[1,077]	3,649
	₩472,626	₩666,317	₩232,582	₩38,891

	March 31, 2012			
	Acquisition cost	Carrying value	Gross unrealized gain (loss) (*)	Accumulated impairment loss
Equity securities	₩90,928	₩297,587	₩215,183	₩8,524
Investment in partnerships	127,281	121,221	9,956	16,016
Government bonds	2,977	3,011	34	-
Financial bonds	472,223	472,342	119	-
Corporate bonds	842,822	847,569	4,747	-
Beneficiary certificates	50,346	40,246	[2,647]	7,453
Securities in foreign currencies	39,585	44,208	4,623	-
Collective fund for default loss	10,330	10,330	-	-
Others	17,619	15,814	-	1,805
	₩1,654,111	₩1,852,328	₩232,015	₩33,798

(\*) Amount before directly subtract income tax from unrealized holding gains or losses.



(2) Details of unrealized gains or losses on AFS financial assets are as follows (Unit: Korean Won in millions):

	2012				
	Beginning balance	Gain (loss) on valuation	Realization by disposal	Others	Ending balance
Equity securities	₩215,183	₩(9,584)	₩(733)	₩10,492	₩215,358
Investment in partnerships	9,956	7,315	2,920	(10,492)	9,699
Government bonds	34	49	-	-	83
Financial bonds	119	1,829	(1,401)	-	547
Corporate bonds	4,747	(1,132)	(3,159)	-	456
Beneficiary certificates	(2,647)	1,292	(18)	-	(1,373)
Securities in foreign currencies	4,623	6,878	(2,612)	-	8,889
Others	-	(1,077)	-	-	(1,077)
Subtotal	232,015	5,570	(5,003)	-	232,582
Deferred tax	(56,063)				(54,958)
Non-controlling interests	-				(3,842)
Amount after deferred tax	₩175,952				₩173,782

	2011			
	Beginning balance	Gain (loss) on valuation	Realization by disposal	Ending balance
Equity securities	₩241,960	₩11,933	₩(38,710)	₩215,183
Investment in partnerships	(11,894)	19,357	2,493	9,956
Government bonds	7	27	-	34
Financial bonds	(222)	192	149	119
Corporate bonds	1,466	4,431	(1,150)	4,747
Beneficiary certificates	725	(628)	(2,744)	(2,647)
Securities in foreign currencies	(13)	4,636	-	4,623
Subtotal	232,029	₩39,948	₩(39,962)	232,015
Deferred tax	(52,833)			(56,063)
Amount after deferred tax	₩179,196			₩175,952

9. INVESTMENTS IN ASSOCIATES

(1) Investments in associates accounted for using the equity method are as follows (Unit: Korean Won in millions):

Investors	Investees	Capital stock	Main business
MARS 2 <sup>nd</sup> Private Equity Fund	Seoul Lakeside CC Inc.	KRW 1,200 million	Golf Course Operation

Investors	Investees	March 31, 2013		March 31, 2012		Financial statements as of
		Number of shares owned	Percentage of ownership (%)	Number of shares owned	Percentage of ownership (%)	
MARS 2 <sup>nd</sup> Private Equity Fund	Seoul Lakeside CC Inc.	55,860	47.5	55,860	47.5	December 31, 2012 (*)

(\*)The Group used modified financial statements for the year ended December 31, 2012 for Seoul Lakeside. The Group examined the effect of significant transactions or events that occurred during the 3-month period.

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

Investees	2012						
	Acquisition cost	Beginning balance	Gain (loss) on valuation	Dividends	Capital	Other change	Ending balance
Seoul Lakeside CC Inc.	₩198,450	₩146,319	₩3,026	₩-	₩-	₩-	₩149,345

Investees	2011						
	Acquisition cost	Beginning balance	Gain (loss) on valuation	Dividends	Capital	Other change	Ending balance
Sempio Foods Company	₩-	₩44,701	₩9,535	₩(366)	₩(785)	₩(53,085)	₩-
Seoul Lakeside CC Inc.	198,450	212,134	5,434	-	-	(71,249)	146,319
	₩198,450	₩256,835	₩14,969	₩(366)	₩(785)	₩(124,334)	₩146,319

(3) Financial information of investments in associates accounted for using the equity method is as follows (Unit: Korean Won in millions):

Investees	March 31, 2013			
	Assets	Liabilities	Operating revenue	Net income
Seoul Lakeside CC Inc.	₩230,753	₩255,138	₩48,997	₩6,371

Investees	March 31, 2012			
	Assets	Liabilities	Operating revenue	Net income
Seoul Lakeside CC Inc.	₩248,499	₩129,256	₩50,408	₩11,441

10. LOANS AND RECEIVABLES

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

	March 31, 2013	March 31, 2012
Deposit		
Subscription deposits	₩71	₩-
Reserve for claims of customers' deposits	285,531	256,753
Securities borrowed	-	250,000
Deposits for exchange-traded derivatives transaction	107,435	19,265
Guarantee deposits for stock borrowings from KSFC	11,731	8,732
Guarantee deposits for KSFC trading	-	27,390
Bank deposit	46	46
Others	3,031,281	3,112,303
Subtotal	3,436,095	3,674,489
Loans		
Call loans	₩10,000	₩72,002
Broker's loan	1,283,468	1,239,771
Bonds purchased under resale agreements	-	70,000
Other loans	22,726	22,159
Loans	68,832	334,557
Loans purchased	22,500	27,404
Advances for customers on guarantees	1,536	939
Dishonored bills receivable	767	1,877
Privately placed bonds	-	46,770
Discount	[2,649]	[6,706]
Subtotal	1,407,180	1,808,773
Other receivables		
Securities receivables	742,747	860,165
Others	1,123,212	544,761
Subtotal	1,865,959	1,404,926
Accrued income		
Accrued fees and commissions income	16,308	18,038
Accrued interest income	160,449	130,388
Accrued dividends income	3,920	5,271
Others	5,513	5,990
Subtotal	186,190	159,687
Other loans		
Deposits	99,879	106,363
Finance leases	362	875
Loans to be converted to equity securities	1,225	1,225
Others	1,443	2,649
Discount	[3,969]	[5,020]
Subtotal	98,940	106,092
Provisions	[39,059]	[73,144]
Total	₩6,955,305	₩7,080,823

(2) Brokers' loan

i. The Group loans stock acquisition funds for margin transaction customers and such margins to customers are financed by borrowings from Korea Securities Finance Co. and the Group's capital, and annual interest rate ranges from 5.9% to 16%. The Group records this transaction as margin to customers.

ii. The Group provides loans for securities purchases and loans secured by securities for which annual interest rate ranges from 4% to 16% and such rate can be re-adjusted depending on the market condition. The Group also provides stock subscribed loans and 80% or less of application money for stock can be loaned with an annual interest rate of 8%.

iii. For margin loans, amount equivalent to 140% of loans in forms of securities or cash is set to be pledged as collateral and the amount is calculated by summing margins to customers and loans. The securities purchased by the customers using such loans are firstly pledged as collateral.

(3) Changes in the provisions for credit losses on loans and receivables are as follows (Unit: Korean Won in millions):

2012				
	Loans		Others	Total
	Consumer	Corporate		
Beginning balance	₩940	₩43,895	₩28,309	₩73,144
Provision for credit loss for the period	597	2,802	1,959	5,358
Recoveries of written-off loans	-	14,934	186	15,120
Charge-off	-	[44,426]	[7,035]	[51,461]
Others	-	[2,764]	[338]	[3,102]
Ending balance	₩1,537	₩14,441	₩23,081	₩39,059

2011				
	Loans		Others	Total
	Consumer	Corporate		
Beginning balance	₩732	₩61,871	₩25,935	₩88,538
Provision for credit loss for the period	208	10,954	8,557	19,719
Recoveries of written-off loans	-	2,179	154	2,333
Charge-off	-	[23,594]	[11,404]	[34,998]
Others	-	[7,515]	5,067	[2,448]
Ending balance	₩940	₩43,895	₩28,309	₩73,144

11. THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(1) Hierarchy of the fair value

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

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

If the financial instruments are traded in active market, best estimate of fair value is disclosed price (level 1). Disclosed price is easily available on a regular basis through exchanges, seller, broker, group of industry, rating agencies or regulatory agencies, and if those price represent any actual market transaction between independent parties, then it is considered that the price of the financial product is presented in active market. If there is no active market for the financial product, the fair value is measured using valuation techniques. The Group use full information of market and minimum of the Group's information for evaluation techniques. The evaluation techniques are including all the elements that participants will consider to determine the price. The Group periodically use similar financial product's observable current market price with same evaluation techniques, or based on observable market data for the validity.

(2) The fair value and its hierarchy of financial assets and liabilities measured at fair value are as follows:

March 31, 2013				
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading				
Equity securities	₩376,713	₩-	₩-	₩376,713
Government bonds	617,158	1,336,219	-	1,953,377
Local government bonds	-	325,334	-	325,334
Financial bonds	-	3,074,573	-	3,074,573
Corporate bonds	-	5,682,344	-	5,682,344
Beneficiary certificates	548,912	27,280	-	576,192
Corporate commercial papers	-	159,873	-	159,873
Securities in foreign currencies	85,845	1,120,149	-	1,205,994
Loaned securities	111,196	-	-	111,196
RP built-for-sale bonds	95,189	1,550,638	-	1,645,827
Reserve for claims of customers' deposits (trust)	-	814,500	-	814,500
Others	-	1,599,563	17,908	1,617,471
Subtotal	₩1,835,013	₩15,690,473	₩17,908	₩17,543,394
Derivative assets (trading) (*)				
Interest rate derivatives	-	213,155	68,576	281,731
Currency derivatives	-	42,873	393	43,266
Equity derivatives	5,554	59,433	135,732	200,719
Credit derivatives	-	11,557	19,355	30,912
Commodity derivatives	-	7,898	17,224	25,122
Others	1,107	-	-	1,107
Subtotal	6,661	334,916	241,280	582,857
Financial assets designated at FVTPL				
Equity linked securities	-	227,338	434,826	662,164
Other derivatives linked securities	-	11,067	102	11,169
Other securities	-	-	3,078	3,078
Subtotal	-	238,405	438,006	676,411

[Continued]

March 31, 2013				
	Level 1	Level 2	Level 3	Total
AFS financial assets				
Equity securities	358	-	303,026	303,384
Investment in partnerships	-	-	117,445	117,445
Government bonds	3,046	-	-	3,046
Financial bonds	-	40,510	-	40,510
Corporate bonds	-	54,912	12,313	67,225
Beneficiary certificates	-	34,302	7,431	41,733
Securities in foreign currencies	11,121	-	60,071	71,192
Collective fund for default loss	-	-	9,908	9,908
Others	-	-	11,874	11,874
Subtotal	14,525	129,724	522,068	666,317
Derivative assets (hedging)				
Currency derivatives	-	6,763	-	6,763
Total	₩1,856,199	₩16,400,281	₩1,219,262	₩19,475,742
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading				
Securities in short position	1,385,429	6,793	-	1,392,222
Derivative liabilities (trading) (*)				
Interest rate derivatives	-	245,208	68,711	313,919
Currency derivatives	-	40,576	70	40,646
Equity derivatives	5,943	121,161	73,036	200,140
Credit derivatives	-	373	14,392	14,765
Commodity derivatives	-	7,879	20,041	27,920
Others	1,922	-	187	2,109
Subtotal	7,865	415,197	176,437	599,499
Financial liabilities designated at FVTPL				
Equity linked securities	-	994,004	2,988,348	3,982,352
Other derivatives linked securities	-	573,276	1,928,513	2,501,789
Subtotal	-	1,567,280	4,916,861	6,484,141
Derivative liabilities (hedging)				
Currency derivatives	-	2,541	-	2,541
Total	₩1,393,294	₩1,991,811	₩5,093,298	₩8,478,403

	March 31, 2012			Total
	Level 1	Level 2	Level 3	
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading				
Equity securities	₩302,047	₩-	₩-	₩302,047
Government bonds	707,026	228,813	-	935,839
Local government bonds	-	299,442	-	299,442
Financial bonds	-	2,572,980	-	2,572,980
Corporate bonds	-	4,733,263	-	4,733,263
Beneficiary certificates	605,286	49,363	-	654,649
Corporate commercial papers	-	487,580	-	487,580
Securities in foreign currencies	46,467	458,684	-	505,151
Loaned securities	2,712	-	-	2,712
Reserve for claims of customers' deposits (trust)	-	833,364	-	833,364
RP built-for-sale bonds	182,571	210,582	-	393,153
Others	-	145,539	-	145,539
Subtotal	1,846,109	10,019,610	-	11,865,719
Derivative assets (trading) (*)				
Interest rate derivatives	-	100,412	16,375	116,787
Currency derivatives	-	250,716	553	251,269
Equity derivatives	14,672	75,919	36,066	126,657
Credit derivatives	-	4,317	7,035	11,352
Commodity derivatives	-	1,226	9,298	10,524
Others	259	-	-	259
Subtotal	14,931	432,590	69,327	516,848
Financial assets designated at FVTPL				
Equity linked securities	-	183,545	534,901	718,446
Other derivatives linked securities	-	10,237	-	10,237
Structured deposit	-	10,085	-	10,085
Subtotal	-	203,867	534,901	738,768
AFS financial assets				
Equity securities	₩9,851	₩-	₩287,736	₩297,587
Investment in partnerships	-	-	121,221	121,221
Government bonds	3,011	-	-	3,011
Financial bonds	-	472,342	-	472,342
Corporate bonds	-	812,523	35,046	847,569
Beneficiary certificates	-	31,860	8,386	40,246
Securities in foreign currencies	14,393	-	29,815	44,208
Collective fund for default loss	-	-	10,330	10,330
Others	-	-	15,814	15,814
Subtotal	27,255	1,316,725	508,348	1,852,328
Derivative assets (hedging)				
Currency derivatives	-	806	-	806
Total	₩1,888,295	₩11,973,598	₩1,112,576	₩14,974,469

(Continued)

	March 31, 2012			Total
	Level 1	Level 2	Level 3	
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading				
Securities in short position	₩721,185	₩-	₩-	₩721,185
Derivative liabilities (trading) (*)				
Interest rate derivatives	-	117,485	16,110	133,595
Currency derivatives	-	250,971	-	250,971
Equity derivatives	7,800	84,242	117,000	209,042
Credit derivatives	-	1,342	6,761	8,103
Commodity derivatives	-	507	6,501	7,008
Others	421	-	-	421
Subtotal	8,221	454,547	146,372	609,140
Financial liabilities designated at FVTPL				
Equity linked securities	-	1,155,284	2,991,156	4,146,440
Other derivatives linked securities	-	1,133,456	698,915	1,832,371
Subtotal	-	2,288,740	3,690,071	5,978,811
Derivative liabilities (hedging)				
Currency derivatives	-	6,793	-	6,793
Total	₩729,406	₩2,750,080	₩3,836,443	₩7,315,929

(\*) Derivative assets and liabilities which are included financial assets and liabilities for trading are disclosed separately.

AFS securities which were measured at cost due to the unobservability of actively quoted price were 40,727 million Won and 59,557 million Won as of March 31, 2013 and 2012, respectively. These equity instruments are mainly unmarketable or unquoted equity instruments which were invested to special purposed entity such as asset securitization specialty. They are measured at cost method because it was unavailable to get financial information which are needed on valuation, variance of estimated cash flow was significant, or various estimated amount's occurrence probability can't be measured reliably. The Group has no plan of disposition on financial instruments in the near future.

(3) The financial assets and liabilities measured at fair value, which classified to use other valuation techniques for the year ended March 31, 2013 and 2012 are as follows:

	2012						
	Beginning balance	Profit or loss	Other comprehensive income	Purchase /issuance	Settlement	Transfer to Level 3	Ending balance
Financial assets							
Held for Trading financial assets							
Others	-	[2,458]	-	20,366	-	-	17,908
Financial assets at FVTPL							
Derivative assets (trading)							
Interest rate derivatives	16,375	52,201	-	-	-	-	68,576
Currency derivatives	553	[160]	-	-	-	-	393
Equity derivatives	36,066	116,867	-	14,455	[31,656]	-	135,732
Credit derivatives	7,035	17,021	-	-	[4,701]	-	19,355
Commodity derivatives	9,298	8,634	-	781	[1,489]	-	17,224
Subtotal	69,327	194,563	-	15,236	[37,846]	-	241,280
Financial assets designated at FVTPL							
Equity linked securities	534,901	87,464	-	248,907	[436,446]	-	434,826
Derivative combined securities	-	[1]	-	103	-	-	102
Other securities	-	628	-	2,964	[514]	-	3,078
Subtotal	-	88,091	-	251,974	[436,960]	-	438,006
AFS financial assets							
Equity securities	287,736	[1,236]	[8,954]	25,325	[480]	635	303,026
Investment in partnerships	121,221	2,166	9,674	28,299	[43,915]	-	117,445
Corporate bonds	35,046	-	5,381	[28,114]	-	-	12,313
Collective investment securities	8,386	[880]	[174]	99	-	-	7,431
Securities in foreign currencies	29,815	-	2,493	27,891	[128]	-	60,071
Collective fund for default loss	10,330	232	-	10	[664]	-	9,908
Others	15,814	[1,844]	[1,077]	10	[1,029]	-	11,874
Subtotal	508,348	[1,562]	7,343	53,520	[46,216]	635	522,068
Total	₩1,112,576	₩278,634	₩7,343	₩341,096	₩[521,022]	635	₩1,219,262
Financial liabilities							
Financial liabilities at FVTPL							
Derivative liabilities (trading)							
Interest rate derivatives	₩16,110	₩51,151	₩-	₩-	₩1,450	-	₩68,711
Currency derivatives	-	[58]	-	128	-	-	70
Equity derivatives	117,000	[139,779]	-	13,567	82,248	-	73,036
Credit derivatives	6,761	4,789	-	-	2,842	-	14,392
Commodity derivatives	6,501	3,873	-	4,790	4,877	-	20,041
Others	-	63	-	-	124	-	187
Subtotal	146,372	[79,961]	-	18,485	91,541	-	176,437
Financial liabilities designated at FVTPL							
Equity linked securities	2,991,156	450,951	-	2,731,086	[3,184,845]	-	2,988,348
Other derivatives linked securities	698,915	87,816	-	1,430,990	[289,208]	-	1,928,513
Subtotal	3,690,071	538,767	-	4,162,076	[3,474,053]	-	4,916,861
Total	₩3,836,443	₩458,806	₩-	₩4,180,561	₩[3,382,512]	-	₩5,093,298

	2011					
	Beginning balance	Profit or loss	Other comprehensive income	Purchase /issuance	Settlement	Ending balance
Financial assets						
Financial assets at FVTPL						
Derivative assets (trading)						
Interest rate derivatives	₩21,196	₩[832]	₩-	₩-	₩[3,989]	₩16,375
Currency derivatives	1,431	[550]	-	-	[328]	553
Equity derivatives	37,306	2,652	-	15,782	[19,674]	36,066
Credit derivatives	4,477	8,719	-	-	[6,161]	7,035
Commodity derivatives	3,923	[328]	-	7,206	[1,503]	9,298
Subtotal	68,333	9,661	-	22,988	[31,655]	69,327
Financial assets designated at FVTPL						
Equity linked securities	439,295	[29,243]	-	348,758	[223,909]	534,901
AFS financial assets						
Equity securities	253,924	9,974	784	35,142	[12,088]	287,736
Investment in partnerships	98,378	[16,016]	10,630	40,107	[11,878]	121,221
Corporate bonds	12,053	2,993	-	20,000	-	35,046
Collective investment securities	10,886	-	[2,500]	-	-	8,386
Securities in foreign currencies	25,497	550	[733]	6,534	[2,033]	29,815
Collective fund for default loss	11,482	-	-	-	[1,152]	10,330
Others	14,332	1,278	-	588	[384]	15,814
Subtotal	415,666	[1,221]	8,181	102,371	[27,535]	508,348
Total	₩923,294	₩[20,803]	₩8,181	₩474,117	₩[283,099]	₩1,112,576
Financial liabilities						
Financial liabilities at FVTPL						
Derivative liabilities (trading)						
Interest rate derivatives	₩17,255	₩[188]	₩-	₩1,000	₩[1,957]	₩16,110
Equity derivatives	10,205	80,964	-	21,134	4,697	117,000
Credit derivatives	3,686	6,558	-	1,520	[5,003]	6,761
Commodity derivatives	13,089	7,392	-	2,525	[16,505]	6,501
Subtotal	44,235	94,726	-	26,179	[18,768]	146,372
Financial liabilities designated at FVTPL						
Equity linked securities	1,706,953	[43,166]	-	2,849,475	[1,522,106]	2,991,156
Other derivatives linked securities	353,478	17,709	-	491,736	[164,008]	698,915
Subtotal	2,060,431	[25,457]	-	3,341,211	[1,686,114]	3,690,071
Total	₩2,104,666	₩69,269	₩-	₩3,367,390	₩[1,704,882]	₩3,836,443

The profit ₩129,954 million and loss ₩85,151 million which are recognized profit and loss related with assets and liabilities on the book as of March 31, 2013 and 2012 are included in gains and losses on valuation and disposal of financial assets at FVTPL and gains and losses on valuation and disposal of AFS financial assets.

(4) The following table shows the sensitivity of level 3 fair values to reasonably possible alternative assumptions. The sensitivity analysis of the financial instruments has been performed by classifying with 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 below table reflects the most favorable or the most unfavorable changes which result from varying the assumptions individually. The following table shows the sensitivity analysis to disclose the effect of reasonably possible alternative assumptions on the fair value of level 3 financial instruments for the year ended March 31, 2013 (Unit: Korean Won in millions):

	For the year ended March 31, 2013			
	Net income (loss)		Other comprehensive income (loss)	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets:				
Financial assets at fair value through profit or loss				
Derivatives instruments assets				
Interest rates derivatives (*1)	₩14,062	₩[21,158]	₩ -	₩ -
Currencies derivatives (*2)	8	[7]	-	-
Equity derivatives (*1)	2,317	[7,734]	-	-
Credit derivatives(*1)	2,130	[9,896]	-	-
Commodity derivatives (*2)	7,273	[7,345]	-	-
Subtotal	₩25,790	₩[46,140]	₩ -	₩ -
Financial assets designed at FVTPL				
Equity-linked securities	4,655	[687]	-	-
Other derivative combined securities	1	-	-	-
Subtotal	4,656	[687]	-	-
AFS Financial Assets				
Stocks(*3)	-	-	43,518	[22,274]
Investment in partnerships(*3)	-	-	593	[140]
Subtotal	-	-	44,111	[22,414]
Total	₩30,446	₩[46,827]	₩44,111	₩ [22,414]
Financial liabilities:				
Financial assets at fair value through profit or loss				
Derivatives instruments liabilities				
Interest rates derivatives (*1)	₩21,137	₩[14,062]	₩ -	₩ -
Currencies derivatives (*2)	20	[31]	-	-
Equity derivatives (*1)	7,175	[1,472]	-	-
Credit derivatives(*1)	2,350	[1,452]	-	-
Commodity derivatives (*2)	2,756	[3,236]	-	-
Others	1	[3]	-	-
Subtotal	33,439	[20,256]	-	-
Financial liabilities designed at FVTPL				
Equity-linked securities	4,269	[17,663]	-	-
Other derivative combined securities	20,638	[11,738]	-	-
Subtotal	24,907	[29,401]	-	-
Total	₩58,346	₩[49,657]	₩ -	₩ -

(\*1) Fair value changes of equity, interest-rates and credit-linked derivatives among the financial assets are calculated by increasing or decreasing historical fluctuation rate of stock price and correlation by 10%. The historical fluctuation rate of stock price and correlation are major unobservable variables.

(\*2) Fair value changes of currencies-linked and commodity-linked derivatives are calculated by increasing or decreasing historical fluctuation rate of stock price and correlation by 10%. The historical fluctuation rate of stock price and correlation are major unobservable variables.

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

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

	March 31, 2013	
	Fair value	Carrying value
Financial assets		
Loans and receivables	₩6,955,842	₩6,955,305
Financial liabilities		
Deposits due to customers	1,345,053	1,345,053
Borrowings	10,538,650	10,538,654
Debentures	1,023,125	998,762
Other financial liabilities	2,269,099	2,269,099

	March 31, 2012	
	Fair value	Carrying value
Financial assets		
Loans and receivables	₩7,080,619	₩7,080,823
Financial liabilities		
Deposits due to customers	1,444,114	1,444,114
Borrowings	8,584,457	8,584,478
Debentures	317,358	301,024
Other financial liabilities	1,747,277	1,747,277

12. PREMISES AND EQUIPMENT

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

	March 31, 2013				
	Land	Building	Properties for business use	Construction in progress	Total
Acquisition cost	₩161,967	₩108,367	₩217,192	₩881	₩488,407
Accumulated depreciation	-	[10,190]	[173,663]	-	[183,853]
Net carrying value	₩161,967	₩98,177	₩43,529	₩881	₩304,554

	March 31, 2012				
	Land	Building	Properties for business use	Construction in progress	Total
Acquisition cost	₩161,881	₩107,010	₩289,110	₩1,180	₩559,181
Accumulated depreciation	-	[6,854]	[235,316]	-	[242,170]
Net carrying value	₩161,881	₩100,156	₩53,794	₩1,180	₩317,011



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

	2012				
	Land	Building	Properties for business use	Construction in progress	Total
Beginning balance	₩161,881	₩100,156	₩53,794	₩1,180	₩317,011
Foreign currencies translation adjustment	-	-	(62)	(13)	(75)
Acquisition	-	-	13,588	2,750	16,338
Disposition	-	-	(3,603)	(66)	(3,669)
Depreciation	-	(3,226)	(25,542)	-	(28,768)
Others	86	1,247	5,354	(2,970)	3,717
Ending balance	₩161,967	₩98,177	₩43,529	₩881	₩304,554

	2011				
	Land	Building	Properties for business use	Construction in progress	Total
Beginning balance	₩162,492	₩104,484	₩57,300	₩1,475	₩325,751
Foreign currencies translation adjustment	-	4	68	16	88
Acquisition	1,183	2,111	15,616	20,324	39,234
Disposition	(1,026)	(2,900)	(2,591)	-	(6,517)
Depreciation	-	(3,248)	(26,408)	-	(29,656)
Others	(768)	(295)	9,809	(20,635)	(11,889)
Ending balance	₩161,881	₩100,156	₩53,794	₩1,180	₩317,011

13. INVESTMENT PROPERTIES

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

	March 31, 2013	March 31, 2012
Acquisition cost	₩77,205	₩80,547
Accumulated depreciation	(2,295)	(1,820)
Net carrying value	₩74,910	₩78,727

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

	2012	2011
Beginning balance	₩78,727	₩64,334
Acquisition	-	7
Disposition	(1,733)	-
Depreciation	(752)	(715)
Transfer to/from premises and equipment	(1,332)	15,101
Ending balance	₩74,910	₩78,727

Fair value of investment properties as of March 31, 2013 is ₩77,025 million. The fair value of investment properties is determined by the assessment performed by Nara Appraisal Board, the independent appraiser who has proper qualification and experience. For the years ended March 31, 2013 and 2012, the revenue occurred from investment properties is ₩5,078 million and ₩4,278 million, respectively.

14. INTANGIBLE ASSETS

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

	March 31, 2013					
	Goodwill	Development cost	Software	Membership deposit	Others	Total
Acquisition cost	₩3,991	₩31,619	₩2,420	₩27,222	₩30,073	₩95,325
Accumulated depreciation	-	(28,175)	(2,300)	-	(19,063)	(49,538)
Accumulated impairment loss	(1,421)	-	-	(3,815)	-	(5,236)
Net carrying value	₩2,570	₩3,444	₩120	₩23,407	₩11,010	₩40,551

	March 31, 2012					
	Goodwill	Development cost	Software	Membership deposit	Others	Total
Acquisition cost	₩3,992	₩31,619	₩2,376	₩26,774	₩28,986	₩93,747
Accumulated depreciation	-	(23,009)	(2,213)	-	(13,644)	(38,866)
Accumulated impairment loss	-	-	-	(2,495)	-	(2,495)
Net carrying value	₩3,992	₩8,610	₩163	₩24,279	₩15,342	₩52,386

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

	2012					
	Goodwill	Development cost	Software	Membership deposit	Others	Total
Beginning balance	₩3,992	₩8,610	₩163	₩24,279	₩15,342	₩52,386
Foreign currencies translation adjustment	-	-	(1)	(15)	(12)	(28)
Acquisition	-	-	50	-	1,173	1,223
Depreciation	-	(5,166)	(91)	-	(5,425)	(10,682)
Disposition	-	-	(1)	-	-	(1)
Impairment loss	(1,422)	-	-	(1,319)	-	(2,741)
Others	-	-	-	462	(68)	394
Ending balance	₩2,570	₩3,444	₩120	₩23,407	₩11,010	₩40,551

	2011					
	Goodwill	Development cost	Software	Membership deposit	Others	Total
Beginning balance	₩3,992	₩13,777	₩298	₩26,071	₩14,760	₩58,898
Foreign currencies translation adjustment	-	-	-	17	16	33
Acquisition	-	-	107	680	5,186	5,973
Depreciation	-	(5,167)	(89)	-	(4,773)	(10,029)
Disposition	-	-	-	(196)	-	(196)
Impairment loss	-	-	-	(2,293)	-	(2,293)
Others	-	-	(153)	-	153	-
Ending balance	₩3,992	₩8,610	₩163	₩24,279	₩15,342	₩52,386

15. OTHER ASSETS

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

	March 31, 2013	March 31, 2012
Advance payments	₩72,949	₩57,014
Prepaid expenses	11,763	13,036
Prepaid taxes	86	62
Leased assets	-	2,250
Others	611	395
Total	₩85,409	₩72,757

16. LEASE ASSETS

(1) Lease payments of lease assets are collected quarterly or monthly and terms of a lease contract are as follows:

- (a) Lease contract cannot be canceled during the stipulated period and penalty is charged to lessee for the early termination of lease and lessee can purchase the lease asset for a contract price (amount multiplied by certain percentage of acquisition cost) upon expiration of lease.
- (b) Lessee, with agreement by the Group, appoints the Group as an insurance beneficiary to avoid risks related to management of leased assets. In addition, the Group possesses the title of the ownership and other related rights.

(2) Operation lease

Operating lease assets based on acquisition costs are as follows (Unit: Korean Won in millions)

	March 31, 2013	March 31, 2012
Vessels	₩-	₩19,378
Vehicles	140	140
Total	140	19,518
Accumulated depreciation	(140)	(17,268)
Net carrying value	₩-	₩2,250

(3) Finance lease

The present values of total investment of finance lease and minimum lease payments as of March 31, 2013 are as follows (Unit: Korean Won in millions):

	Lease payment in Won	Lease payment in foreign currency	Total
2013.4.1 ~ 2014.3.31	₩174	₩ -	₩174
After 2014.4.1	188	-	188
Total lease investment	362	-	362
Unrealized gain on finance lease	-	-	-
Net lease investment	362	-	362
Finance lease cancellation	-	-	-
Finance lease	₩362	₩-	₩362

17. PLEDGED ASSETS

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

Collateral provided to	Pledged assets	March 31, 2013	March 31, 2012	
Korea Securities Depository	Financial assets at FVTPL (equity securities)	₩457,566	₩255,048	Guarantee for lending and borrowing securities
Deutsche Bank AG and others	Financial assets at FVTPL (debt securities)	251,862	-	CSA collateral and others
KSFC	Financial assets at FVTPL (debt securities)	1,638,733	1,214,005	Guarantee for lending and borrowing securities
KEB Futures and others	Financial assets at FVTPL (debt securities)	28,943	23,386	Guarantee trading deposits for Korean Treasury-Bond futures
Korea Securities Depository and others	Financial assets at FVTPL (debt securities)	731,699	290,444	Guarantee for lending and borrowing securities
Korea Securities Depository and others	Financial assets at FVTPL (debt securities)	8,580,840	7,444,639	RP collateral
Korea exchange	Financial assets at FVTPL (debt securities)	55,266	76,550	Guarantee trading deposits for futures and options
Korea exchange	Financial assets at FVTPL (debt securities)	8,199	8,453	Collective fund for default loss
KSFC and others	Financial assets at FVTPL (debt securities)	38,845	-	Operating fund for debt securities
KSFC	Financial assets at FVTPL (CP)	32,000	241,155	Guarantee for lending and borrowing securities
KDB Capital Co.	AFS financial instrument assets (equity securities)	30,000	30,000	Guarantee for borrowings
KDB Capital Co.	AFS financial instrument assets (debt securities)	20,000	20,000	Guarantee for borrowings
Shinhancard Co., Ltd.	Premises and equipment (real estate)	91,656	92,407	Deposits for rents
		₩11,965,609	₩9,696,087	

The Group has pledged assets among securities borrowing company ₩481,283 million and ₩682,632 million as of March 31, 2013 and March 31, 2012 respectively.

(2) Loaned securities are as follows (Unit: Korean Won in millions):

	March 31, 2013	March 31, 2012	Loaned to
Financial assets at FVTPL			
Securities	₩48	₩2,712	Korea Securities Depository
Korean treasury and government agencies	111,148	-	Korea Money Brokerage Corp. and others
Total	₩111,196	₩2,712	

(3) Collaterals held with right to sell and pledge without constraints Fair value of the collaterals held with right to sell and pledge without constraints as of March 31, 2013 and March 31, 2012 are as follows (Unit: Korean Won in millions):

March 31, 2013		
	Fair value of collateral	Fair value of the collaterals disposed and pledged
Securities	₩118,592	₩115,110
March 31, 2012		
	Fair value of collateral	Fair value of the collaterals disposed and pledged
Securities	₩129,757	₩129,472

18. SECURITIES IN CUSTODY AND LENDING & BORROWING SECURITIES FROM CUSTOMERS

Securities in custody and lending and borrowing securities from customers are as follows (Unit: Korean Won in millions):

	March 31, 2013	March 31, 2012	Valuation
Securities received			
Trustor securities in custody	₩16,046,329	₩109,556,326	Fair value
Saver securities in custody	115,007	113,560	Fair value
Beneficiary securities in custody	12,065,608	10,330,824	Base price for sale
Other securities in custody	79,511	89,488	Fair value
Total	₩28,306,455	₩120,090,198	
Lending securities[*1]	₩825,380	₩635,274	Fair value
Borrowing securities	₩2,759,261	₩1,592,018	Fair value

[\*1] This is the total amount of securities held or borrowed by the group as of March 31, 2013.

19. DEPOSITS DUE TO CUSTOMERS (“ DEPOSITS ”)

Details of deposits for use as of are as follows (Unit: Korean Won in millions):

	March 31, 2013	March 31, 2012
Customers’ deposits		
Customers’ deposits for brokerage	₩879,650	₩797,458
Customers’ deposits for derivatives transactions	206,175	505,404
Customers’ deposits for savings	15,557	13,009
Customers’ deposits for beneficiary	12,550	5,589
Others	219,390	113,922
Subtotal	1,333,322	1,435,382
Guarantee deposits		
Securities loaned	11,731	8,732
Total	₩1,345,053	₩1,444,114

20. FINANCIAL LIABILITIES AT FVTPL

(1) Details of financial liabilities held for trading are as follows (Unit: Korean Won in millions):

	March 31, 2013	March 31, 2012
Borrowings		
Securities in short position	₩1,392,222	₩721,185
Derivative liabilities:		
Interest rate derivatives	313,919	133,595
Currency derivatives	40,646	250,971
Stock derivatives	200,140	209,042
Credit derivatives	14,765	8,103
Commodity derivatives	27,920	7,008
Other derivatives	2,109	421
Subtotal	599,499	609,140
Total	₩1,991,721	₩1,330,325

(2) Details of financial liabilities designated at FVTPL are as follows (Unit: Korean Won in millions):

	March 31, 2013		
	Par value (contract)	Acquisition cost	Fair value
Derivatives combined securities sold:			
Equity linked securities	₩3,872,914	₩3,869,923	₩3,982,352
Others	2,448,517	2,432,564	2,501,789
Total	₩6,321,431	₩6,302,487	₩6,484,141

	March 31, 2012		
	Par value (contract)	Acquisition cost	Fair value
Derivatives combined securities sold:			
Equity linked securities	₩4,222,800	₩4,208,677	₩4,146,440
Others	1,849,200	1,833,135	1,832,371
Total	₩6,072,000	₩6,041,812	₩5,978,811

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

	2012	2011
Financial liabilities designated at FVTPL	₩6,484,141	₩5,978,811
Changes in fair value for credit risk adjustments	[23,610]	[20,543]
Accumulated changes in credit risk adjustments	[32,121]	[20,776]

21. BORROWINGS

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

	March 31, 2013		
	Lender	Interest rate (%)	Amount
Call-money	KB Asset Management and others	2.7 ~ 2.8	₩770,000
Borrowings	KSFC and others	1.03 ~ 12.4	1,710,520
Bonds sold under repurchase agreements	KB Bank and others	0.3 ~ 2.8	8,059,992
Present value discount			[1,858]
Total			₩10,538,654

	March 31, 2012		
	Lender	Interest rate (%)	Amount
Call-money	Shinhan Bank and others	3.27 ~ 3.35	₩941,300
Borrowings	KSFC and others	3.4	689,113
Bonds sold under repurchase agreements	Mirae Asset Global Investment Co., Ltd. and others	3.40 ~ 3.41	6,954,757
Present value discount			[692]
Total			₩8,584,478

22. DEBENTURES

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

(1) Ordinary bonds

	Issued Date	Due Date	Interest rate (%)	March 31, 2013	March 31, 2012
Series 45 <sup>th</sup> corporate bonds	2012.04.27	2015.04.27	3.94	₩250,000	₩-
Series 46 <sup>th</sup> corporate bonds	2012.09.27	2017.09.27	3.28	30,000	-
Series 47 <sup>st</sup> corporate bonds	2012.10.18	2017.10.18	3.26	70,000	-
Series 48 <sup>rd</sup> corporate bonds	2012.11.15	2017.11.15	3.20	100,000	
Series 49 <sup>th</sup> corporate bonds	2012.11.22	2017.11.22	3.22	50,000	
Series 50 <sup>th</sup> corporate bonds	2013.03.07	2018.03.07	2.99	100,000	
Series 51 <sup>th</sup> corporate bonds	2013.03.28	2018.03.28	2.95	100,000	
Non-guarantee 1-1 <sup>st</sup> ordinary bonds (*)	2010.02.11	2013.02.11	AAA Bond 3 years monthly yield + 1.3	-	1,166
Total				700,000	1,166
Less : discounts				[1,180]	-
Book value				₩698,820	₩1,166

(\*) Unsubordinated security issued by KAMCO Value Recreation 9<sup>th</sup> Securitization Specialty Co., Ltd.

(2) Subordinated debentures

	Issued Date	Due Date	Interest rate (%)	March 31, 2013	March 31, 2012
Series 42-1 <sup>st</sup> corporate bonds	2008.05.21	2013.11.21	6.86	₩170,000	₩170,000
Series 42-2 <sup>nd</sup> corporate bonds	2008.05.21	2013.11.21	6.86	130,000	130,000
Total				300,000	300,000
Less : discounts				[58]	[142]
Book value				₩299,942	₩299,858

23. OTHER FINANCIAL LIABILITIES

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

	March 31, 2013	March 31, 2012
Other financial liabilities:		
Dividend payable	₩-	₩1
Accounts payable	1,849,538	1,360,509
Accrued expenses	131,686	113,520
Leasehold deposits received	14,894	15,528
Others	273,350	258,673
Present value discount	[369]	[954]
Total	₩2,269,099	₩1,747,277

24. PROVISIONS

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

	March 31, 2013	March 31, 2012
Asset retirement obligation	₩3,272	₩3,800
Other Provisions	6,035	6,087
Total	₩9,307	₩9,887

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

2012			
	Asset retirement obligation	Others	Total
Beginning balance	₩3,800	₩6,087	₩9,887
Provisions provided	-	628	628
Provisions used	[516]	[187]	[703]
Reversal of unused amount	[2,637]	[147]	[2,784]
Foreign exchange translation adjustment	-	[346]	[346]
Amortization	241	-	241
Additional settlement	2,384	-	2,384
Ending balance	₩ 3,272	₩6,035	₩9,307

2011			
	Asset retirement obligation	Others	Total
Beginning balance	₩4,104	₩5,938	₩10,042
Provisions provided	-	553	553
Provisions used	[314]	-	[314]
Reversal of unused amount	[3,463]	-	[3,463]
Foreign exchange translation adjustment	-	[404]	[404]
Amortization	261	-	261
Additional settlement	3,212	-	3,212
Ending balance	₩3,800	₩6,087	₩9,887

25. OTHER LIABILITIES

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

	March 31, 2013	March 31, 2012
Retirement benefit obligation	₩5,011	₩13,388
Advance received	6	-
Unearned revenue	3,238	8,647
Deferred tax liabilities	32,002	33,733
Others	2	-
Total	₩40,259	₩55,768

26. RETIREMENT BENEFIT OBLIGATION

(1) Details of retirement benefit obligation are as follows (Unit: Korean Won in millions):

	March 31, 2013	March 31, 2012
Projected retirement benefit obligation	₩51,798	₩36,024
Fair value of plan assets	(46,787)	(22,636)
Liability recognized	₩5,011	₩13,388

(2) Details of post-employee benefits recognized in net income are as follows (Unit: Korean Won in millions):

	2012	2011
Retirement pension benefits	₩2,022	₩1,543
Current service cost	17,237	16,204
Interest cost	2,365	1,158
Expected return of plan assets	(1,134)	(462)
Actuarial profit or losses	(805)	2,506
	₩19,685	₩20,949

(3) Changes in carrying value of retirement benefit obligation are as follows (Unit: Korean Won in millions):

	2012	2011
Beginning balance	₩36,024	₩18,199
Service cost	17,237	16,204
Interest cost	2,365	1,158
Actuarial loss (gain)	(674)	2,533
Retirement benefit paid	(3,235)	(1,881)
Others	81	(189)
Ending balance	₩51,798	₩36,024

(4) Changes in plan assets are as follows (Unit: Korean Won in millions):

	2012	2011
Beginning balance	₩22,636	₩11,100
Expected return on plan assets	1,134	462
Actuarial loss	131	27
Employer's contributions	25,500	12,000
Retirement benefit paid	(2,447)	(904)
Others	(167)	(49)
Ending balance	₩46,787	₩22,636

(5) Actuarial assumption used in retirement benefit obligation assessment are as follows  
(Unit: Korean Won in millions):

	March 31, 2013	March 31, 2012
Discount rate	2.88% ~ 3.45%	4.12%~4.63%
Expected rate of return on plan assets	3.38%	4.01%
Future wage growth rate	4.87%	6.02%
Mortality ratio	0.02%	0.02%

(6) Details of plan assets and realized returns on plan assets are as follows (Unit: Korean Won in millions):

	March 31, 2013	March 31, 2012
Deposits	₩15,950	₩6,502
Insurer's guaranteed interest deposits	30,837	16,134
Total	₩46,787	₩22,636

27. DERIVATIVES

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

		March 31, 2013			
		Assets		Liabilities	
		For hedging	For trading	For hedging	For trading
Nominal amount					
Interest rate:					
Swaps	₩45,111,620	₩-	₩281,731	₩-	₩313,346
Short options	110,000	-	-	-	573
Subtotal	45,221,620	-	281,731	-	313,919
Currency:					
Forwards	3,378,615	6,763	14,679	2,541	19,136
Swaps	1,411,202	-	25,784	-	20,845
Long options	287,721	-	2,803	-	-
Short options	129,209	-	-	-	665
Subtotal	5,206,747	6,763	43,266	2,541	40,646
Equity:					
Long options	2,255,639	-	56,287	-	-
Short options	4,839,429	-	-	-	106,444
Swaps	3,364,649	-	144,432	-	93,696
Subtotal	10,459,717	-	200,719	-	200,140
Credit:					
Swaps	2,582,711	-	30,912	-	14,765
Commodity:					
Long options	32,000	-	2,001	-	-
Swaps	1,345,415	-	23,121	-	27,920
Subtotal	1,377,415	-	25,122	-	27,920
Others:					
Interest rate futures	1,677,727	-	91	-	682
Currency futures	1,254,619	-	-	-	-
Equity futures	211,082	-	464	-	515
Commodity futures	45,561	-	552	-	725
Other swaps	10,000	-	-	-	187
Subtotal	3,198,989	-	1,107	-	2,109
Total	₩68,047,199	₩6,763	₩582,857	₩2,541	₩599,499

		March 31, 2012			
Nominal amount	Assets		Liabilities		
	For hedging	For trading	For hedging	For trading	
Interest rate:					
Swaps	₩49,170,459	₩-	₩116,787	₩-	₩133,595
Currency:					
Forwards	1,837,303	806	6,311	6,793	11,156
Swaps	2,790,855	-	243,705	-	239,815
Long options	33,207	-	1,253	-	-
Subtotal	4,661,365	806	251,269	6,793	250,971
Equity:					
Long options	4,295,362	-	75,928	-	-
Short options	7,002,772	-	-	-	82,632
Swaps	3,022,933	-	50,729	-	126,410
Subtotal	14,321,067	-	126,657	-	209,042
Credit:					
Swaps	2,834,568	-	11,352	-	8,103
Commodity:					
Long options	94,750	-	4,905	-	-
Short options	10,000	-	-	-	-
Swaps	377,274	-	5,619	-	7,008
Subtotal	482,024	-	10,524	-	7,008
Others:					
Interest rate futures	349,553	-	6	-	27
Currency futures	572,792	-	-	-	-
Equity futures	398,450	-	15	-	195
Commodity futures	17,860	-	238	-	199
Subtotal	1,338,655	-	259	-	421
Total	₩72,808,138	₩806	₩516,848	₩6,793	₩609,140

The Group has applied hedge accounting to hedge the currency risk arising from net investments in foreign operations.

[2] Gains or losses on valuation of derivatives are as follows (Unit: Korean Won in millions):

	2012	2011
Ineffective gains and losses of cash flow hedging activities	₩4,490	₩(128)

The Group recognized the ineffective gains and losses from hedging of the overseas net investments as gain and losses on valuation and disposal of hedging derivatives.

28. DAY 1 PROFITS AND LOSSES

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

	2012	2011
Beginning balance	₩61,540	₩31,873
New transactions	64,228	57,240
Financial assets at FVTPL	(19,259)	(45,100)
Financial liabilities at FVTPL	83,487	102,340
Amounts recognized in profits or loss	(41,482)	(27,573)
Financial assets at FVTPL	5,701	7,055
Financial liabilities at FVTPL	(47,183)	(34,628)
Ending balance	₩84,286	₩61,540

Although no observable elements were available in active market to determine fair value of the financial instruments, valuation techniques were utilized to determine fair value of such instruments. These financial instruments are recorded at fair values at the time of purchase even though there were differences noted on the transaction price and fair value obtained from valuation techniques. The table above shows the differences yet to be recognized in net income and the details.

29. CAPITAL STOCK AND OTHER PAID-IN-CAPITAL

(1) Capital stock and other paid-in-capital are as follows (Unit: Korean Won in millions):

	March 31, 2013	March 31, 2012
Capital stock:		
Common stock	₩1,021,145	₩1,021,145
Preferred stock	99,355	99,355
Subtotal	1,120,500	1,120,500
Capital Surplus:		
Capital in excess of par value	1,144,243	1,144,220
Treasury stock (*)	(21,057)	(23,434)
Gains on sale of treasury stock	15,455	15,905
Other capital surplus	17,999	17,704
Subtotal	1,156,640	1,154,395
Total	₩2,277,140	₩2,274,895

(\*) Treasury stocks that the Group holds as of March 31, 2013 are acquired for the stability of stock price, increase the shareholder value, and the compensation for the employees, which will be provided as compensation in future.

[2] Details of the capital stock for the Group are as follows :

	March 31, 2013	March 31, 2012
Authorized shares of capital stock	400,000,000 shares	400,000,000 shares
Par value	₩5,000	₩5,000
Issued shares of capital stock	218,124,831 shares	218,124,831 shares
Common Stock	199,253,863 shares	199,253,863 shares
Preferred Stock	18,870,968 shares	18,870,968 shares

The Group may retire the shares by the resolution of the board of directors according to the regulations within the scope of benefits to shareholders dividends. The Group has differences of ₩29,876 million between capital and total par value of shares issued due to the retirement of shares.



(3) Changes in Capital stock and paid-in capital in excess of par value are as follows (Unit: Korean Won in millions):

	Capital stock		paid-in capital in excess of par value
	Common Stock	Preferred Stock	
April 1, 2011	₩687,445	₩99,355	₩843,823
Paid-in capital increase	333,700	-	300,397
March 31, 2012	1,021,145	99,355	1,144,220
Related to Paid-in capital increase	-	-	23
March 31, 2013	₩1,021,145	₩99,355	₩1,144,243

30. COMPONENTS OF OTHER EQUITY

Details for the components of other equity are as follows (Unit: Korean Won in millions):

	March 31, 2013	March 31, 2012
Gain on valuation of AFS financial assets	₩173,782	₩175,952
Share of other comprehensive gain loss on investment in associates	(3,226)	(3,226)
Gain on valuation of derivatives instruments	6,199	5,221
Loss on overseas business translation	(11,217)	(7,418)
Total	₩165,538	₩170,529

31. RETAINED EARNINGS

(1) Retained earnings consist of the follows (Unit: Korean Won in millions):

	March 31, 2013	March 31, 2012
Legal reserve	₩78,212	₩72,026
Planned Regulatory Reserve for Credit Loss	18,481	18,481
Voluntary reserve	870,060	693,960
Retained earnings before appropriation	58,130	203,582
Other retained earnings (*)	6,845	6,845
Total	₩1,031,728	₩994,894

(\*) ₩6,345 million of other retained earnings are gains arisen from the revaluation of the assets in accordance with Assets Revaluation Law, hence gain on revaluation may not be used such cash dividend but may only be used for capitalization or deficit recovery.

(2) Legal Reserve

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

32. PLANNED REGULATORY RESERVE FOR CREDIT LOSS

In accordance with Article 3 Clause 8 of the Regulation on Supervision of Financial Investment, if the estimated provisions for credit loss under K-IFRS are lower than those in accordance with the provisions under the Regulation on Supervision of Financial Investment, the Group shall disclose the difference as the planned regulatory reserve for credit loss. The planned regulatory reserve for credit loss is included in the retained earnings before appropriation, and it will be accumulated as the planned regulatory reserve for credit loss when liquidating the retained earnings.

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

	March 31, 2013	March 31, 2012
Beginning	₩18,481	₩-
Amount estimated to be appropriated	10,644	18,481
Ending	₩29,125	₩18,481

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

	2012	2011
Planned reserves provided	₩10,644	₩11,081
Adjusted net income after the planned reserves provided	77,051	154,996
Adjusted Earnings per share after the planned reserves provided	₩389	₩1,007

33. DIVIDENDS

Details of dividends and payout ratio are as follows:

(1) Details of dividends (Unit: Korean Won in millions):

	2012		2011	
	Common stock	Preferred Stock	Common stock	Preferred Stock
Shares outstanding (*)	198,268,581	18,870,956	198,160,886	18,870,961
Par value per share	₩5,000	₩5,000	₩5,000	₩5,000
Dividend rate	2.0%	3.0%	4.60%	5.60%
Total cash dividend (million)	₩19,827	₩2,831	₩45,577	₩5,284

(\*) Excludes treasury stocks

(2) Payout ratio (Unit: Korean Won in millions):

	2012	2011
Total cash dividend	₩22,658	₩50,861
Net income attributable to owner	87,695	166,077
Payout ratio	25.84%	30.62%

(3) Dividend yield ratio is as follows (Unit: Korean Won in millions):

	2012		2011	
	Common stock	Preferred Stock	Common stock	Preferred Stock
Dividend per share	₩100	₩150	₩230	₩280
Ending price	11,750	4,590	13,050	5,240
Dividend yield ratio	0.85%	3.27%	1.76%	5.34%

34. FEE INCOME AND EXPENSE

(1) Fee income occurred are as follows (Unit: Korean Won in millions):

	2012	2011
Brokerage commissions	₩274,404	₩408,886
Underwriting commissions	29,076	45,394
Underwriting commissions on debentures	68	340
Brokerage commissions on beneficiary certificates	18,521	20,380
Management fee on wrap account and asset management	12,890	24,431
Intermediating, arranging, or conducting as proxy the purchase and merger of corporations	11,175	24,960
Trust fees and commissions received from trust account	9,344	9,364
Remittance fee	237	268
Others	52,856	36,980
Total	₩408,571	₩571,003

(2) Fee expense occurred are as follows (Unit: Korean Won in millions):

	2012	2011
Trading commissions	₩33,757	₩41,318
Investment consultant fees	2,184	4,971
Remittance fee	1,237	281
Other commissions	35,870	24,420
Total	₩73,048	₩70,990

35. GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AT FVTPL

(1) Details of gains on change in value of and disposal of financial instruments at FVTPL are as follows  
(Unit: Korean Won in millions):

	2012	2011
Disposal of financial assets held for trading	₩282,762	₩230,872
Change in value of financial assets held for trading	139,466	92,195
Disposal of financial liabilities held for trading	59,177	57,076
Change in value of financial liabilities held for trading	9,843	11,558
Derivative transaction	1,284,345	1,176,058
Changes in value of derivative instruments	574,369	376,181
Sales of financial assets designated as at FVTPL	47,866	13,827
Change in value of financial assets designated as at FVTPL	63,444	13,738
Sales of financial liabilities designated as at FVTPL	39,341	26,017
Change in value of financial liabilities designated as at FVTPL	69,701	204,736
Total	₩2,570,314	₩2,202,258

(2) Details of losses on change in value of and disposal of financial instruments at FVTPL are as follows  
(Unit: Korean Won in millions):

	2012	2011
Disposal of financial assets held for trading	₩182,993	₩231,285
Changes in value of financial assets held for trading	32,172	29,894
Disposal of financial liabilities held for trading	89,719	58,017
Change in Value of financial liabilities held for trading	26,878	12,088
Derivative transaction	1,122,327	1,172,389
Change in value of derivative instruments	418,254	416,648
Sales of financial assets designated as at FVTPL	6,476	2,008
Change in value of financial assets designated as at FVTPL	7,817	52,646
Sales of financial liabilities designated as at FVTPL	414,351	169,125
Change in value of financial liabilities designated as at FVTPL	355,855	114,480
Total	₩2,656,842	₩2,258,580

36. GAINS AND LOSSES ON VALUATION AND DISPOSAL AFS FINANCIAL ASSETS

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

	2012	2011
Sales of available for sale securities	₩18,781	₩58,068
Changes in value of sale securities(*)	804	-
Reversal of available for sale securities reduction losses	-	4,271
Total	₩19,585	₩62,339

\* Amount of the difference between the fair value and the transaction price when initially recognized have been recognized in profit.

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

	2012	2011
Sales of available for sale securities	₩4,306	₩4,803
Impairment of available for sale securities	5,092	26,398
Total	₩9,398	₩31,201

37. GAIN AND LOSS ON DERIVATIVE INSTRUMENTS (HEDGING)

(1) Details of gains on valuation and disposal of derivative instruments (hedging) reflected are as follows  
(Unit: Korean Won in millions):

	2012	2011
Derivatives (hedging) transaction	₩5,062	-
Changes in value of derivatives instruments (hedging)	2,465	₩221
Total	₩7,527	₩221

(2) Details of losses on valuation and disposal of derivative instruments (hedging) reflected are as follows  
(Unit: Korean Won in millions):

	2012	2011
Derivatives (hedging) transaction	₩2,107	₩138
Changes in value of derivatives instruments (hedging)	303	390
Total	₩2,410	₩528

38. INTEREST INCOME AND EXPENSE

(1) Details of interest income consists as follows (Unit: Korean Won in millions):

	2012	2011
Interest on margin loans	₩93,721	₩97,540
Interest on loan purchased	1,527	1,833
Interest on loans	9,363	14,706
Interest on bonds	426,879	398,920
Interest on securities loaned	257	181
Interest on negotiable commercial papers	11,006	25,593
Interest on deposits with KSFC	7,149	11,083
Interest on certificate of deposits	-	88
Interest on call loans	391	994
Interest on bonds purchased under resale agreements	1,037	22,357
Interest on advances for customers	32	81
Interest on deposits	160,462	92,202
Interest on receivables	644	1,079
Others	11,039	9,062
Total	₩723,507	₩675,719

Interest income accrued from impaired loan is ₩3,059 million and ₩7,542 million for the year ended March 31, 2013 and 2012, respectively.

(2) Details of interest expense consists as follows (Unit: Korean Won in millions):

	2012	2011
Interest on borrowings	₩45,582	₩34,199
Interest on proceeds from customers' short sale	46	31
Interest on customers' deposits	15,392	10,284
Interest on bonds sold under repurchase agreements	213,841	212,596
Interest on call money	22,176	30,623
Interest on debentures	37,571	40,526
Others	2,378	2,461
Total	₩336,986	₩330,720

39. GAINS AND LOSS ON LOANS AND RECEIVABLES

(1) Details of gains on changes in value and disposal of loans and receivables reflected are as follows (Unit: Korean Won in millions):

	2012	2011
Sales of loans receivable	₩-	₩592

(2) Details of losses on valuation of loans and receivables reflected are as follows (Unit: Korean Won in millions):

	2012	2011
Bad debt expense	₩5,358	₩19,719

40. GAINS AND LOSSES ON FOREIGN TRANSACTION

(1) Gains on foreign transaction are as follows (Unit: Korean Won in millions):

	2012	2011
Gain on foreign currency transaction	₩42,620	₩22,877
Gain on foreign currency translation	35,902	37,237
Total	₩78,522	₩60,114

(2) losses on foreign transaction are as follows (Unit: Korean Won in millions):

	2012	2011
Loss on foreign currency transaction	₩49,638	₩42,322
Loss on foreign currency translation	22,955	23,891
Total	₩72,593	₩66,213

41. GENERAL AND ADMINISTRATIVE EXPENSES

Details of general and administrative expenses are as follows (Unit: Korean Won in millions):

	2012	2011
Salaries		
Short-term salaries	₩253,045	₩264,952
Severance benefits	19,685	20,949
Early retirement	299	-
Employee benefits	63,889	56,967
Subtotal	336,918	342,868
Depreciation	28,768	29,657
Other general and administrative expenses		
Electronic expenses	12,066	8,693
Employee benefits	8,219	9,529
Rent	20,500	19,810
Commission	37,064	43,357
Amusement expenses	8,263	10,792
Advertisement expenses	13,613	17,780
Training expenses	1,484	2,336
Amortization expenses of intangible assets	10,682	10,029
Taxes and dues	29,022	32,392
Commission on consignment	9,706	15,833
Conference expenses	838	976
Printings	3,137	3,125
Travel	4,502	5,540
Vehicle maintenance	1,846	1,713
Supplies	1,116	1,268
Other general and administrative expenses		
Water, light and heating	3,358	3,237
Insurance	2,740	2,756
Entertainment	8,241	11,087
Others	18,603	19,425
Subtotal	195,000	219,678
Total	₩560,686	₩592,203

42. OTHER OPERATING INCOME (EXPENSE)

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

	2012	2011
Dividend income	₩17,128	₩20,427
Distribution income	3,295	4,521
Gain on lease	1,169	2,214
Reversal of provision	2,784	3,463
Others	1,551	3,121
Total	₩25,927	₩33,746

(2) Details of other operating expenses are as follows (Unit: Korean Won in millions):

	2012	2011
Lease expenses	₩312	₩1,184
Provisions	628	553
Other operating expenses	5,694	1,022
Total	₩6,634	₩2,759

43. NON-OPERATING INCOME (EXPENSE)

(1) Non-operating income consists as follows (Unit: Korean Won in millions):

	2012	2011
Gain on disposal of premises and equipment	₩274	₩130
Rent	5,659	4,802
Share of profits of associates	3,026	14,969
Gain on disposal of investments in associates	85	-
Other non-operating income	2,720	3,550
Total	₩11,764	₩23,451

(2) Non-operating expense consists as follows (Unit: Korean Won in millions):

	2012	2011
Loss on disposal of premises and equipment	₩1,851	₩2,353
Loss on disposal of investments in associates	2,007	18,056
Donations	1,646	3,243
Impairment loss on intangible assets	2,741	2,293
Other non-operating expenses	4,703	1888
Total	₩12,948	₩27,833

44. INCOME TAX EXPENSE

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

	2012	2011
Current income tax payable	₩36,404	₩41,222
Changes in deferred income taxes due to temporary differences	(10,231)	11,098
Changes in deferred income taxes directly in equity	503	356
Adjustment recognized in the periods for current tax of prior periods	(5,963)	6,220
Income tax expense	₩20,713	₩58,896
(*) Deferred tax liabilities, net— End of year	63,508	73,739
Deferred tax liabilities, net— Beginning of year	73,739	62,641
Changes in deferred income taxes by temporary differences	(10,231)	11,098

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

	2012	2011
Income before income tax	₩108,814	₩228,697
Tax calculated at statutory tax rate (24.19% in 2012 and 2011)	26,307	55,318
Adjustments:		
Expense not deductible for tax purposes (₩6,976 million in 2012 and ₩7,722 million in 2011)	1,793	1,866
Income not taxable for tax purposes (₩11,693 million in 2012 and ₩13,811 million in 2011)	(2,969)	(3,340)
Others	(4,418)	5,052
Income tax expense	₩20,713	₩58,896
Effect tax rates	19.04%	25.75%

(3) Changes in temporary differences and the income tax assets and liabilities for the years ended March 31, 2013 and 2012 are as follows (Unit: Korean Won in millions):

	2012			
	Beginning balance	Addition(*)	Deduction(*)	Ending balance
(Deductible temporary differences)				
Accrued severance benefits	₩31,007	₩14,084	₩4,938	₩40,153
Loss on impairment of AFS assets	51,250	5,092	2,041	54,301
Equity securities convertible to receivables	2,639	527	-	3,166
Valuation of securities in short position	530	16,939	530	16,939
Valuation of derivatives-linked securities	(27,633)	196,531	(39,179)	208,077
Transfer price tax	5,613	-	-	5,613
Asset retirement obligation	3,800	3,272	3,800	3,272
Other Provisions	723	1,017	723	1,017
Discount on private placement bond	3,553	-	3,553	-
Impairment of intangible assets	2,293	453	-	2,746
Accrued expenses	249	287	175	361
Borrowings	273	664	444	493
Privately placed bonds (Cancel Sale)	(12,516)	-	(13,646)	1,130
Provision for credit losses (Cancel Sale)	-	7,777	35	7,742
Others	24,020	39,106	23,683	39,443
Subtotal	85,801	285,749	(12,903)	384,453
Not recognized as deferred tax assets	10,389	7,130	4,776	12,743
Recognized as deferred tax assets	₩75,412	₩278,619	₩(17,679)	₩371,710
Tax rate	24.2% or 22%			24.2% or 22%
Deferred tax assets	17,636			89,777

	2012			
	Beginning balance	Addition(*)	Deduction(*)	Ending balance
(Taxable temporary differences)				
Derivative-linked securities rating	₩30,126	₩(21,725)	₩30,126	₩(21,725)
Contribution for retirement allowances	(22,264)	(26,519)	(2,531)	(46,252)
Provisions	-	(1,585)	-	(1,585)
Accrued income	(80,359)	(85,127)	(80,359)	(85,127)
Collective fund for default loss	(620)	-	-	(620)
Advanced depreciation provision	(7,167)	-	-	(7,167)
Gain (loss) on valuation of AFS assets	(235,703)	(4,142)	(11,228)	(228,617)
Revaluation reserve	(16,155)	-	-	(16,155)
Loans	(10,058)	(14)	(802)	(9,270)
Derivatives traded in OTC evaluation	73,134	(35,864)	75,359	(38,089)
Land	(49,797)	(357)	(281)	(49,873)
Fixture	(2,697)	-	(2,697)	-
Building	(7,061)	-	(416)	(6,645)
Valuation of derivatives	10,748	(9,030)	10,748	(9,030)
Held for selling evaluation	(27,600)	(78,775)	(27,600)	(78,775)
Gain and loss on translation of foreign currency	(13,930)	(12,053)	(13,930)	(12,053)
Others	(86,554)	(74,945)	(86,554)	(74,945)
Subtotal	(445,957)	(350,136)	(110,165)	(685,928)
Not recognized as deferred tax liabilities	(63,909)	(62,763)	(63,909)	(62,763)
Recognized as deferred tax liabilities	₩(382,048)	₩(287,373)	₩(46,256)	₩(623,165)
Tax rate	24.2% or 22%			24.2% or 22%
Deferred tax liabilities	(91,375)			(153,285)
Deferred tax liabilities – net	₩(73,739)			₩(63,508)

(\*) Temporary differences due to final declaration of income tax during 2012 are reflected.

	2011			
	Beginning balance	Addition(*)	Deduction(*)	Ending balance
(Deductible temporary differences)				
Accrued severance benefits	₩13,460	₩18,479	₩932	₩31,007
Loss on impairment of AFS assets	53,072	26,398	28,220	51,250
Dividends of tax heaven	6,028	-	6,028	-
Valuation of securities in short position	13,820	530	13,820	530
Equity securities convertible to receivables	2,639	-	-	2,639
Valuation of derivatives-linked securities	(27,024)	30,126	(27,024)	30,126
Valuation of OTC derivatives	(15,760)	73,134	(15,760)	73,134
Transfer price tax	5,613	-	-	5,613
Asset retirement obligation	4,104	3,800	4,104	3,800
Other Provisions	170	723	170	723
Discount on private placement bond	3,553	-	-	3,553
Gain on valuation of derivative instruments	(195)	10,748	(195)	10,748
Impairment of intangible assets	-	2,293	-	2,293
Accrued expenses	239	175	165	249
Borrowings	273	-	-	273
Prepaid expenses	728	-	728	-
Others	4,445	6,653	4,108	6,990
Subtotal	65,165	173,059	15,296	222,928
Not recognized as deferred tax assets	5,613	-	-	5,613
Recognized as deferred tax assets	₩59,552	173,059	15,296	₩217,315
Tax rate	24.2% or 22%			24.2% or 22%
Deferred tax assets	₩12,673			₩52,579
(Taxable temporary differences)				
Contribution for retirement allowances	₩(11,055)	₩(12,141)	₩(932)	₩(22,264)
Provisions	(13,498)	-	(13,498)	-
Accrued income	(60,820)	(78,650)	(59,111)	(80,359)
Valuation of held for trading	67,793	(27,600)	67,793	(27,600)
Gain (loss) on foreign currency translation	8,112	(13,930)	8,112	(13,930)
Collective fund for default loss	(620)	-	-	(620)
Advanced depreciation provision	(7,167)	-	-	(7,167)
Gain (loss) on valuation of AFS assets	(240,036)	(5,187)	(9,520)	(235,703)
Revaluation reserve	(16,155)	-	-	(16,155)
Valuation of derivatives-linked securities	32,333	(99)	59,867	(27,633)
Loans	(10,047)	(178)	(167)	(10,058)
Privately placed bonds (Cancel Sale)	(12,516)	-	-	(12,516)
Land	(50,374)	-	(577)	(49,797)
Building	(8,451)	277	(1,113)	(7,061)
Fixture	(2,697)	-	-	(2,697)
Others	(75,380)	8,467	2,247	(69,160)
Subtotal	(400,578)	(129,041)	53,101	(582,720)
Not recognized as deferred tax liabilities	(61,609)	(406)	(2,862)	(59,153)
Recognized as deferred tax liabilities	₩(338,969)	(128,635)	55,963	₩(523,567)
Tax rate	24.2% or 22%			24.2% or 22%
Deferred tax liabilities	₩(75,314)			₩(126,318)
Deferred tax liabilities – net	₩(62,641)			₩(73,739)

(\*) Temporary differences due to final declaration of income tax during 2011 are reflected.

(4) Details of temporary differences that are not recognized as deferred tax assets are as follows  
(Unit: Korean Won in millions):

	March 31, 2013	March 31, 2012	Reasons for exclusion
Transfer price tax	₩5,613	₩5,613	Uncertain possibilities of extinction

(5) Details of temporary differences that are not recognized as deferred tax liabilities are as follows  
(Unit: Korean Won in millions):

	March 31, 2013	March 31, 2012	Reasons for exclusion
Subsidiary	₩62,763	₩59,153	Almost certainly likely not be disposed of or dividends

(6) Details of deferred tax relating to items that are recognized directly in equity are as follows  
(Unit: Korean Won in millions):

	2012	2011
Deferred tax, which have been directly added to or deducted from equity:		
Loss on valuation of AFS financial assets	₩1,323	₩(3,230)
Gain (loss) on valuation of derivative instruments	(1,168)	2,391
Gain (loss) on overseas business translation	204	1,055
Gain on disposal of treasury stocks	144	140
Total	₩503	₩356

45. BASIC AND DILUTED EARNING PER SHARE (“EPS”)

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

	2012	2011
Net income attributable to the controlling equity	₩87,695	₩166,077
Dividend on preferred stock	2,831	5,284
Net income attributable to common shares	84,864	160,793
Weighted average number of common shares outstanding	198,158,987	153,910,597
Basic EPS	₩428	₩1,045

(2) Diluted EPS is calculated by reflecting the dilution effect to net income (Unit: shares)

	Number of shares issued	Treasury stocks	Number of shares outstanding	Days	Weighted-average number of shares outstanding
2012	72,727,659,995	399,629,872	72,328,030,123	365	198,158,987
2011	56,775,833,858	444,555,465	56,331,278,393	366	153,910,597

(3) The current and diluted earnings per share is the same as the basic earnings per share because there is no dilutive securities granted by the Group.

46. STATEMENT OF CASH FLOW

Investment and financing activities not involving cash inflows and outflows for the transactions as of March 31, 2012 and March 31, 2011 are as follows (Unit: Korean Won in millions):

	2012	2011
Gain on valuation of AFS securities (*)	₩567	₩14
Reclassification of construction in progress to equipment	2,970	20,635
Transfer to/from premises and equipment	1,332	15,101
Transfer to AFS financial assets from investment in associates	-	7,923

(\*) Deducted directly from the capital before deferred tax is reflected.

47. CONTINGENT LIABILITIES AND COMMITMENTS

(1) Details of loan commitments and credit lines which the Group provided for others are as follows  
(Unit: Korean Won in millions):

Confirmed guarantee	Financial institution	Credit lines	
		March 31, 2013	March 31, 2012
Bank overdrafts	Standard Chartered bank	₩30,000	₩30,000
Intra-day-credit	Woori bank and others	345,000	345,000
Discounting notes (KSFC) (*)	KSFC	200,000	200,000
Discounting notes (subscription)	KSFC	Subscription deposits	Subscription deposits
Borrowing from KSFC (KSFC)	KSFC	700,000	700,000
Borrowing for support to guarantee finance (KSFC)	KSFC	1,000,000	1,000,000
Borrowing for operating fund (KSFC)	KSFC	500,000	500,000
Borrowing for operating fund (Customers)	KSFC	Customer's deposits	Customer's deposits

(\*) ₩100,000 million Won Discounting notes of commitments were executed.

(2) The Group had filed lawsuits. The details of the number of lawsuits and the estimated aggregated amounts for contingent liabilities are as follows (Unit: Korean Won in millions):

March 31, 2013			
	Content	Number of lawsuits	Amount
As defendant	Outstanding lawsuits	43	₩56,008
As plaintiff	Outstanding lawsuits	9	₩7,697

March 31, 2012			
	Content	Number of lawsuits	Amount
As defendant	Outstanding lawsuits	34	₩40,782
As plaintiff	Outstanding lawsuits	4	₩17,262

As of March 31, 2012, major lawsuits which the Group is facing, are related to incomplete sales litigation of LIG construction CP(₩50,676 million) and Woori Power Income Fund(₩1,297 million).

In addition to the above litigation, the Group is also involved in the lawsuit case of LG Investment Holdings B.V.(“LGIH”). If LGIH, defendant, loses in the lawsuit, the Group will have to pay the portion of the related expenses for the case. Lawsuit is currently filed in Poland, and the Group accounted for ₩5,018 million of provision regarding this case.



**(3) Details of corporate bonds that are under court receivership are as follows (Unit: Korean Won in millions):**

	Amount
Companies under receivership and commencement of composition	₩4,970
Companies subject to corporate restructuring	32,436
Companies subject to bankruptcy	101,822

The Group has accounted for ₩37,548 million of provisions by assessing the current value in order to recover the debts above. However, the recoverable amount for the bonds could be different with the estimation of the Group since it is under court receivership. Possible results from these uncertainties have not been reflected on the financial statements.

**(4) Details of contingent liabilities regarding guarantees are as follows (Unit: Korean Won in millions):**

	Counter party	March 31, 2013	March 31, 2012
Note purchase agreement	Alpenrose LLC. and other	₩338,300	₩556,500

**48. RELATED PARTY TRANSACTIONS**

**(1) The related parties of the Group as of March 31, 2013 are as follows:**

Related parties	
Parent	Woori Financial Group
Subsidiaries	Woori Futures Co., Ltd., Woori Investment Asia Pte, Ltd., Woori Absolute Global Opportunity Fund, LG Investment Holdings B.V., Woori Securities (H.K.) Ltd., Woori Securities Int'l Ltd., Woori Securities America, Inc., Woori CBV Securities Corporation, MARS 2nd Private Equity Fund, Woori Giant First Co., Ltd., Woori Absolute Partners Pte, Ltd., Woori Korindo Securities Indonesia, Woori Absolute Return Investment Strategies Fund, KoFC Woori Growth Champ Private Equity Fund, Woori Investment advisory Co., td. KAMCO Value Recreation 9th Securitization Specialty Co., Ltd., Twins Subordinated Debt 1th and other beneficiary certificates
Associates	Seoul Lakeside CC Inc.
Others	Woori Bank, Woori Credit and Information, Woori America Bank, Woori Global Markets Asia LTD, Woori Bank China, Woori Bank Russia, Woori Bank Indonesia, Woori Bank Brazil,Woori Bank Preservation Trust of principal, Korea BTL Infrastructure Fund, Woori Fund Service, Kwangju Bank, Kwangju Bank Preservation Trust of principal, Kyongnam Bank, Kyongnam Bank Preservation Trust of principal, Woori F&I, Woori AMC, Woori private equity, Woori Private Equity Fund, Kumho investment bank, Sahn Eagles LLC, Two Eagles LLC, TY Second Asset Securitization Specialty, Woori Financial, Woori Asset Management, Woori FIS, Woori FG Saving Bank, TY Second Asset Securitization Specialty and 53 beneficiary certificates, Haeorum Short-Term 15th and other 57 beneficiary certificates

**(2) Transactions occurred with related parties are as follows (Unit: Korean Won in millions):**

	Related parties	Accounts	2012	2011
<Revenue>				
Parent	Woori Financial Group	Other operating income and other	₩9	₩54
Associate	Seoul Lakeside CC Inc.	Paid-in capital decrease and other	-	71,250
Others	Woori Bank	Interest income and others	50,258	9,521
Others	Kyongnam Bank	Interest income and others	9,341	8,712
Others	Kwangju Bank	Interest income	5,660	8,009
Others	Kumho Investment Bank	Gain on derivative transaction	5	5,756
Others	Woori Financial	Interest income	100	518
Others	Woori FIS	Other operating income	137	1,741
	Total		₩65,510	₩105,561

	Related parties	Accounts	2012	2011
<Expenses>				
Parent	Woori Financial Group	Commission	₩7,876	₩8,110
Others	Woori Bank	Loss on derivative transaction	2,389	18,124
Others	Kyongnam Bank	Interest expense	21	55
Others	Kwangju Bank	Loss on valuation of derivatives instruments	1	22
Others	Woori Financial	Interest expense	184	-
Others	Woori Credit Information	Commission	-	15
Others	Woori FIS	Computer system operation expenses and others	15,055	12,821
Others	Kumho Investment Bank	Loss on derivative transaction	7	6,058
Others	Woori Private Equity	Interest expense	71	2
	Total		₩25,604	₩45,207

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

	Related parties	Accounts	March 31, 2013	March 31, 2012
<Receivables>				
Others	Woori Bank	Cash and cash equivalents	₩751,710	₩1,063,546
Others	Kyongnam Bank	Cash and cash equivalents	402,898	144,703
Others	Kwangju Bank	Cash and cash equivalents	176,388	195,150
Others	Woori Financial	Accrued interest income and others	4,805	10,308
Others	Woori FIS	Accrued interest income	22	223
	Total		₩1,335,823	₩1,413,910
<Payables>				
Parent	Woori Financial Group	Accrued expense	₩-	₩37
Others	Woori bank	Accounts payable and others	8,296	24,827
Others	Kyongnam Bank	Leasehold deposits received and others	3,249	1,040
Others	Kwangju Bank	Derivative liabilities	-	79
Others	Woori Financial	Accounts payable and others	5,688	21,337
Others	Woori FIS	Accounts payable	400	1,088
Others	Woori credit and information	Accounts payable and others	-	1
Others	Woori Private Equity	Deposits due to customers and others	-	3,002
	Total		₩17,633	₩51,411

**(4) Details of compensation to key management are as follows (Unit: Korean Won in millions):**

	2012	2011
Short-term salaries	₩11,668	₩11,083
Severance benefits	1,099	715

49. TRUST ACCOUNTS

(1) Financial information of trust accounts that are not audited or reviewed are categorized and listed as follows  
(Unit: Korean Won in millions):

	Special money in trust	Retirement pension trust	Pension trust	Property in trusts	Total
Cash and due from banks	₩680,358	₩106,979	₩-	₩60,539	₩847,876
Securities	10,879,951	387,330	27,348	2,788,019	14,082,648
Call loans	147,400	-	-	92,600	240,000
Bonds purchased under resale agreements	1,551,100	-	-	4,500	1,555,600
Money receivables	-	-	-	1,644,406	1,644,406
Personal and real property	-	-	-	199,791	199,791
Other assets	351,181	3,768	1,087	54,953	410,989
Total assets	13,609,990	498,077	28,435	4,844,808	18,981,310
Monetary trusts	12,634,314	463,284	24,200	-	13,121,798
Property in trusts	-	-	-	3,422,106	3,422,106
Other liabilities	975,676	34,793	4,009	1,422,702	2,437,180
Special reserve	-	-	226	-	226
Total liabilities	₩13,609,990	₩498,077	₩28,435	₩4,844,808	₩18,981,310

(2) Gain and loss of receivables on trust account related services are as follows (Unit: Korean Won in millions):

	2012	2011
Revenue on trust business:		
Asset management fees	₩1	₩-
Trust revenue	9,344	9,364
Operating and management fees	1,354	976
Fee and commission revenue	621	518
Total	₩11,320	₩10,858
Receivables on trust business:		
Trust accrued revenue	₩5,042	₩3,984

(3) Trust accounts that has principal preservation agreement or promised yield agreement with the Group are listed as follows (Unit: Korean Won in millions):

	Book value (*)	Fair value
Trust accounts with principal guaranteed agreements	₩24,200	₩27,656

(\*) Book value refers to the amount of original payments.

APPENDIX

SUSTAINABLE MANAGEMENT IN GENERAL (1/4)

PROFILE

2.6 Nature of ownership and legal form

[The Ratio of Shareholder Ownership]

Shareholder Name	Ratio[%]
Woori Finance Holdings Co., Ltd.	37.86
Employee Stock Ownership Association	5.14
Others	57.00

ECONOMIC PERFORMANCE INDICATORS

EC3 Coverage of the organization's defined benefit plan obligations

Woori I&S provides a retirement pension plan, inclusive of Defined Benefit(DB) and Defined Contribution(DC), to ensure all employees at Woori Investment & Securities enjoy a decent quality of life after retirement with economic security. [Retirement Pension Program]

Launch date	End of 2010
Size of retirement pension fund	KRW 46.8 billion as of 2012 (based on DB)
No. of subscribers (DB)	2,656
No. of subscribers (DC)	183
How to manage retirement pension fund	<div>•Woori I&amp;S has diversified the investments of retirement pension fund for stable management of the fund, and have selected and been managing six retirement pension fund operators considering their financial solvency and capability to manage the fund.</div> <div>•Regarding Defined Benefit type, more than 80% retirement pension actuary liabilities are deposited outside of the company.</div>

EC4 Significant financial assistance received from government

Classification	Unit	FY 2010	FY 2011	FY 2012
Tax exemption / Tax deduction	In millions of KRW	-	-	16

EC5 Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation

Classification	Details		Note
Legal minimum wage	4,580 KRW/hour		As of 2012
Annual income of entry level employees	KRW 45,654,000	Based on the Payroll scheme of the company rule	

EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation

Currently, most of the purchased goods by our overseas subsidiaries and representative offices are office equipments and stationary, 100% of which are locally purchased. Since the amount spent is minor Woori I&S has neither concluded purchasing contracts with any relevant companies, nor have we made any relevant policies.

EC7 Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation

To promote effective domestic and international sales activities, Woori I&S is hiring local talents, giving preferential conditions to local graduates.

Classification (unit: persons)	FY2010	FY2011	FY2012
Total no. of overseas employees	64	63	59
Employees posted overseas	14	16	16
Locals hired	47	44	40
Locals hired as managers	3	3	3

ENVIRONMENTAL PERFORMANCE INDICATORS

EN3 / EN4 Direct/Indirect energy consumption by primary energy source

Classification	Unit	CY 2010	CY 2011	CY 2012
LNG	Nm³	275,319	252,881	236,088
Diesel	l	80,947	103,205	113,262
Kerosene	l	0	0	0
Gasoline	l	243,157	270,877	267,890
Electric power	MWh	228,130	247,189	246,701
Heat	Gcal	1,192	1,159	1,219

\* Some of the data may differ from the 2010 sustainable management report due to changes in the scope and method of measurement.

EN8 Total water withdrawal by source

Classification	Unit	CY 2010	CY 2011	CY 2012
Total water consumption (water supply)	ton	89,029	93,616	92,567

EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce

In needs of business support, Woori I&S uses vehicles that fuel gasoline and diesel. We monitor transportation related energy consumption so that we can reduce greenhouse gases, thereby trying to minimize the environmental impacts. The use of vehicles by our executives and employees does not affect the environment significantly.

SUSTAINABLE MANAGEMENT IN GENERAL (2/4)

SOCIAL PERFORMANCE INDICATORS

LA1 Total workforce by employment type, employment contract, and region, broken down by gender (As of March, 2012)

Classification (unit: persons)	FY2010	FY2011	FY2012
No. of officers and employees	2,968	3,057	3,053
By employment			
Full-time employees (including officers)	2,418	2,496	2,529
Fixed-term contractual employees	0	0	0
Fixed-term employees	550	561	524

\* The data above may differ from the 2010 Sustainability Report which was based on Calendar Year (CY).  
\* Fixed-term contractual employees: employees under annual-income contracts, contractual sales specialist, temporary employees, drivers, local-hired employees, advisors and consultants.  
\*Short-term contract employees are not included.

LA2 Total number and rate of new employee hires and employee turnover by age group, gender, and region

Classification (persons)	FY2010		FY2011		FY2012	
	Total	No. of retirees	Total	No. of retirees	Total	No. of retirees
Male	1,753	214	1,813	153	1,789	159
Female	1,215	73	1,244	71	1,264	51

LA4 Percentage of employees covered by collective bargaining agreements

In accordance with the labor collective agreement, Woori Investment & Securities states and guarantees the labor union's rights to organize, bargain collectively, and act collectively and does not restrict employees from joining the labor union. Also, joint labor-management committee meeting is held every quarter and temporary committee meeting is also held when needed. As of the end of 2012, the number of labor union members is 2,235, recording a 100% subscription rate.

LA5 Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements

Woori Investment & Securities immediately reports to the executives and employees on any significant management changes, such as investment decisions, and reorganization of the office. Regarding restructuring issue, a consultation is made prior to announcement.

LA6 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs

Woori Investment & Securities operates the Health and Safety Committee, which is co-managed by representatives from the labor union and corporation, to monitor and control safety related matters on facilities and operations.

LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.

Classification	Unit	CY 2010	CY 2011	CY 2012
Total no. of employees	Persons	2,943	3,075	3,089
No. of disaster victims	Persons	1	2	1
Rate of industrial accident	%	0.03	0.06	0.03
Total working hours	Hr	8,593,560	8,979,000	9,019,880

LA9 Health and safety topics covered in formal agreements with trade unions

Woori I&S financially aids medical expenses due to a variety of ailments, sick leaves and medical check-ups through the management of health and safety indicators. We provide insurance benefits to decease of employees or if employees are diagnosed with three major diseases, cancer, stroke and AMI, via a group personal accidental insurance. We also provide financial support on medical expenses and expenses of medical check-ups for the families of our employees.

LA10 Average hours of training per year per employee by gender, and by employee category

Classification	Unit	CY 2010	CY 2011	CY 2012
Total educational expenses	In millions of KRW	2,150	2,386	1,577
Annual per-capita education expenses	In thousands of KRW	740	790	520
Annual per-capita education hours	Hour	50	62	48

\* Some of the data above may differ from the 2010 sustainable management report due to changes in the scope and method of measurement

LA12 Percentage of employees receiving regular performance and career development reviews, by gender

Woori I&S evaluates employee performance on a biannual basis and use the results as a reference for the personal career management and our human resource management to consider in deciding promotions and providing differential rates of bonus. All the employees are subjected to the regular performance evaluation, except for newcomers, persons who are in leaves for more than 30 days, contractual sales specialists, temporary workers, contractual service providers, and full-time unionists. In the latter half of 2012, a total of 2,743 employees underwent such an evaluation process. Regarding each business unit and the management strategy department, we additionally conduct constant performance assessments that perform analysis of profits.

SUSTAINABLE MANAGEMENT IN GENERAL (3/4)

LA14 Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation

Classification		Unit	CY 2010	CY 2011	CY 2012
Amount of basic pay	Average basic pay for men	In millions	69	73	77
	Average basic pay for women		45	49	53
Amount of entry level worker salaries	Basic pay for male newcomers	of KRW	41	44	46
	Basic pay for female newcomers		40	43	45

There is no wage discrimination due to gender for those in the same position. Nonetheless, military serviced period shall be recognized under the company pay scheme.

LA15 Return to work and retention rates after parental leave, by gender

We guarantee 120 days of maternity leaves, that is 30 days more than the 90 days set under the Labor Standards Law, thereby providing active support for employees and enabling them to maintain the life and work balance. In 2012, there were total of 68 employees who took maternity leaves, where among those who applied for child-care leaves took up to a maximum of one year of child-care leave. And, nine employees either finished their childcare and maternity leave or came back to work midway.

Classification		Unit	CY 2010	CY 2011	CY 2012
Ratio of taking child care leave	Male	%	0	0	0
	Female	%	100	100	100
Rate of those coming back to work	Male	%	N/A	N/A	N/A
	Female	%	87.1	88.5	84.1
Rate of those working for more than 12 months after come back	Male	%	N/A	N/A	N/A
	Female	%	96.3	100	89.2

HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained

[Education on ethics and law-abiding]

Classification of trainees	CY 2010		CY 2011		CY 2012	
	Training hours	No. of participants	Training hours	No. of participants	Training hours	No. of participants
All employees	1.5	All employees	1.5	All employees	1.5	All employees
Experienced new joiners	2	150	2	85	2	56
Inexperienced new joiners	2	40	2	107	2	148
New branch managers	2	8	2	14	2	11

HR4 Total number of incidents of discrimination and relevant actions taken

For the past three years, there have been no discriminative incidents that occurred in relation to race, gender, religion, region of birth and educational background at Woori Investment & Securities.

HR5 Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights

The labor and management of Woori Investment & Securities discuss important matters by holding the labor-management consultation council on a quarterly basis, four times a year. The three basic labor rights are expressively stipulated in and guaranteed by Article 12, (Guaranteeing union activities) of the Collective Agreement and are freely exercised.

HR9 number of incidents of violations involving rights of indigenous people and actions taken

There have been no incidents of infringing on the rights of locals for the past three years.

HR10 Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments

Woori I&S conducts assessments of law-compliance, anti-corruption and ethics in all offices (overseas subsidiaries are not included)

Classification	Unit	CY 2010	CY 2011	CY 2012
No. of reports on corruption	Cases	0	0	0
No. of reports on bribery	Cases	18	11	7

HR11 Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.

Woori I&S established a process of raising and resolving complaints from the employees via various channels, including cyber counseling on personnel matters, evaluation appeal and Employees Assistant Program.

Classification	CY 2011	CY 2012
Cyber counseling on personal matters	1	10
Evaluation appeal	7	1

SUSTAINABLE MANAGEMENT IN GENERAL (4/4)

S01 Percentage of operations with implemented local community engagement, impact assessments, and development programs

Classification	CY 2010	CY 2011	CY 2012
No. of participated employees (unit: persons)	2,835	3,074	3,002
Total amount of social contributions (unit: In millions of KRW)	1,558	1,858	3,253
Education/Child welfare	411	666	2,001
Social welfare	1,097	1,169	1,222
Communities, Green environment	50	23	30

S05 Public policy positions and participation in public policy development and lobbying

Woori I&S actively participates in the public policies through development of relevant products to vitalize green finance and we prohibit any lobbying activities.

S06 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country

Joining a political party or making political contributions are strictly prohibited.

S07 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes

Type	Details	Unit	CY 2010	CY 2011	CY 2012
Collusion	No. of cases	Cases	-	-	1
Penalty	Amount	In billions of KRW	-	-	2.01

S010 Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities

Functions of the mechanism	Major details
Process to support legal compliance, and to strengthen the internal control system	1. Reorganizing and strengthening the system for investor protection - Pursuing the complete sales process, proper intercompany-exchange of data and prevent conflict of interest.  2. Implementing the Privacy Protection Act, providing training on money laundering, and thoroughly reporting any suspicious incidents.
Training for executives and employees to enhance their awareness	Education on compliance and ethics.
Checking and monitoring legal compliance and implementation	1. Monitoring after complete sales of financial products. 2. Monitoring the stock transactions history of executives and employees. 3. Implementing an all-time monitoring system.

PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements

We provide information on financial products and services through advertisements and booklets where information are strictly reviewed by internal compliance department and Financial Investment Association. We comply with the regulations for the complete sales process of the WM Sales & Planning Department.

PR8 Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

Woori I&S has not received any complaints regarding the failures to protect customer information and losses of customer data.

FS9 Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures

The implementation of social and environmental policies are monitored over the annual audit. In addition, a comprehensive audit is conducted to evaluate the properness of corporate social contribution.

FS11 / FS12 Ratio of assets subject to positive and negative environmental or social screening / Voting policies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting

Woori I&S has not expressively stipulated rules and regulations regarding the above yet. However, investment decisions are made in consideration of public interests, and of its social and environmental impacts to a certain extent.

UN GLOBAL COMPACT

SUPPORT FOR INTERNATIONAL PRINCIPLES AND INITIATIVES

Woori Investment & Securities has been publicly supporting the UNGC(UN Global Compact) principles. The UN requires companies to comply with the 10 universally accepted principles of the Compact in the areas of human rights, environment, labor and anti-corruption. Since joining the UNGC in September 2011, Woori Investment & Securities has been actively engaging in developing products of eco-friendly businesses to cope with the global environmental impacts, and reinvigorating monitoring of ethical management as a part of its corporate culture. Woori Investment & Securities will continue to increase its efforts to implement and comply with the 10 principles of the UNGC.

– President & CEO of Woori Investment & Securities

PRINCIPLES OF THE UNGC AND CURRENT EFFORTS TO PURSUE RELEVANT ACTIVITIES

Sector	Principles	Related activities	Outcomes from activities (pages in the report)
Human rights	1. Businesses should support and respect the protection of internationally proclaimed human rights	- Comply with the regulations of the International Labor Organization and the UNGC	48, 55, 148
	2. Businesses should make sure they are not complicit in human rights abuses	- Conduct education on in-house sexual harassment prevention and human rights protection - Enforce the welfare system for employees to manage work-life balance	
Labor	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	- Run a labor union - Hold labor-management consultation councils	45, 46, 147, 148
	4. Businesses should uphold the elimination of all forms of forced and compulsory labour	- Adhere to the regulations of the International Labor Organization and the UNGC principles	
	5. Businesses should uphold the effective abolition of child labour		
	6. Businesses should uphold the elimination of discrimination in respect of employment and occupation	- Establish internal guidelines on prohibiting sexual discrimination - Prohibit discrimination by gender regarding wages - Hiring employees from diverse backgrounds	
Environment	7. Businesses should support a precautionary approach to environmental challenges	- Build an inventory of greenhouse gas emissions - Implement efficient energy consumption - Water conservation activities	52,53
	8. Businesses should undertake initiatives to promote greater environmental responsibility	- Participate in carbon information disclosure projects	
	9. Businesses should encourage the development and diffusion of environmentally friendly technologies	- Implement Social Responsibility Investment for environmentally friendly companies	
Anti-corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery	- Run a department dedicated to compliance - Build a compliance management system - Run training programs on compliance	54,55

GRI / ISO TABLE

Indicators	Name of Indicator	ISO26000	Reported or not reported	Pages
Strategy & Profile				
1.1	Statement from the most senior decision-maker of the organization.	6.2	0	2-5
1.2	Description of key impacts, risks, and opportunities.	6.2	0	16-21
2.1	Name of the organization.		0	8
2.2	Primary brands, products, and/or services.		0	28-31
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	6.2	0	6-9
2.4	Location of organization's headquarters.		0	8
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.		0	9
2.6	Nature of ownership and legal form.		0	114
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).		0	16
2.8	Scale of the reporting organization.		0	8
2.9	Significant changes during the reporting period regarding size, structure, or ownership.		0	2-9
2.10	Awards received in the reporting period.		0	156
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.		0	Cover page
3.2	Date of most recent previous report (if any).		0	Cover page
3.3	Reporting cycle (annual, biennial, etc.)			Cover page
3.4	Contact point for questions regarding the report or its contents.		0	Cover page
3.5	Process for defining report content.		0	10-12
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.		0	Cover page
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).		0	Cover page
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.		0	Cover page
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.		0	Cover page
3.1	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g.,mergers/acquisitions, change of base years/periods, nature of business, measurement methods).		0	Cover page
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.		0	68-70
3.12	Table identifying the location of the Standard Disclosures in the report.		0	Cover page
3.13	Policy and current practice with regard to seeking external assurance for the report.		0	65, 157, 158
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	6.2	0	6-7
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	6.2	0	6-7
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	6.2	0	6-7
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	6.2	0	6-7
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	6.2	0	6-7
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	6.2	0	6-7
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	6.2	0	6-7
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	6.2	0	8
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	6.2	0	6-7



Indicators		Name of Indicator	ISO26000	Reported or not reported	Pages
4.1		Processes for evaluating the highest governance body’s own performance, particularly with respect to economic, environmental, and social performance.	6.2	0	6~7
4.11		Explanation of whether and how the precautionary approach or principle is addressed by the organization.	6.2	0	35~37
4.12		Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	6.2	0	150 150
4.13		Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	6.2	0	
4.14		List of stakeholder groups engaged by the organization.	6.2	0	10
4.15		Basis for identification and selection of stakeholders with whom to engage.	6.2	0	10
4.16		Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	6.2	0	10
4.17		Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	6.2	0	10~12
Economic Performance Indicators					
EC1		Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	6.8, 6.8.3, 6.8.7, 6.8.9	0	59~144 52~53
EC2		Financial implications and other risks and opportunities for the organization’s activities due to climate change	6.5.5	0	146
EC3		Coverage of the organization’s defined benefit plan obligations.		0	146
EC4		Significant financial assistance received from government.		0	146
EC5		Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	6.4.4, 6.8	0	146
EC6		Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	6.6.6, 6.8, 6.8.5, 6.8.7	0	146
EC7		Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	6.8, 6.8.5, 6.8.7	0	49~51
EC8		Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	6.3.9, 6.8, 6.8.3, 6.8.4, 6.8.5, 6.8.6, 6.8.7, 6.8.9	0	28~29
EC9		Understanding and describing significant indirect economic impacts, including the extent of impacts.	6.3.9, 6.6.6, 6.6.7, 6.7.8, 6.8, 6.8.5, 6.8.6, 6.8.7, 6.8.9	0	
Environmental Performance Indicators					52~53
EN1		Materials used by weight or volume.		0	52~53
EN2		Percentage of materials used that are recycled input materials.	6.5, 6.5.4	0	146
EN3		Direct energy consumption by primary energy source.	6.5, 6.5.4	0	146
EN4		Indirect energy consumption by primary source.	6.5, 6.5.4	0	52~53
EN5		Energy saved due to conservation and efficiency improvements.	6.5, 6.5.4	0	52~53
EN6		Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	6.5, 6.5.4	0	52~53
EN7		Initiatives to reduce indirect energy consumption and reductions achieved.	6.5, 6.5.4	0	52~53
EN8		Total water withdrawal by source.	6.5, 6.5.4	0	52~53
EN9		Water sources significantly affected by withdrawal of water.	6.5, 6.5.4	0	52~53
EN10		Percentage and total volume of water recycled and reused.	6.5, 6.5.4	0	
EN11		Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	6.5, 6.5.6	0	
EN12		Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	6.5, 6.5.6	0	Not applicable on financial industry characteristic.
EN13		Habitats protected or restored.	6.5, 6.5.6	0	
EN14		Strategies, current actions, and future plans for managing impacts on biodiversity.	6.5, 6.5.6	0	
EN15		Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	6.5, 6.5.6	0	52~53
EN16		Total direct and indirect greenhouse gas emissions by weight.	6.5, 6.5.5	0	52~53
EN17		Other relevant indirect greenhouse gas emissions by weight.	6.5, 6.5.5	0	52~53
EN18		Initiatives to reduce greenhouse gas emissions and reductions achieved.	6.5, 6.5.5	0	
EN19		Emissions of ozone-depleting substances by weight.	6.5, 6.5.3	0	Not applicable on financial industry characteristic.
EN20		NOx, SOx, and other significant air emissions by type and weight.	6.5, 6.5.3	0	
EN21		Total water discharge by quality and destination.	6.5, 6.5.3	0	
EN22		Total weight of waste by type and disposal method.	6.5, 6.5.3	0	52~53

Indicators		Name of Indicator	ISO26000	Reported or not reported	Pages
EN23		Total number and volume of significant spills.	6.5, 6.5.3	0	
EN24		Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	6.5, 6.5.3	0	No spill nor taking out.
EN25		Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization’s discharges of water and runoff.	6.5, 6.5.4, 6.5.6	0	
EN26		Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	6.5, 6.5.4, 6.6.6, 6.7.5	0	52~53
EN27		Percentage of products sold and their packaging materials that are reclaimed by category.	6.5, 6.5.4, 6.7.5	0	Not applicable on financial industry characteristic.
EN28		Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	6.5	0	
EN29		Significant environmental impacts of transporting products and other goods and materials used for the organization’s operations, and transporting members of the workforce.	6.5, 6.5.4, 6.6.6	0	146
EN30		Total environmental protection expenditures and investments by type.	6.5	x	-
Labor Practices and Decent Work Performance Indicators					
LA1		Total workforce by employment type, employment contract, and region, broken down by gender.	6.4, 6.4.3	0	147
LA2		Total number and rate of new employee hires and employee turnover by age group, gender, and region.	6.4, 6.4.3	0	147
LA3		Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	6.4, 6.4.3, 6.4.4	0	46~48
LA15		Return to work and retention rates after parental leave, by gender.		0	147
LA4		Percentage of employees covered by collective bargaining agreements	6.4, 6.4.3, 6.4.4, 6.4.5, 6.3.10	0	147
LA5		Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	6.4, 6.4.3, 6.4.4, 6.4.5	0	147
LA6		Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	6.4, 6.4.6	0	147
LA7		Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	6.4, 6.4.6	0	147
LA8		Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	6.4, 6.4.6, 6.8, 6.8.3, 6.8.4, 6.8.8	0	46~47
LA9		Health and safety topics covered in formal agreements with trade unions.	6.4, 6.4.6	0	147
LA10		Average hours of training per year per employee by gender, and by employee category.	6.4, 6.4.7	0	147
LA11		Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	6.4, 6.4.7, 6.8.5	0	46~47
LA12		Percentage of employees receiving regular performance and career development reviews, by gender.	6.4, 6.4.7	0	147
LA13		Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	6.3.7, 6.3.10, 6.4, 6.4.3	0	6~7
LA14		Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	6.3.7, 6.3.10, 6.4, 6.4.3, 6.4.4	0	147
Human Rights Performance Indicators					
HR1		Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	6.3, 6.3.3, 6.3.5, 6.6.6	0	on the developing relevant system or process
HR2		Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.	6.3, 6.3.3, 6.3.5, 6.4.3, 6.6.6	0	
HR3		Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	6.3, 6.3.5	0	148
HR4		Total number of incidents of discrimination and corrective actions taken.	6.3, 6.3.6, 6.3.7, 6.3.10, 6.4.3	0	148
HR5		Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	6.2, 6.3.3, 6.3.4, 6.3.5, 6.3.8, 6.3.10, 6.4.3, 6.4.5	0	148
HR6		Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10	0	Child labor is prohibited under UNGC principles.
HR7		Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	6.3, 6.3.3, 6.3.4, 6.3.5, 6.3.7, 6.3.10	0	
HR8		Percentage of security personnel trained in the organization’s policies or procedures concerning aspects of human rights that are relevant to operations.	6.3, 6.3.5, 6.4.3, 6.6.6	x	-
HR9		Total number of incidents of violations involving rights of indigenous people and actions taken.	6.3, 6.3.6, 6.3.7, 6.3.8, 6.6.7	0	148
HR10		Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.		0	148
HR11		Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.		0	148



GLOSSARY

Terms	Explanation
Arbitrage	Arbitrage trading
ARS	Swap of market indices that follow the performance of portfolio managed by long-short strategy. A type of an ELS product based on this index guarantees principal, and seeks for absolute return regardless of market condition (Absolute Return Swap)
ATS	Alternative Trading System
Brokerage	Selling and buying of equities and other investment assets on consignment
BW	Bond with Warrant
CCP	Central Counterparty for over-the-counter derivative trading
Cross-border Deal	IB Deals such as IPO and M&A of Overseas companies, which provide both domestic and international investment opportunities
Deep Discount	An on-line brokerage channel with low commission [Tx]
DCM	Debt Capital Market including bonds
ECM	Equity Capital Market including IPO and Rights Offering
HFT	High Frequency Trading
HNWI	High Net Worth Individuals
PEF	Private Equity Fund
PIS	Swap of market indices of which are managed under various trading strategies pursuing absolute return (Performance Index Swap)
Prop. Trading	Stocks that are traded using company's own account (Proprietary trading)
Quant	A technique that uses quantitative analysis such as statistics and mathematical models to develop derivatives models, calculate and analyze a variety of data.
Syndication	A collaborating system between the business-related department and the sales-related department in association with underwriting securities.
Company IPO	Initial Public Offering

Indicators	Name of Indicator	ISO26000	Reported or not reported	Pages
Society Performance Indicators				
S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	6.3.9, 6.8, 6.8.5, 6.8.7, 6.6.7	0	50-51, 149
S09	Operations with significant potential or actual negative impacts on local communities.	6.3.9, 6.8, 6.8.5, 6.8.7, 6.6.7	0	No
S010	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	6.3.9, 6.8, 6.8.5, 6.8.7, 6.6.7	0	149
S02	Percentage and total number of business units analyzed for risks related to corruption.	6.6, 6.6.3	0	54-55
S03	Percentage of employees trained in organization's anti-corruption policies and procedures.	6.6, 6.6.3	0	54-55
S03	Actions taken in response to incidents of corruption.	6.6, 6.6.3	0	54-55
S05	Public policy positions and participation in public policy development and lobbying.	6.6, 6.6.4, 6.8.3	0	149
S06	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	6.6, 6.6.4, 6.8.3	0	149
S07	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	6.6, 6.6.5, 6.6.7	0	149
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	6.6, 6.6.5, 6.6.7	0	No cases
Product Responsibility Performance Indicators				
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	6.3.9, 6.6.6, 6.7, 6.7.4, 6.7.5	0	40-44
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	6.3.9, 6.6.6, 6.7, 6.7.4, 6.7.5	0	No violations
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	6.7, 6.7.3, 6.7.4, 6.7.5, 6.7.6, 6.7.9	0	149
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	6.7, 6.7.3, 6.7.4, 6.7.5, 6.7.6, 6.7.9	0	No violations
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	6.7, 6.7.4, 6.7.5, 6.7.6, 6.7.8, 6.7.9	0	44
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	6.7, 6.7.3, 6.7.6, 6.7.9	0	40-41
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	6.7, 6.7.3, 6.7.6, 6.7.9	0	No violations
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	6.7, 6.7.7	0	149
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	6.7, 6.7.6	0	No violations
Financial industry additional index				
FS1	Policies with specific environmental and social components applied to business lines.		0	32-33
FS2	Procedures for assessing and screening environmental and social risks in business lines.		0	35-37, 54-55
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions.		0	35-37, 54-55
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.		0	37, 55
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.		0	10, 28-29
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.		0	9, 16
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose.		0	28-29
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.		0	53
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.		0	149
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.		0	We don't analysis this indicators yet
FS11	Percentage of assets subject to positive and negative environmental or social screening.		0	149
FS12	Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting.		0	149
FS13	Access points in low-populated or economically disadvantaged areas by type.		0	29-31
FS14	Initiatives to improve access to financial services for disadvantaged people.		0	29-31
FS15	Policies for the fair design and sale of financial products and services.		0	40-41
FS16	Initiatives to enhance financial literacy by type of beneficiary.		0	29, 51

HISTORY & AWARDS

HISTORY

- 1969.01 Established
- 1995.03 Renamed LG Securities
- 1999.10 Merged with LG Merchant Banking and Renamed LG I&S
- 2004.12 Incorporated into Woori Financial Group
- 2005.04 Merged with Woori Securities and Renamed Woori I&S

AWARDS

2012.04	The Korea Economic Daily	Awarded 'Grand Prize' in sector of Installment Investment at the 2012 Korea Brand Awards
2012.04	The Korea Herald Business	Awarded 'Grand Prize' in sector of IB at the 2012 Korea Brand Awards (Corporate Finance and M&A)
2012.05	The Money Today	Named 'Excellent Lead Manager of the Year' at the 9th Korea IB Grand Awards
2012.05	The Korea Economic Daily	Awarded 'Grand Prize' at the 2012 Korea Mobile Trading System Awards
2012.06	The Money Today	Awarded 'Grand Prize' at the 2012 Korea Analyst Awards
2012.08	The Asia Economy Daily	Received 'Excellence Award (Premier Blue)' at the 2012 Asia PB Awards
2012.09	The Asia Economy Daily	Received 'Excellence Award' in sector of HTS stability at the 2012 Smart Trading Awards
2012.10	The Korea Productivity Center	Dow Jones Sustainability Index Korea member 2012 (Financial Service industry)
2012.10	The Asia Today	Received 'Excellence Award' in sector of security & retiree management at the 2012 Asia Today Financial Awards
2012.11	The AJU Business Daily	Awarded 'Grand Prize' in sector of social contribution at AJU Economic Security Awards
2012.11	The Asia Economy Daily	Received 'Excellence Award' in IB sector at the 2012 Asia Capital Investment Awards
2012.12	The Money Today	Received 'Outstanding Award' at the 1st Centennial era Financial Awards
2012.12	The etoday	Received 'Outstanding Award' in sector of Management Innovation at the 2nd Annual Market Leader Awards
2012.12	The Korea Economic Daily	Received 'Excellence Award' in sector for customer convenience in smart banking service at the 2nd Korea MTS Awards
2013.01	The Money Today	Received 'Excellence Award' at the 2012 Korea Best Report Awards
2013.02	The Asia Economy Daily	Named 'Best Merchandiser of Securities' at the 4th Asia Fund Awards
2013.03	The Bell	Received 'Outstanding Award' at the Risk Management Awards
2013.03	Electronic Times & Web Sustainability Research Institute of Sookmyung Women's University	Evaluated 'No. 1 security company' in sector of smart pad service by Korea Smart App Assessment Index(KSAAI) in 2013

ASSURANCE STATEMENT



INTRODUCTION

Det Norske Veritas Certification Ltd. (hereinafter referred to as 'DNV') has been commissioned to carry out verification on Woori Investment & Securities Co., Ltd. (hereinafter referred to as 'Woori Investment & Securities') 2012 Integrated Report (hereinafter referred to as 'the Report').

Woori Investment & Securities is responsible for the collection, analysis, aggregation and presentation of all information within the Report. DNV's responsibility in performing the work commissioned is solely to the management of Woori Investment & Securities, in accordance with terms of reference and scope of work agreed. Woori Investment & Securities' stakeholders are the intended recipients of the assurance statement.

SCOPE OF ASSURANCE

This Assurance Engagement covered data and information from the calendar year 2012. Woori Investment & Securities' reporting boundaries include only operations under control in Korea. The scope of DNV's Assurance Engagement, as agreed with Woori Investment & Securities included the verification of:

- Data and activities related to the environment, health and safety management, social aspects, and corporate governance issues that refer to the period between January 2012 and December 2012 as contained in the Report.
- As for the financial data included in 57 through 64, our work is limited to verify that the financial data are correctly derived from Woori Investment & Securities' audited consolidated financial statements.

GRI Application level and adherence to the principles of Stakeholder inclusiveness, Materiality, and Responsiveness as set out in the DNV Protocol are also checked by the audit team.

LIMITATIONS

The visits to sales offices of Woori Investment & Securities are not made in the course of verification. No external verification activities related to stakeholder dialogue or to Woori Investment & Securities' suppliers, contractors and any third-parties mentioned in the Report were not conducted. Any financial information from Woori Investment & Securities' annual report and company reporting on operations in 2012 or other sources was not included in the scope of the Assurance. Economic performances based on the financial data were cross-checked with internal documents and the audited financial statements. The assurance engagement is based on the assumption that the data and information provided to us is complete, sufficient and authentic. Hence, our conclusion is based on the discussion with management of Woori Investment & Securities and our review of sampled documents provided by Woori Investment & Securities.

VERIFICATION METHODOLOGY

This Assurance Engagement was planned and carried out in accordance with VeriSustainTM, the DNV Verification Protocol for Sustainability Reporting (V.4.1) (www.dnv.com/cr). In accordance with the Protocol, the Report was evaluated with regard to the following criteria:

- Adherence to the principles of Inclusivity, Materiality and Responsiveness with Moderate level of assurance as set forth in VeriSustainTM
- The GRI G3.1, specifically with respect to all the requirements for the 'A+' application level

As part of the verification, we examined and reviewed documents, data and other information made available to DNV by Woori Investment & Securities. We performed sample-based audits and we interviewed the personnel who is involved in the operational management of matters covered in the Report. The verification was conducted at Headquarter of Woori Investment & Securities. Our verification was carried out in May and June 2013.

## CONCLUSIONS

In DNV's opinion, and based on the scope of this Assurance Engagement, nothing has come to our attention to suggest that the Report is not fairly stated. Further conclusions and observations on the adoption of reporting principles are made below;

### Stakeholder Inclusivity

Woori Investment & Securities has engaged with a wide range of stakeholders including Investors, Government, and Local community, Employees, and Shareholders.

### Responsiveness

Stakeholders' views, interests and expectations sought from stakeholder communications are considered in the preparation of the Report and in the formulation of Woori Investment & Securities' sustainability management approach.

### Materiality

Woori Investment & Securities has identified most material issues.

Based on the review of the Report, nothing has come to our attention that causes us to believe that the Report does not meet the requirements of the A+ application level.

## OPPORTUNITIES FOR IMPROVEMENT

The following is an excerpt from the observations and opportunities reported to Woori Investment & Securities' management. However, these do not affect our conclusions on the Report and are provided to encourage continual improvement.

- Set up the objectives for sustainability vision and strategy so that the progress of achievement can be at least annually measured and reported.
- Set up a specific action plan to implement the policy of investment in the company which provides social/environmental value, as Woori Investment & Securities defines the role of corporate citizen.

## STATEMENT OF COMPETENCE AND INDEPENDENCE

DNV is a leading provider of sustainability services, including the verification of sustainability reports. Our environmental and social assurance specialists operate in over 100 countries. DNV was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. DNV maintains complete impartiality toward stakeholders interviewed during the verification process. DNV expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Seoul, Korea  
June 2013



In Kyo Ahn  
Country Manager