

**Industrial Bank of Korea and Subsidiaries**  
**Consolidated Interim Financial Statements**  
**September 30, 2018 and 2017**

**Industrial Bank of Korea and Subsidiaries**  
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## **Report on Review of Interim Financial Statements**

(English Translation of a Report Originally Issued in Korean)

To the Shareholders and Board of Directors of  
Industrial Bank of Korea

### ***Reviewed Financial Statements***

We have reviewed the accompanying consolidated interim financial statements of Industrial Bank of Korea (the “Bank”) and its subsidiaries (collectively the referred to as the “Group”). These financial statements consist of the consolidated interim statement of financial position of the Group as at September 30, 2018 and the related consolidated interim statements of comprehensive income for the three-month and nine-month periods ended September 30, 2018 and 2017, and consolidated interim statements of changes in equity and cash flows for the nine-month periods ended September 30, 2018 and 2017, and notes including a summary of significant accounting policies and other explanatory notes, expressed in Korean won.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

**Conclusion**

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

**Other Matters**

We have audited the consolidated statement of financial position of the Group as at December 31, 2017 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, in accordance with Korean Standards on Auditing. We expressed an unqualified opinion on those financial statements, not presented herein, in our audit report dated March 12, 2018. The consolidated statement of financial position as at December 31, 2017, presented herein for comparative purposes, is consistent, in all material respects, with the above audited consolidated statement of financial position as at December 31, 2017.

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

Seoul, Korea  
November 14, 2018

This report is effective as of November 14, 2018, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

**Industrial Bank of Korea and Subsidiaries**  
**Consolidated Interim Statements of Financial Position**  
**September 30, 2018 and December 31, 2017**

(in millions of Korean won)

|   | Notes    | September 30, 2018<br>(Unaudited) | December 31, 2017    |
|---|----------|-----------------------------------|----------------------|
| <b>Assets</b>   |          |                                   |                      |
| Cash and due from banks   | 26,47    | ₩ 12,097,534                      | ₩ 12,906,137         |
| Financial assets at fair value through profit or loss   | 4,26     | 11,629,120                        | 8,826,949            |
| Financial assets designated at fair value through profit and loss   | 4,26     | -                                 | 512,045              |
| Financial assets at fair value through other comprehensive income   | 5,26     | 12,881,067                        | -                    |
| Available-for-sale financial assets   | 6,26     | -                                 | 15,115,370           |
| Securities at amortized cost  | 7,26     | 25,632,517                        | -                    |
| Held-to-maturity financial assets   | 8,26     | -                                 | 23,528,889           |
| Loan receivables at amortized cost  | 9,26     | 212,659,924                       | -                    |
| Loan receivables  | 10,26    | -                                 | 202,916,215          |
| Derivative financial assets for hedge accounting  | 11,26    | 42,308                            | 40,708               |
| Investments in associates   | 12       | 281,065                           | 161,631              |
| Investment properties   | 13,24    | 65,729                            | 135,085              |
| Property and equipment  | 14,24    | 1,824,057                         | 1,835,215            |
| Intangible assets   | 15       | 183,057                           | 213,678              |
| Deferred tax assets   | 16       | 16,962                            | 15,471               |
| Other assets  | 17,26,40 | 8,301,672                         | 7,862,338            |
| <b>Total assets</b>   |          | <u>₩ 285,615,012</u>              | <u>₩ 274,069,731</u> |
| <b>Liabilities</b>  |          |                                   |                      |
| Financial liabilities held for trading  | 4,26     | ₩ 1,811,007                       | ₩ 2,297,583          |
| Financial liabilities designated at fair value through profit and loss  | 4,26     | 1,673,738                         | 1,427,235            |
| Deposit liabilities   | 18,26    | 106,135,089                       | 112,590,632          |
| Debts   | 19,26    | 29,459,683                        | 27,339,704           |
| Debentures  | 20,26    | 105,311,117                       | 94,200,567           |
| Derivative financial liabilities for hedge accounting   | 11,26    | 290,030                           | 283,584              |
| Net defined benefit liabilities   | 21       | 38,985                            | 43,810               |
| Provisions  | 22       | 433,019                           | 380,435              |
| Deferred tax liabilities  | 16       | 236,009                           | 233,893              |
| Other liabilities   | 23,26,40 | 19,390,416                        | 15,470,550           |
| <b>Total liabilities</b>  |          | <u>264,779,093</u>                | <u>254,267,993</u>   |
| <b>Equity</b>   |          |                                   |                      |
| <b>Equity attributable to owners of the Parent Company</b>  |          |                                   |                      |
| Share capital   | 27       | 3,289,756                         | 3,289,756            |
| Hybrid capital instruments  | 27       | 2,381,018                         | 2,031,543            |
| Capital surplus   | 27       | 561,305                           | 559,315              |
| Accumulated other comprehensive income  | 27       | 519,811                           | 660,946              |
| Retained earnings   | 28       | 13,973,653                        | 13,155,814           |
| (Regulatory reserve for credit loss<br>September 30, 2018 : ₩ 2,494,095 million<br>December 31, 2017 : ₩ 2,219,478 million)                           |          |                                   |                      |
| (Regulatory reserve for credit loss estimated to be appropriated<br>September 30, 2018 : ₩ (75,811) million<br>December 31, 2017 : ₩ 274,617 million) |          |                                   |                      |
|   |          | <u>20,725,543</u>                 | <u>19,697,374</u>    |
| <b>Non-controlling interest</b>   | 46       | 110,376                           | 104,364              |
| <b>Total equity</b>   |          | <u>20,835,919</u>                 | <u>19,801,738</u>    |
| <b>Total liabilities and equity</b>   |          | <u>₩ 285,615,012</u>              | <u>₩ 274,069,731</u> |

The above consolidated interim statements of financial position should be read in conjunction with the accompanying notes.

**Industrial Bank of Korea and Subsidiaries**  
**Consolidated Interim Statements of Comprehensive Income**  
**Three-Month and Nine-Month Periods Ended September 30, 2018 and 2017**

| (in millions of Korean won)   | Notes    | Period Ended September 30 |             |              |             |
|---|----------|---------------------------|-------------|--------------|-------------|
|   |          | 2018                      |             | 2017         |             |
|   |          | (Unaudited)               |             | (Unaudited)  |             |
|   |          | Three months              | Nine months | Three months | Nine months |
| Interest income   |          |                           |             |              |             |
| Interest income on financial assets at fair value through profit or loss  | W        | 35,767                    | W 115,454   | W 31,627     | W 92,338    |
| Interest income on financial assets at fair value through other comprehensive income  |          | 2,280,013                 | 6,558,927   | -            | -           |
| Interest income on loans and receivables, and investment assets   |          | -                         | -           | 2,030,270    | 5,890,847   |
| Interest expense  |          | (886,438)                 | (2,490,710) | (709,216)    | (2,086,212) |
| Net interest income   | 29,45    | 1,429,342                 | 4,183,671   | 1,352,681    | 3,896,973   |
| Fee and commission income   |          | 210,900                   | 678,744     | 218,331      | 657,222     |
| Fee and commission expense  |          | (114,723)                 | (345,348)   | (108,535)    | (327,150)   |
| Net fee and commission income   | 30,45    | 96,177                    | 333,396     | 109,796      | 330,072     |
| Net gains (losses) on financial instruments at fair value through profit or loss  | 31       | 134,845                   | 377,112     | 46,479       | (12,856)    |
| Net losses on financial instruments designated at fair value through profit and loss  | 31       | (12,547)                  | (20,281)    | (17,594)     | (41,508)    |
| Net gains (losses) on derivative financial instruments for hedge accounting   | 11       | (1,879)                   | (48,328)    | 31,112       | 107,765     |
| Gains on disposal of financial assets at amortized cost   |          | 66,272                    | 208,910     | -            | -           |
| Net gains from financial assets at fair value through other comprehensive income  | 32       | 5,114                     | 58,988      | -            | -           |
| Other net gains from financial instruments  | 33       | -                         | -           | 75,946       | 257,622     |
| Insurance losses  | 40       | (22,507)                  | (61,687)    | (15,386)     | (40,342)    |
| Net gains (losses) on foreign currency transactions   |          | 27,758                    | 54,573      | (5,407)      | 120,750     |
| <b>Gross operating profit</b>   |          | 1,722,575                 | 5,086,354   | 1,577,627    | 4,618,476   |
| Impairment losses on financial assets   | 5,7,9,45 | (355,661)                 | (1,041,187) | (334,351)    | (977,942)   |
| <b>Net operating profit</b>   |          | 1,366,914                 | 4,045,167   | 1,243,276    | 3,640,534   |
| General and administrative expenses   | 34       | (529,746)                 | (1,693,772) | (527,451)    | (1,621,104) |
| Other operating income  | 35       | 52,412                    | 174,050     | 42,164       | 124,863     |
| Other operating expenses  | 36       | (184,647)                 | (543,559)   | (169,928)    | (503,042)   |
| Overlay adjustment  | 40       | (3,020)                   | 7,924       | -            | -           |
| <b>Operating profit</b>   |          | 701,913                   | 1,989,810   | 588,061      | 1,641,251   |
| Non-operating expenses  | 37       | (1,250)                   | (3,356)     | (2,360)      | (13,247)    |
| <b>Profit before income tax</b>   |          | 700,663                   | 1,986,454   | 585,701      | 1,628,004   |
| Income tax expense  | 16       | (177,616)                 | (526,189)   | (134,577)    | (377,391)   |
| <b>Profit for the period</b>  | 28       | 523,047                   | 1,460,265   | 451,124      | 1,250,613   |
| (Adjusted profit after provision of regulatory reserve for credit losses<br>September 30, 2018 : W 1,237,586 million<br>September 30, 2017 : W 922,021 million) |          |                           |             |              |             |

**Industrial Bank of Korea and Subsidiaries**  
**Consolidated Interim Statements of Comprehensive Income**  
**Three-Month and Nine-Month Periods Ended September 30, 2018 and 2017**

| (in millions of Korean won)  | Notes | Period Ended September 30 |                    |                  |                    |
|--|-------|---------------------------|--------------------|------------------|--------------------|
|  |       | 2018                      |                    | 2017             |                    |
|  |       | (Unaudited)               |                    | (Unaudited)      |                    |
|  |       | Three months              | Nine months        | Three months     | Nine months        |
| <i>Items that will not be reclassified to profit or loss:</i>                              |       |                           |                    |                  |                    |
| Changes in financial liabilities designated at fair value through profit or loss           |       | (1)                       | (4)                | -                | -                  |
| Changes in valuation of equity securities at fair value through other comprehensive income | 5, 27 | (17,548)                  | (57,224)           | -                | -                  |
| Remeasurements of net defined benefit liabilities  | 21,27 | (2,001)                   | (7,031)            | (1,288)          | (4,037)            |
| <i>Items that may be subsequently reclassified to profit or loss:</i>                      |       |                           |                    |                  |                    |
| Changes in valuation of debt securities at fair value through other comprehensive income   | 5,27  | 12,535                    | 33,780             | -                | -                  |
| Changes in the fair value of available-for-sale financial assets                           | 6,27  | -                         | -                  | (124,160)        | 37,539             |
| Shares of other comprehensive income of associates   | 12,27 | (175)                     | (3,575)            | 98               | (601)              |
| Exchange differences on translation of foreign operations                                  | 27    | (27,201)                  | 4,862              | 13,088           | (21,022)           |
| Cash flow hedges   | 27    | (25)                      | 472                | 12               | 10                 |
| Changes in valuation of hedges of net investments in foreign operations                    | 11,27 | 2,351                     | (7,046)            | (1,190)          | 10,289             |
| Overlay adjustment   | 27    | 1,521                     | (4,473)            | -                | -                  |
| <b>Other comprehensive income for the period, net of tax</b>                               |       | <u>(30,544)</u>           | <u>(40,239)</u>    | <u>(113,440)</u> | <u>22,178</u>      |
| <b>Total comprehensive income for the period</b>   |       | <u>₩ 492,503</u>          | <u>₩ 1,420,026</u> | <u>₩ 337,684</u> | <u>₩ 1,272,791</u> |
| <b>Profit attributable to:</b>   |       |                           |                    |                  |                    |
| Owners of the Parent Company   |       | 520,294                   | 1,452,097          | 449,711          | 1,245,618          |
| Non-controlling interest   |       | 2,753                     | 8,168              | 1,413            | 4,995              |
|  |       | <u>₩ 523,047</u>          | <u>₩ 1,460,265</u> | <u>₩ 451,124</u> | <u>₩ 1,250,613</u> |
| <b>Total comprehensive income attributable to:</b>   |       |                           |                    |                  |                    |
| Owners of the Parent Company   |       | 489,750                   | 1,411,861          | 336,266          | 1,267,809          |
| Non-controlling interest   |       | 2,753                     | 8,165              | 1,418            | 4,982              |
|  |       | <u>₩ 492,503</u>          | <u>₩ 1,420,026</u> | <u>₩ 337,684</u> | <u>₩ 1,272,791</u> |
| <b>Earnings per share (in Korean won)</b>  |       |                           |                    |                  |                    |
|  | 41    |                           |                    |                  |                    |
| Basic earnings per share   |       | ₩ 756                     | ₩ 2,107            | ₩ 655            | ₩ 1,819            |
| Diluted earnings per share   |       | ₩ 756                     | ₩ 2,107            | ₩ 655            | ₩ 1,819            |

The above consolidated interim statements of comprehensive income should be read in conjunction with the accompanying notes.

**Industrial Bank of Korea and Subsidiaries**  
**Consolidated Interim Statements of Changes in Equity**  
**Nine-Month Periods Ended September 30, 2018 and 2017**

|  | Notes | Attributable to owners of the Parent Company |                            |                 |  |                   |           | Non-controlling Interest | Total Equity |
|--|-------|--|----------------------------|-----------------|--|-------------------|-----------|--------------------------|--------------|
|  |       | Share Capital                                | Hybrid Capital Instruments | Capital Surplus | Accumulated Other Comprehensive Income | Retained Earnings |           |                          |              |
| <i>(in millions of Korean won)</i>   |       |  |                            |                 |  |                   |           |                          |              |
| <b>Balance at January 1, 2017</b>  | ₩     | 3,289,756                                    | ₩ 1,398,240                | ₩ 553,889       | ₩ 666,596                              | ₩ 12,041,487      | ₩ 97,440  | ₩ 18,047,408             |              |
| <b>Comprehensive income</b>  |       |  |                            |                 |  |                   |           |                          |              |
| Profit for the period  |       | -  | -                          | -               | -                                      | 1,245,618         | 4,995     | 1,250,613                |              |
| Other comprehensive income for the period  |       |  |                            |                 |  |                   |           |                          |              |
| Change in the fair value of available-for-sale financial assets                            |       | -  | -                          | -               | 37,554                                 | -                 | (15)      | 37,539                   |              |
| Shares of other comprehensive income of associates   |       | -  | -                          | -               | (601)                                  | -                 | -         | (601)                    |              |
| Exchange differences on translation of foreign operations                                  |       | -  | -                          | -               | (21,022)                               | -                 | -         | (21,022)                 |              |
| Cash flow hedges   |       | -  | -                          | -               | 8                                      | -                 | 2         | 10                       |              |
| Changes in valuation of hedges of net investment in foreign operations                     |       | -  | -                          | -               | 10,289                                 | -                 | -         | 10,289                   |              |
| Remeasurement of net defined benefit liabilities   |       | -  | -                          | -               | (4,037)                                | -                 | -         | (4,037)                  |              |
| <b>Total comprehensive income for the period</b>   |       | -  | -                          | -               | 22,191                                 | 1,245,618         | 4,982     | 1,272,791                |              |
| <b>Transactions with owners</b>  |       |  |                            |                 |  |                   |           |                          |              |
| Cash dividends   | 42    | -  | -                          | -               | -                                      | (315,817)         | (206)     | (316,023)                |              |
| Dividends for hybrid capital instruments   | 42    | -  | -                          | -               | -                                      | (48,753)          | -         | (48,753)                 |              |
| Issuance of hybrid capital instruments   | 27    | -  | 633,303                    | -               | -                                      | -                 | -         | 633,303                  |              |
| Others   |       | -  | -                          | 4,442           | -                                      | 1,460             | -         | 5,902                    |              |
| <b>Total transactions with owners</b>  |       | -  | 633,303                    | 4,442           | -                                      | (363,110)         | (206)     | 274,429                  |              |
| <b>Balance at September 30, 2017 (Unaudited)</b>   | ₩     | 3,289,756                                    | ₩ 2,031,543                | ₩ 558,331       | ₩ 688,787                              | ₩ 12,923,995      | ₩ 102,216 | ₩ 19,594,628             |              |
| <b>Balance at January 1, 2018</b>  | ₩     | 3,289,756                                    | 2,031,543                  | 559,315         | 660,946                                | 13,155,814        | 104,364   | 19,801,738               |              |
| Changes in accounting policy   | 2     | -  | -                          | 446             | (100,565)                              | (153,589)         | (407)     | (254,115)                |              |
| <b>Comprehensive income</b>  |       |  |                            |                 |  |                   |           |                          |              |
| Profit for the period  |       | -  | -                          | -               | -                                      | 1,452,097         | 8,168     | 1,460,265                |              |
| Other comprehensive income for the period  |       |  |                            |                 |  |                   |           |                          |              |
| Changes in valuation of debt securities at fair value through other comprehensive income   |       | -  | -                          | -               | 33,780                                 | -                 | -         | 33,780                   |              |
| Shares of other comprehensive income of associates   |       | -  | -                          | -               | (3,575)                                | -                 | -         | (3,575)                  |              |
| Exchange differences on translation of foreign operations                                  |       | -  | -                          | -               | 4,862                                  | -                 | -         | 4,862                    |              |
| Cash flow hedges   |       | -  | -                          | -               | 474                                    | -                 | (2)       | 472                      |              |
| Changes in valuation of hedges of net investment in a foreign operations                   |       | -  | -                          | -               | (7,046)                                | -                 | -         | (7,046)                  |              |
| Net losses on overlay adjustment   |       | -  | -                          | -               | (4,473)                                | -                 | -         | (4,473)                  |              |
| Changes in financial liabilities designated at fair value through profit or loss           |       | -  | -                          | -               | (3)                                    | -                 | (1)       | (4)                      |              |
| Changes in valuation of equity securities at fair value through other comprehensive income |       | -  | -                          | -               | (57,224)                               | -                 | -         | (57,224)                 |              |
| Remeasurement of net defined benefit liabilities   |       | -  | -                          | -               | (7,031)                                | -                 | -         | (7,031)                  |              |
| <b>Total comprehensive income</b>  |       | -  | -                          | -               | (40,236)                               | 1,452,097         | 8,165     | 1,420,026                |              |

**Industrial Bank of Korea and Subsidiaries**  
**Consolidated Interim Statements of Changes in Equity**  
**Nine-Month Periods Ended September 30, 2018 and 2017**

|   | Notes | Attributable to owners of the Parent Company |                            |                  |  |                     | Non-controlling Interest | Total Equity        |
|---|-------|--|----------------------------|------------------|--|---------------------|--------------------------|---------------------|
|   |       | Share Capital                                | Hybrid Capital Instruments | Capital Surplus  | Accumulated Other Comprehensive Income | Retained Earnings   |                          |                     |
| <i>(in millions of Korean won)</i>  |       |  |                            |                  |  |                     |                          |                     |
| <b>Transactions with owners</b>   |       |  |                            |                  |  |                     |                          |                     |
| Cash dividends  | 42    | -  | -                          | -                | -                                      | (405,956)           | (1,746)                  | (407,702)           |
| Dividends for hybrid capital instruments  | 42    | -  | -                          | -                | -                                      | (65,936)            | -                        | (65,936)            |
| Issuance of hybrid capital instruments  | 27    | -  | 349,475                    | -                | -                                      | -                   | -                        | 349,475             |
| Transfer of realized gains or losses on equity investment at fair value through other comprehensive income                      | 5     | -  | -                          | -                | (23,880)                               | 23,880              | -                        | -                   |
| Transfer of realized gains or losses on equity investment at fair value through other comprehensive income for hedge accounting |       | -  | -                          | -                | 23,546                                 | (23,546)            | -                        | -                   |
| Others  |       | -  | -                          | 1,544            | -                                      | (9,111)             | -                        | (7,567)             |
| <b>Total transactions with owners</b>   |       | -  | 349,475                    | 1,544            | (334)                                  | (480,669)           | (1,746)                  | (131,730)           |
| <b>Balance at September 30, 2018 (Unaudited)</b>  |       | <u>W 3,289,756</u>                           | <u>W 2,381,018</u>         | <u>W 561,305</u> | <u>W 519,811</u>                       | <u>W 13,973,653</u> | <u>W 110,376</u>         | <u>W 20,835,919</u> |

The above consolidated interim statements of changes in equity should be read in conjunction with the accompanying notes.

**Industrial Bank of Korea and Subsidiaries**  
**Consolidated Interim Statements of Cash Flows**  
**Nine-Month Periods Ended September 30, 2018 and 2017**

| <i>(in millions of Korean won)</i>  | Notes | Nine-Month Period Ended September 30 |                     |
|---|-------|--------------------------------------|---------------------|
|   |       | 2018<br>(Unaudited)                  | 2017<br>(Unaudited) |
| <b>Cash flows from operating activities</b>                                       |       |                                      |                     |
| Profit for the period   |       | ₩ 1,460,265                          | ₩ 1,250,613         |
| Adjustments of expenses and revenues  | 47    | (2,677,928)                          | (2,662,855)         |
| Changes in operating assets and liabilities                                       | 47    | (11,881,965)                         | (2,671,557)         |
| Cash used in operations   |       | (13,099,628)                         | (4,083,799)         |
| Interests received  |       | 6,425,370                            | 5,814,676           |
| Interests paid  |       | (2,425,678)                          | (2,058,067)         |
| Dividends received  |       | 156,427                              | 110,387             |
| Income taxes paid   |       | (398,169)                            | (330,080)           |
| <b>Net cash outflow from operating activities</b>                                 |       | <b>(9,341,678)</b>                   | <b>(546,883)</b>    |
| <b>Cash flows from investing activities</b>                                       |       |                                      |                     |
| Net increase in financial assets at fair value through profit or loss             |       | (301,094)                            | -                   |
| Net increase in financial assets at fair value through other comprehensive income |       | (848,125)                            | -                   |
| Net decrease in available-for-sale financial assets                               |       | -                                    | 2,357,267           |
| Net increase in securities at amortized cost                                      |       | (2,246,971)                          | -                   |
| Net increase in held-to-maturity financial assets                                 |       | -                                    | (8,235,833)         |
| Disposal of investments in associates   |       | 20,777                               | 22,345              |
| Acquisition of investments in associates  |       | (146,650)                            | (72,457)            |
| Disposal of property and equipment, and investment properties                     |       | 94,864                               | 479                 |
| Acquisition of property and equipment, and investment properties                  |       | (62,792)                             | (117,889)           |
| Disposal of intangible assets   |       | 2,603                                | 751                 |
| Acquisition of intangible assets  |       | (32,981)                             | (33,906)            |
| <b>Net cash outflow from investing activities</b>                                 |       | <b>(3,520,369)</b>                   | <b>(6,079,243)</b>  |
| <b>Cash flows from financing activities</b>                                       |       |                                      |                     |
| Net increase in debts   |       | 2,063,246                            | 2,003,529           |
| Net increase in debentures  |       | 11,086,358                           | 3,796,392           |
| Issuance of hybrid capital instruments  |       | 349,475                              | 633,303             |
| Payment of interest of hybrid capital instruments                                 |       | (65,936)                             | (48,753)            |
| Payment of dividends  |       | (407,702)                            | (316,023)           |
| <b>Net cash inflow from financing activities</b>                                  |       | <b>13,025,441</b>                    | <b>6,068,448</b>    |
| <b>Effects of exchange rate changes on cash and cash equivalents</b>              |       | <b>64,319</b>                        | <b>8,663</b>        |
| <b>Net increase (decrease) in cash and cash equivalents</b>                       |       | <b>227,713</b>                       | <b>(549,015)</b>    |
| Cash and cash equivalents at the beginning of the period                          |       | 2,644,482                            | 2,863,839           |
| <b>Cash and cash equivalents at the end of the period</b>                         | 47    | <b>₩ 2,872,195</b>                   | <b>₩ 2,314,824</b>  |

The above consolidated interim statements of cash flows should be read in conjunction with the accompanying notes.

# Industrial Bank of Korea and Subsidiaries

## Notes to the Consolidated Interim Financial Statements

### September 30, 2018 and 2017 (Unaudited), and December 31, 2017

#### 1. The Bank

The Industrial Bank of Korea (the "Bank" or the "Parent Company") was established in 1961 under the Industrial Bank of Korea Act to promote independent economic activities of small and medium-sized companies.

On May 15, 1992, the Bank converted its equity into shares in accordance with the Industrial Bank of Korea Act, as amended on December 31, 1991. On November 30, 1994, the Bank's ordinary shares were listed on KOSDAQ. On December 24, 2003, however, the Bank moved its securities market through a public offering of its ordinary shares on the Korea Exchange ("KRX"). The Bank and its subsidiaries (the "Group") are mainly involved in offering banking businesses and related financial services to individuals and corporate customers. The Bank also listed 48.53 million shares of Global Depository Shares on December 19, 2003, and additionally 26.20 million shares of ordinary share were issued on April 22, 2014, on the Luxembourg Stock Exchange.

As at September 30, 2018, the Bank's ordinary shares and preferred shares amount to ₩ 2,799.9 billion and ₩ 489.9 billion, respectively. The Korean government owns 50.91% of the Bank's ordinary and preferred shares. The head office of the Bank is located at 79, Euljiro, Jung-gu, Seoul, Korea. The Bank has 575 branches and 39 depository offices in Korea and 11 overseas offices.

#### 2. Scope of Consolidation and Basis of Preparation

##### 2.1 Scope of Consolidation

Subsidiaries of the Group as at September 30, 2018 and December 31, 2017, are as follows:

| Name of entity                                | Industry                    | Location | Ownership (%)      |                   | Year end    |
|---|-----------------------------|----------|--------------------|-------------------|-------------|
|   |                             |          | September 30, 2018 | December 31, 2017 |             |
| IBK Capital Corporation                       | Financial services          | Korea    | 100.00             | 100.00            | December 31 |
| IBK Asset Management Co., Ltd.                | Asset management            | Korea    | 100.00             | 100.00            | December 31 |
| IBK Credit Information Corp.                  | Credit information services | Korea    | 100.00             | 100.00            | December 31 |
| IBK Securities Co., Ltd                       | Securities investments      | Korea    | 83.86              | 83.86             | December 31 |
| IBK System Co., Ltd.                          | Financial system management | Korea    | 55.63              | 55.63             | December 31 |
| Industrial Bank of Korea (China) Limited      | Financial services          | China    | 100.00             | 100.00            | December 31 |
| IBK Insurance Co., Ltd.                       | Life insurance (Pension)    | Korea    | 100.00             | 100.00            | December 31 |
| IBK Savings Bank Co., Ltd.                    | Mutual Savings Bank         | Korea    | 100.00             | 100.00            | December 31 |
| IBK Capital Myanmar Co., Ltd.                 | Microfinancing              | Myanmar  | 99.99              | 99.99             | March 31    |
| IBK Private Equity Fund No.3                  | Investment association      | Korea    | 88.89              | 88.89             | December 31 |
| IBK-SKS Private Equity Fund No.4              | Investment association      | Korea    | 30.00              | 30.00             | December 31 |
| IBK Recovery Private Equity Fund              | Investment association      | Korea    | 100.00             | 99.77             | December 31 |
| IBK-AJU Star Seekers No.1 Private Equity Fund | Investment association      | Korea    | 35.00              | 35.00             | December 31 |

**Industrial Bank of Korea and Subsidiaries**  
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| Name of entity   | Industry               | Location | Ownership (%)      |                   | Year end    |
|--|------------------------|----------|--------------------|-------------------|-------------|
|  |                        |          | September 30, 2018 | December 31, 2017 |             |
| IBK SKS Private Equity Fund 2012                           | Investment association | Korea    | 49.03              | 47.71             | December 31 |
| IBK POSCO TRUBEN Recovery Private Equity Fund No.1         | Investment association | Korea    | 49.50              | 49.50             | December 31 |
| IBK NH Small Giant Private Equity Fund                     | Investment association | Korea    | 50.00              | 50.00             | December 31 |
| No.1 Technology Financing Private Equity Fund              | Investment association | Korea    | 30.00              | 30.00             | December 31 |
| Value Brand Korea No.1 Private Equity Fund                 | Investment association | Korea    | 50.00              | 50.00             | December 31 |
| IBK-EUM Private Equity Fund No.1                           | Investment association | Korea    | 70.99              | 52.63             | December 31 |
| IBK KIP Growth Stepstone No.1 Private Equity Fund          | Investment association | Korea    | 50.00              | 50.00             | December 31 |
| IBK-TS Exit Private Equity Fund                            | Investment association | Korea    | 80.20              | -                 | December 31 |
| IBKBNW Tech-Fi 2018 Private Equity Fund                    | Investment association | Korea    | 40.00              | -                 | December 31 |
| IBKC-TONGYANG Growth 2013 Private Equity Fund              | Investment association | Korea    | 35.71              | 35.71             | December 31 |
| IBKC INNO-BIZ Fund No.1                                    | Investment association | Korea    | 60.00              | 60.00             | December 31 |
| IBK Small Business Coexistence Investment Association No.2 | Investment association | Korea    | 100.00             | 100.00            | December 31 |
| IBK Cultural Contents Cooperative Investment Association   | Investment association | Korea    | -                  | 66.67             | December 31 |
| IBKC-STI Pre-IPO Investment Association No.1               | Investment association | Korea    | 90.00              | 90.00             | December 31 |
| IBK Group Mutual Growth Fund                               | Investment association | Korea    | 100.00             | 100.00            | December 31 |
| IBK Group Contents IP Investment Fund                      | Investment association | Korea    | 90.00              | 90.00             | December 31 |
| IBK Group IP Value-up Fund                                 | Investment association | Korea    | 100.00             | 100.00            | December 31 |
| Banks Foundation for young Entrepreneurs IBKC Pioneer Fund | Investment association | Korea    | 50.00              | 50.00             | December 31 |
| Gyeonggi-IBKC-STI Job Creation Fund                        | Investment association | Korea    | 50.00              | 50.00             | December 31 |
| IBK Group KONEX Fund                                       | Investment association | Korea    | 100.00             | 100.00            | December 31 |
| IBKC-Solidus Future Creation Fund                          | Investment association | Korea    | 50.00              | 50.00             | December 31 |
| IDV-IP Fishery Intellectual Property Specialty Fund        | Investment association | Korea    | 40.00              | 40.00             | December 31 |
| IBK Group IP Creation Fund                                 | Investment association | Korea    | 66.67              | 66.67             | December 31 |
| IBKC-STI New Growth Investment Fund No.1                   | Investment association | Korea    | 89.67              | 89.67             | December 31 |
| IBK Finance Group Union Contents Investment Fund           | Investment association | Korea    | 70.00              | 70.00             | December 31 |

**Industrial Bank of Korea and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
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| Name of entity  | Industry               | Location | Ownership (%)      |                   | Year end    |
|---|------------------------|----------|--------------------|-------------------|-------------|
|   |                        |          | September 30, 2018 | December 31, 2017 |             |
| IBKC-JNT Secondary Fund No.1  | Investment association | Korea    | 50.00              | 50.00             | December 31 |
| KIF-IBKC/SBI Secondary IT Venture Fund                              | Investment association | Korea    | 42.86              | 42.86             | December 31 |
| IBKC-SBI Bio Fund No.1  | Investment association | Korea    | 50.00              | 50.00             | December 31 |
| IBK Group Crowdfunding Matching Fund                                | Investment association | Korea    | 100.00             | 100.00            | December 31 |
| IBK Group Future Growth Engine Fund                                 | Investment association | Korea    | 100.00             | 100.00            | December 31 |
| IBK Capital Contents Investment Fund                                | Investment association | Korea    | 50.00              | 50.00             | December 31 |
| IBKC-Medici Secondary Fund  | Investment association | Korea    | 42.86              | 42.86             | December 31 |
| IBK Group IP Value-up Fund No.2                                     | Investment association | Korea    | 50.00              | 50.00             | December 31 |
| IBKC-GMB New Growth Industry Investment Fund                        | Investment association | Korea    | 50.00              | 50.00             | December 31 |
| IBKC-MGI New Economic Growth Pre-IPO Fund                           | Investment association | Korea    | 50.00              | 50.00             | December 31 |
| GMB-IBKC Biotech Investment Fund                                    | Investment association | Korea    | 49.77              | 49.77             | December 31 |
| IBKC-UNION Secondary Mezzanine Fund                                 | Investment association | Korea    | 50.00              | 50.00             | December 31 |
| K&SECONDARY No.3 FUND   | Investment association | Korea    | 50.00              | 50.00             | December 31 |
| IBKC-K&SECONDARY No.1 FUND  | Investment association | Korea    | 50.00              | 50.00             | December 31 |
| IBK Start-up Job Creation Fund                                      | Investment association | Korea    | 100.00             | 100.00            | December 31 |
| Turnaround 2 <sup>nd</sup> Fund                                     | Investment association | Korea    | 68.75              | 68.75             | December 31 |
| IBK Synergy IB Mezzanine Fund                                       | Investment association | Korea    | 90.00              | -                 | December 31 |
| Mirae Asset triumph private bond balanced No.17, 6 investment funds | Investment association | Korea    | 100.00             | 100.00            | December 31 |
| KTB Confidence Investment Trust No. 31                              | Investment association | Korea    | 99.64              | 99.64             | December 31 |
| Heungkuk High-class Private Securities Investment Fund No.6         | Investment association | Korea    | 67.11              | 67.11             | December 31 |
| Mireaasset Deoksong-Naegak Expressway Private Equity Fund           | Investment association | Korea    | 100.00             | 100.00            | December 31 |
| JS Real Estate Professional Private Investment No1.                 | Investment association | Korea    | 99.56              | 99.56             | December 31 |
| IBK Professional Investor Private Fund RP 1 [Bond]                  | Investment association | Korea    | 49.90              | -                 | December 31 |
| IBK Professional Investor Private Fund RP 3 [Bond]                  | Investment association | Korea    | 50.00              | -                 | December 31 |
| Darby Hana Green Private  | Investment             | Korea    | 64.00              | 64.00             | December 31 |

**Industrial Bank of Korea and Subsidiaries**  
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| Name of entity  | Industry                  | Location | Ownership (%)      |                   | Year end    |
|---|---------------------------|----------|--------------------|-------------------|-------------|
|   |                           |          | September 30, 2018 | December 31, 2017 |             |
|   | association               |          |                    |                   |             |
| Trust with repayment guarantees of principal              | Trust                     | Korea    | -                  | -                 | December 31 |
| Trust with repayment guarantees of principal and interest | Trust                     | Korea    | -                  | -                 | December 31 |
| Myungdong City Maintenance Business and 2 others          | City maintenance business | Korea    | 55.00 ~ 100.00     | 55.00 ~ 100.00    | December 31 |

## 2.2 Summary of Subsidiaries

### (1) IBK Capital Corporation

IBK Capital Corporation (IBK Capital) was established on November 1, 1986, to provide services to small start-up companies. On November 6, 1986, the bank, in accordance with Support for Small and Medium Enterprise Establishment Act, was listed as a small startup business investment organization. However on May 29, 2002, IBK Capital, in accordance with the *Specialized Credit Financial Business Act*, was engaged in installment financing business and venture capital business. IBK Capital's ordinary share as at September 30, 2018, amounts to ₩ 165,452 million.

### (2) IBK Asset Management Co., Ltd.

IBK Asset Management Co., Ltd. was established on October 26, 2004, to engage in investment trust asset management and consultation, entrusted investment, and future funds management, in accordance with the Capital Market and Financial Investment Business Act. IBK Asset Management Co., Ltd.'s ordinary share as at September 30, 2018, is ₩ 20,000 million.

### (3) IBK Credit Information Corp.

IBK Credit Information Corp. (IBK Credit Information) was established on January 18, 2000, to engage in services such as loan collection and credit research. IBK Credit Information's ordinary share as at September 30, 2018, amounts to ₩ 3,000 million.

### (4) IBK Securities Co., Ltd.

IBK Securities Co., Ltd. (IBK Securities) was established on May 29, 2008, to engage in trading of security and futures. IBK Securities' ordinary share as at September 30, 2018, amounts to ₩ 477,000 million.

### (5) IBK System Co., Ltd.

IBK Systems, Co., Ltd. (IBK System) was established on March 22, 1991, to engage in information system development and its sales, and advisory services including consulting on introduction and implementation of computer system. IBK System's ordinary share as at September 30, 2018, amounts to ₩ 3,100 million.

### (6) Industrial Bank of Korea (China) Limited

Industrial Bank of Korea (China) Limited was established on June 22, 2009, with five local branches in China. Industrial Bank of Korea (China) Limited's ordinary share as at September 30, 2018, amounts to ₩ 322,467 million.

### (7) IBK Insurance Co., Ltd.

IBK Insurance Co., Ltd. was established on July 9, 2010, to engage in retirement insurance and pension contracts, annuity insurance contracts and others, in accordance with the Guarantee of Workers' Retirement Benefits Act and the Insurance Business Act. IBK Insurance Co., Ltd.'s ordinary share as at September 30, 2018, is ₩ 190,000 million.

# **Industrial Bank of Korea and Subsidiaries**

## **Notes to the Consolidated Interim Financial Statements**

### **September 30, 2018 and 2017 (Unaudited), and December 31, 2017**

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#### **(8) IBK Savings Bank Co., Ltd.**

IBK Savings Bank Co., Ltd. was incorporated on October 11, 2011, for important business purposes such as protecting depositors in accordance with Depositor Protection Act, maintaining safety of financial system, working on credit business approved by Financial Services Commission, etc. The Bank has acquired 100% of shares on July 15, 2013, and obtained control. The ordinary share as at September 30, 2018, amounts to ₩ 106,610 million.

#### **(9) IBK Capital Myanmar Co., Ltd.**

IBK Capital Myanmar Co., Ltd. was established on December 23, 2015, to engage in microfinancing. IBK Capital Myanmar Co., Ltd.'s ordinary share as at September 30, 2018, amounts to ₩ 11,339 million, and IBK Capital Corporation holds 99.99% of the shares.

#### **(10) IBK Private Equity Fund No.3**

IBK Private Equity Fund No.3 was established in accordance with the Capital Market and Financial Investment Business Act for investment purposes. IBK Private Equity Fund No.3's ordinary share as at September 30, 2018, is ₩ 11,229 million. The Bank is a general partner of these private equity funds.

#### **(11) IBK-SKS Private Equity Fund No.4**

IBK-SKS Private Equity Fund No.4 was established in accordance with the Capital Market and Financial Investment Business Act to participate in the investees' management and others. The Bank is a joint general partner and also the majority of seats in the Investment Committee, granting the Bank the ability to control the entity. There are no ordinary shares issued as at September 30, 2018.

#### **(12) IBK Recovery Private Equity Fund**

IBK Recovery Private Equity Fund was established in accordance with the Capital Market and Financial Investment Business Act to participate in the investees' management and others. IBK recovery private equity fund's ordinary share as at September 30, 2018, is ₩ 16,916 million. The Bank and IBK Securities hold 80.00%, 20.00% of the shares as joint general partners, respectively, and also the majority of seats in the Investment Committee, granting the Bank the ability to control the entity.

#### **(13) IBK-AJU Star Seekers No. 1 Private Equity Fund**

IBK-AJU Star Seekers No. 1 Private Equity Fund, in accordance with Financial Investment Services and Capital Markets Act, was established on October 25, 2012, as an investment management entity by operating and investing in equity stakes in other companies. The Bank holds 35.00% of the shares as a joint general partner and also the majority of seats in the Investment Committee, granting the Bank the ability to control the entity. The ordinary share as at September 30, 2018, is ₩ 15,030 million.

#### **(14) IBK SKS Private Equity Fund 2012**

IBK SKS Private Equity Fund 2012, in accordance with Financial Investment Services and Capital Markets Act, was established on January 7, 2013, as an investment management entity by operating and investing in equity stakes in other companies. The Bank holds 49.03% of the shares as a joint general partner and also the majority of seats in the Investment Committee, granting the Bank the ability to control the entity. The ordinary share as at September 30, 2018, is ₩ 83,273 million.

#### **(15) IBK POSCO TRUBEN Recovery Private Equity Fund No.1**

IBK POSCO TRUBEN Recovery Private Equity Fund No.1, in accordance with Financial Investment Services and Capital Markets Act, was established on May 27, 2013, as an investment management entity by operating and investing in equity stakes in other companies. The Bank holds 49.50% of the shares as a joint general partner and also the majority of seats in the Investment Committee, granting the Bank the ability to control the entity. The ordinary share as at September 30, 2018, is ₩ 72,524 million.

# **Industrial Bank of Korea and Subsidiaries**

## **Notes to the Consolidated Interim Financial Statements**

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#### **(16) IBK NH Small Giant Private Equity Fund**

IBK NH Small Giant Private Equity Fund, in accordance with Financial Investment Services and Capital Markets Act, was established on August 9, 2013, as an investment management entity by operating and investing in equity stakes in other companies. The Bank holds 50.00% of the shares as a joint general partner and also the majority of seats in the Investment Committee, granting the Bank the ability to control the entity. The ordinary share as at September 30, 2018, is ₩ 64,350 million.

#### **(17) No.1 Technology Financing Private Equity Fund**

No.1 Technology Financing Private Equity Fund was established on January 7, 2015, in accordance with the Capital Market and Financial Investment Business Act for investment purposes. The Bank holds 30.00% of the shares as a joint general partner and also the majority of seats in the Investment Committee, granting the Bank the ability to control the entity. The contributed capital as at September 30, 2018, is ₩ 67,287 million.

#### **(18) Value Brand Korea No.1 Private Equity Fund**

Value Brand Korea No.1 Private Equity Fund, in accordance with Financial Investment Services and Capital Markets Act, was established on August 22, 2016, as an investment management entity by operating and investing in equity stakes in other companies. The Bank holds 50.00% of the shares as a joint general partner and also the majority of seats in the Investment Committee, granting the Bank the ability to control the entity. The ordinary share as at September 30, 2018, is ₩ 57,395 million.

#### **(19) IBK-EUM Private Equity Fund No.1**

IBK-EUM Private Equity Fund No.1, in accordance with Financial Investment Services and Capital Markets Act, was established on June 5, 2017, as an investment management entity by operating and investing in equity stakes in other companies. The ordinary shares as at September 30, 2018, is ₩ 30,111 million. The Bank holds 64.76% of the shares as a joint general partner, while IBK Capital holds 6.23% of the shares as a limited partner.

#### **(20) IBK KIP Growth Stepstone No.1 Private Equity Fund**

IBK KIP Growth Stepstone Private Equity Fund, in accordance with Financial Investment Services and Capital Markets Act, was established on September 21, 2017, as an investment management entity by operating and investing in equity stakes in other companies. The ordinary shares as at September 30, 2018, is ₩ 16,340 million. The Bank has entered into an agreement to invest into 50.00% of the shares as a joint general partner.

#### **(21) IBK-TS Exit Private Equity Fund**

IBK-TS Exit Private Equity Fund, in accordance with Financial Investment Services and Capital Markets Act, was established on December 8, 2017, as an investment management entity by operating and investing in equity stakes in other companies. The Bank holds 60.59% of the shares as a joint general partner and also the majority of seats in the Investment Committee, while IBK Capital is to invest into 19.61% of the shares as a limited partner. The contributed capital as at September 30, 2018, is ₩ 21,618 million.

#### **(22) IBK BNW Tech-Fi 2018 Private Equity Fund**

IBK BNW Tech-Fi 2018 Private Equity Fund, in accordance with Financial Investment Services and Capital Markets Act, was established on June 15, 2018, as an investment management entity by operating and investing in equity stakes in other companies. The ordinary shares as at September 30, 2018, is ₩ 16,110 million. The Bank has entered into an agreement to invest into 40.00% of the shares as a joint general partner.

#### **(23) IBKC-TONGYANG Growth 2013 Private Equity Fund**

IBKC-TONGYANG Growth 2013 Private Equity Fund, in accordance with Financial Investment Services and Capital Markets Act, was established on August 18, 2014, as an investment management entity by operating and investing in equity stakes in other companies. IBK Capital holds

# **Industrial Bank of Korea and Subsidiaries**

## **Notes to the Consolidated Interim Financial Statements**

### **September 30, 2018 and 2017 (Unaudited), and December 31, 2017**

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35.71% of the shares as a general partner. The contributed capital as at September 30, 2018, is ₩ 89,628 million. IBK Capital is obligated to cover for the loss up to total stated fee in the agreement.

#### **(24) IBKC INNO-BIZ Fund No.1**

IBKC INNO-BIZ Fund No.1, in accordance with the Specialized Credit Financial Business Act, was established on November 20, 2008, to invest more than 60% of the aggregate capital commitments in material special corporations as defined under the Special Measures Law for the Development of Components Related to the Components & Materials Industry, for the purpose of efficient operation, management and distribution of its properties. IBKC INNO-BIZ Fund No.1's ordinary share as at September 30, 2018, is ₩ 6,300 million. The Bank holds 16.67% of the shares as a limited partner, while IBK Capital holds 43.33% of the shares as a general partner. IBK Capital is obligated to cover for the loss up to 40.00% of the equity holds.

#### **(25) IBK Small Business Coexistence Investment Association No.2**

IBK Small Business Coexistence Investment Association No.2, in accordance with the Specialized Credit Financial Business Act, was established on April 16, 2012, for the purpose of efficient operation, management and distribution of its capital. As at September 30, 2018, the Bank holds 50.00% of the shares as a limited partner, while IBK Capital holds 50.00% of the shares as a general partner. The Association's ordinary share as at September 30, 2018, is ₩ 5,400 million. IBK Capital is obligated to cover for the loss up to total management fees received upon liquidation.

#### **(26) IBKC-STI Pre-IPO Investment Association No.1**

IBKC-STI Pre-IPO Investment Association No.1, in accordance with the Specialized Credit Financial Business Act, was established on February 21, 2012, as a technology venture capital investment association that allocates and manages investment in order to promote small businesses. Total contributed capital as at September 30, 2018, is ₩ 5,450 million and IBK Capital and Seoul Venture Investment Corporation act as joint general partners and IBK Capital holds 90.00% of the entity. IBK Capital is obligated to cover for the loss up to total stated fee in the agreement.

#### **(27) IBK Group Mutual Growth Fund**

IBK Group Mutual Growth Fund, in accordance with the Specialized Credit Financial Business Act, was established on February 7, 2013, for the purpose of efficient operation, management and asset allocation as a new technology venture capital firm. As at September 30, 2018, total contributed capital is ₩ 8,000 million; the Bank holds 50.00% of the shares as a limited partner, and IBK Capital, a subsidiary of the Bank, holds 50.00% of the shares as a general partner. IBK Capital is obligated to cover for the loss up to total management fees received upon liquidation.

#### **(28) IBK Group Contents IP Investment Fund**

IBK Group Contents IP Investment Fund, in accordance with the Specialized Credit Financial Business Act, was established on April 5, 2013, for the purpose of efficient operation, management and asset allocation as a new technology venture capital firm. As at September 30, 2018, total contributed capital is ₩ 2,200 million; the Bank holds 45.00% of the shares as a limited partner, and IBK Capital, a subsidiary of the Bank, holds 45.00% of the shares as a general partner. IBK Capital is obligated to cover for the loss up to total management fees received upon liquidation.

#### **(29) IBK Group IP Value-up Fund**

IBK Group IP Value-up Fund, in accordance with the Specialized Credit Financial Business Act, was established on April 4, 2013, for the purpose of efficient operation, management and asset allocation as a new technology venture capital firm. As at September 30, 2018, total contributed capital is ₩ 14,000 million; the Bank holds 50.00% of the shares as a limited partner, and IBK Capital, a subsidiary of the Bank, holds 50.00% of the shares as a general partner. IBK Capital is obligated to cover for the loss up to total management fees received upon liquidation.

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#### **(30) Banks Foundation for young Entrepreneurs IBKC Pioneer Fund**

Banks Foundation for young Entrepreneurs IBKC Pioneer Fund, a subsidiary, was founded on September 6, 2013, for the effective management and capital distribution of new technology investment association under the Credit Finance Business Act. Total contributed capital amounts to ₩ 16,500 million as at September 30, 2018, and IBK Capital owns 50.00% of shares as a general partner.

#### **(31) Gyeonggi-IBKC-STI Job Creation Fund**

Gyeonggi-IBKC-STI Job Creation Fund, a subsidiary, was established on September 30, 2013, for the effective management and capital distribution of venture investment under the Support for Small and Medium Enterprise Establishment Act. Total contributed capital amounts to ₩ 30,000 million as at September 30, 2018, and IBK Capital owns 50.00% of shares as a general partner. Meanwhile, IBK Capital is obligated to cover for the loss up to total stated fee in the agreement.

#### **(32) IBK Group KONEX Fund**

IBK Group KONEX Fund, a subsidiary, was founded on October 30, 2013, for the effective management and capital distribution of the new technology investment association under the Credit Finance Business Act. Total contributed capital amounts to ₩ 20,100 million as at September 30, 2018. The Bank and IBK Securities own 50.00%, 11.67% of shares as joint limited partners and IBK Capital owns 38.33% of shares as a general partner. Meanwhile, IBK Capital is obligated to cover for the loss up to total management fees received upon liquidation.

#### **(33) IBKC-Solidus Future Creation Fund**

IBKC-Solidus Future Creation Fund, as a subsidiary, was founded on December 27, 2013, for the effective management and capital distribution of Korean Venture Investment Association under the Act on Special Measures for the Promotion of Venture Businesses. IBKC-Solidus Future Creation Fund invests its capital to improve the value of superior venture businesses, and ultimately to maximize the value of its investees. Total contributed capital amounts to ₩ 16,500 million as at September 30, 2018, and IBK Capital owns 50.00% of shares as a general partner.

#### **(34) IDV-IP Fishery Intellectual Property Specialty Fund**

IDV-IP Fishery Intellectual Property Specialty Fund, as a subsidiary, was founded on July 9, 2013, for the effective management and capital distribution of Agricultural, Fisheries and Food Investment Funds under the Act on Formation and Operation of Agricultural, Fisheries and Food Investment Funds. Total contributed capital amounts to ₩ 9,268 million as at September 30, 2018, and IBK Capital owns 40.00% of shares as a joint general partner. IBK Capital is obligated to cover for the loss up to 5.00% of the equity held.

#### **(35) IBK Group IP Creation Fund**

IBK Group IP Creation Fund, a subsidiary, was founded on July 11, 2014, for the effective management and capital distribution of new technology investment association under the Credit Finance Business Act. Total contributed capital amounts to ₩ 30,000 million as at September 30, 2018. The Bank owns 33.33% of shares as a limited partner and IBK Capital owns 33.33% of shares as a general partner.

#### **(36) IBKC-STI New Growth Investment Fund No.1**

IBKC-STI New Growth Fund No.1, a subsidiary, was founded on April 17, 2015, for the effective management and capital distribution of new technology investment association under the Credit Finance Business Act. Total contributed capital amounts to ₩ 9,800 million as at September 30, 2018. IBK Capital owns 89.67% of shares as a general partner.

#### **(37) IBK Finance Group Union Contents Investment Fund**

IBK Finance Group Union Contents Investment Fund, a subsidiary, was established on July 24, 2015, for the effective management and capital distribution of venture investment under the Support for

# **Industrial Bank of Korea and Subsidiaries**

## **Notes to the Consolidated Interim Financial Statements**

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Small and Medium Enterprise Establishment Act. Total contributed capital amounts to ₩ 10,000 million as at September 30, 2018, and the Bank owns 30.00% of shares as a limited partner. Meanwhile, IBK Capital owns 40.00% of shares as a general partner.

#### **(38) IBKC-JNT Secondary Fund No.1**

IBKC-JNT Secondary Fund No.1, as a subsidiary, was founded on January 11, 2016, for the effective management and capital distribution of Korean Venture Investment Association under the Act on Special Measures for the Promotion of Venture Businesses. IBKC-JNT Secondary Fund No.1 invests its capital to improve the value of superior venture businesses, and ultimately to maximize the value of its investees. Total contributed capital amounts to ₩ 3,000 million as at September 30, 2018, and IBK Capital owns 50.00% of shares as a general partner.

#### **(39) KIF-IBKC/SBI Secondary IT Venture Fund**

KIF-IBKC/SBI Secondary IT Venture Fund, as a subsidiary, was founded on February 2, 2016, for the effective management and capital distribution of Korean Venture Investment Association under the Act on Special Measures for the Promotion of Venture Businesses. KIF-IBKC/SBI Secondary IT Venture Fund invests its capital to improve the value of superior venture businesses, and ultimately to maximize the value of its investees. Total contributed capital amounts to ₩ 36,300 million as at September 30, 2018, and IBK Capital owns 42.86% of shares as a general partner.

#### **(40) IBKC-SBI Bio Fund No.1**

IBKC-SBI Bio Fund No.1, a subsidiary, was established on March 8, 2016, for the effective management and capital distribution of venture investment under the Support for Small and Medium Enterprise Establishment Act. Total contributed capital amounts to ₩ 25,662 million as at September 30, 2018, and IBK Capital owns 50.00% of shares as a general partner.

#### **(41) IBKGroup Crowdfunding Matching Fund**

IBKGroup Crowdfunding Matching Fund, a subsidiary, was founded on March 31, 2016, for the effective management and capital distribution of new technology investment association under the Credit Finance Business Act. Total contributed capital amounts to ₩ 10,000 million as at September 30, 2018. The Bank owns 50.00% of shares as a limited partner and IBK Capital owns 50.00% of shares as a general partner.

#### **(42) IBKGroup Future Growth Engine Fund**

IBKGroup Future Growth Engine Fund, a subsidiary, was founded on April 7, 2016, for the effective management and capital distribution of new technology investment association under the Credit Finance Business Act. Total contributed capital amounts to ₩ 19,100 million as at September 30, 2018. The Bank owns 50.00% of shares as a limited partner and IBK Capital owns 50.00% of shares as a general partner.

#### **(43) IBK Capital Contents Investment Fund**

IBK Capital Contents Investment Fund, a subsidiary, was founded on June 14, 2016, for the effective management and capital distribution of new technology investment association under the Credit Finance Business Act. Total contributed capital amounts to ₩ 6,000 million as at September 30, 2018, and IBK Capital owns 50.00% of shares as a general partner.

#### **(44) IBKC-Medici Secondary Fund**

IBKC-Medici Secondary Fund, as a subsidiary, was founded on July 20, 2016, for the effective management and capital distribution of Korean Venture Investment Association under the Act on Special Measures for the Promotion of Venture Businesses. IBKC-Medici Secondary Fund invests its capital to improve the value of superior venture businesses, and ultimately to maximize the value of its investees. Total contributed capital amounts to ₩ 8,260 million as at September 30, 2018, and IBK Capital owns 42.86% of shares as a general partner.

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**(45) IBK Group IP Value-up Fund No.2**

IBK Group IP Value-up Fund No.2, a subsidiary, was founded on October 27, 2016, for the effective management and capital distribution of new technology investment association under the Credit Finance Business Act. Total contributed capital amounts to ₩ 8,000 million as at September 30, 2018. The Bank owns 25.00% of shares as a limited partner and IBK Capital owns 25.00% of shares as a general partner.

**(46) IBKC-GMB New Growth Industry Investment Fund**

IBKC-GMB New Growth Industry Investment Fund, a subsidiary, was founded on January 5, 2017, for the effective management and capital distribution of new technology investment association under the Credit Finance Business Act. Total contributed capital amounts to ₩ 12,000 million as at September 30, 2018, and IBK Capital owns 50.00% of shares as a general partner.

**(47) IBKC-MGI New Economic Growth Pre-IPO Fund**

IBKC-MGI New Economic Growth Pre-IPO Fund, a subsidiary, was established on March 17, 2017, for the effective management and capital distribution of venture investment under the Support for Small and Medium Enterprise Establishment Act. Total contributed capital amounts to ₩ 10,000 million as at September 30, 2018, and IBK Capital owns 50.00% of shares as a general partner.

**(48) GMB-IBKC Biotech Investment Fund**

GMB-IBKC Biotech Investment Fund, a subsidiary, was founded on June 23, 2017, for the effective management and capital distribution of new technology investment association under the Credit Finance Business Act. Total contributed capital amounts to ₩ 22,100 million as at September 30, 2018, and IBK Capital owns 49.77% of shares as a general partner.

**(49) IBKC-UNION Secondary Mezzanine Fund**

IBKC-UNION Secondary Mezzanine Fund, a subsidiary, was founded on June 2, 2017, for the effective management and capital distribution of Korean Venture Investment Association under the Act on Special Measures for the Promotion of Venture Businesses. Total contributed capital amounts to ₩ 6,000 million as at September 30, 2018, and IBK Capital owns 50.00% of shares as a general partner.

**(50) K&SECONDARY No.3 FUND**

K&SECONDARY No.3 FUND, a subsidiary, was founded on July 11, 2017, for the effective management and capital distribution of Korean Venture Investment Association under the Act on Special Measures for the Promotion of Venture Businesses. Total contributed capital amounts to ₩ 4,000 million as at September 30, 2018, and IBK Capital owns 50.00% of shares as a general partner.

**(51) IBKC-K&SECONDARY No.1 FUND**

IBKC-K&SECONDARY No.1 FUND, a subsidiary, was founded on September 27, 2017, for the effective management and capital distribution of Korean Venture Investment Association under the Act on Special Measures for the Promotion of Venture Businesses. Total contributed capital amounts to ₩ 5,000 million as at September 30, 2018, and IBK Capital owns 50.00% of shares as a general partner.

**(52) IBK Start-up Job Creation Fund**

IBK Start-up Job Creation Fund, a subsidiary, was founded on November 7, 2017, for the effective management and capital distribution of new technology investment association under the Credit Finance Business Act. Total contributed capital amounts to ₩ 7,000 million as at September 30, 2018. The Bank owns 50.00% of shares as a limited partner, and IBK Capital and IBK Securities own 40.00% and 10.00% of shares as general partners, respectively.

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**(53) Turnaround 2<sup>nd</sup> Fund**

Turnaround 2<sup>nd</sup> Fund, a subsidiary, was founded on December 27, 2017, for the effective management and capital distribution of new technology investment association under the Credit Finance Business Act. Total contributed capital amounts to ₩ 4,000 million as at September 30, 2018, and IBK Capital owns 68.75% of shares as a general partner.

**(54) IBK Synergy IB Mezzanine Fund**

IBK Synergy IB Mezzanine Fund, a subsidiary, was founded on August 24, 2018, for the effective management and capital distribution of new technology investment association under the Credit Finance Business Act. Total contributed capital amounts to ₩ 10,000 million as at September 30, 2018. The Bank owns 50.00% of shares as a limited partner, and IBK Capital owns 40.00% of shares as a general partner.

**(55) Other subsidiaries**

Other subsidiaries mainly consist of private equity funds that the Bank has de facto control, special purpose companies and trust with repayment guarantees of principal and interest.

Also, as result of acquisition and disposition of shares during the nine-month period ended September 30, 2018, IBK-TS Exit Private Equity Fund and other 4 subsidiaries were included in the consolidation scope, and Turnaround 1st fund and other 4 subsidiaries were excluded from the consolidation scope, respectively.

**2.2.1 Summarized Financial Information**

The financial information of subsidiaries as at and for the nine-month period ended September 30, 2018, and as at December 31, 2017 and for the nine-month period ended September 30, 2017, is as follows:

*(In millions of Korean won)*

|  | <b>September 30, 2018</b> |                          |                     |                         |                                     |
|--|---------------------------|--------------------------|---------------------|-------------------------|-------------------------------------|
|  | <b>Total assets</b>       | <b>Total liabilities</b> | <b>Total equity</b> | <b>Operating income</b> | <b>Profit (loss) for the period</b> |
| IBK Capital Corporation                            | 6,109,394                 | 5,352,926                | 756,468             | 260,049                 | 81,980                              |
| IBK Asset Management Co., Ltd.                     | 58,136                    | 2,451                    | 55,685              | 12,603                  | 3,513                               |
| IBK Credit Information Corp.                       | 26,153                    | 2,849                    | 23,304              | 20,009                  | 2,378                               |
| IBK Securities Co., Ltd                            | 5,223,331                 | 4,598,158                | 625,173             | 866,593                 | 48,239                              |
| IBK System Co., Ltd.                               | 56,549                    | 22,499                   | 34,050              | 103,835                 | 1,312                               |
| Industrial Bank of Korea (China) Limited           | 3,523,179                 | 3,120,299                | 402,880             | 250,310                 | 18,747                              |
| IBK Insurance Co., Ltd.                            | 6,132,663                 | 5,782,683                | 349,980             | 1,034,929               | 46,639                              |
| IBK Savings Bank Co., Ltd.                         | 1,145,232                 | 1,032,206                | 113,026             | 53,542                  | 9,003                               |
| IBKC Myanmar Co., Ltd.                             | 13,644                    | 4,274                    | 9,370               | 1,800                   | 285                                 |
| IBK Private Equity Fund No.3                       | 249                       | 1                        | 248                 | 5                       | (337)                               |
| IBK-SKS Private Equity Fund No.4                   | 5,568                     | 1,123                    | 4,445               | 1,879                   | 714                                 |
| IBK Recovery Private Equity Fund                   | 8,596                     | 884                      | 7,712               | 4,801                   | (2,291)                             |
| IBK-AJU Star Seekers No.1 Private Equity Fund      | 27,783                    | 52                       | 27,731              | 18,990                  | 11,931                              |
| IBK SKS Private Equity Fund 2012                   | 137,156                   | 293                      | 136,863             | 69,219                  | 14,800                              |
| IBK POSCO TRUBEN Recovery Private Equity Fund No.1 | 54,971                    | 179                      | 54,792              | 17,996                  | 15,128                              |
| IBK NH Small Giant Private Equity Fund             | 60,965                    | 551                      | 60,414              | 76                      | (1,700)                             |
| No.1 Technology Financing Private Equity Fund      | 82,082                    | 263                      | 81,819              | 12,424                  | 7,636                               |
| Value Brand Korea No.1 Private Equity Fund         | 54,762                    | 306                      | 54,456              | 76                      | (2,869)                             |

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(In millions of Korean won)

|   | September 30, 2018 |                   |              |                  |                              |
|---|--------------------|-------------------|--------------|------------------|------------------------------|
|   | Total assets       | Total liabilities | Total equity | Operating income | Profit (loss) for the period |
| IBK-EUM Private Equity Fund No.1  | 32,183             | 416               | 31,767       | 4,000            | 2,548                        |
| IBK KIP Growth Stepstone No.1 Private Equity Fund                       | 15,292             | 379               | 14,913       | 197              | (1,008)                      |
| IBK-TS Exit Private Equity Fund   | 21,231             | 623               | 20,608       | -                | (1,010)                      |
| IBKBNW Tech-Fi 2018 Private Equity Fund                                 | 16,029             | 554               | 15,475       | -                | (635)                        |
| IBKC-TONGYANG Growth 2013 Private Equity Fund                           | 85,647             | 2,314             | 83,333       | 1,088            | (2,372)                      |
| IBKC INNO-BIZ Fund No.1   | 3,144              | 222               | 2,922        | 84               | (16)                         |
| IBK Small Business Coexistence Investment Association No.2              | 12,755             | 159               | 12,596       | 6,388            | 2,607                        |
| IBKC-STI Pre-IPO Investment Association No.1                            | 5,987              | 6                 | 5,981        | 211              | (1,922)                      |
| IBK Group Mutual Growth Fund  | 10,937             | 915               | 10,022       | 1,512            | (917)                        |
| IBK Group Contents IP Investment Fund                                   | 2,254              | -                 | 2,254        | 45               | 25                           |
| IBK Group IP Value-up Fund  | 17,229             | 1,277             | 15,952       | 1,791            | (247)                        |
| Banks Foundation for young Entrepreneurs IBKC Pioneer Fund              | 17,756             | 235               | 17,521       | 1,515            | (1,609)                      |
| Gyeonggi-IBKC-STI Job Creation Fund                                     | 34,307             | 296               | 34,011       | 6,720            | 5,154                        |
| IBK Group KONEX Fund  | 21,423             | 663               | 20,760       | 3,485            | (796)                        |
| IBKC-Solidus Future Creation Fund                                       | 19,751             | 266               | 19,485       | 3,743            | (1,874)                      |
| IDV-IP Fishery Intellectual Property Specialty Fund                     | 11,606             | 753               | 10,853       | 2,661            | 1,348                        |
| IBK Group IP Creation Fund  | 30,966             | 352               | 30,614       | 3,889            | 1,204                        |
| IBKC-STI New Growth Investment Fund No.1                                | 12,268             | 187               | 12,081       | 4,236            | 1,998                        |
| IBK Finance Group Union Contents Investment Fund                        | 10,843             | 50                | 10,793       | 747              | 485                          |
| IBKC-JNT Secondary Fund No.1  | 3,516              | 275               | 3,241        | 11               | (172)                        |
| KIF-IBKC/SBI Secondary IT Venture Fund                                  | 36,023             | 341               | 35,682       | 1,184            | (2,377)                      |
| IBKC-SBI Bio Fund No.1  | 29,562             | 351               | 29,211       | 3,926            | 2,201                        |
| IBK Group Crowdfunding Matching Fund                                    | 9,636              | 149               | 9,487        | 164              | 11                           |
| IBK Group Future Growth Engine Fund                                     | 18,070             | 449               | 17,621       | 308              | (839)                        |
| IBK Capital Contents Investment Fund                                    | 4,398              | 50                | 4,348        | 3                | (151)                        |
| IBKC-Medici Secondary Fund  | 8,317              | 66                | 8,251        | 1,498            | 808                          |
| IBK Group IP Value-up Fund No.2   | 7,169              | 125               | 7,044        | 9                | (371)                        |
| IBKC-GMB New Growth Industry Investment Fund                            | 13,215             | 336               | 12,879       | 1,616            | 1,040                        |
| IBKC-MGI New Economic Growth Pre-IPO Fund                               | 9,702              | 101               | 9,601        | 571              | 267                          |
| GMB-IBKC Biotech Investment Fund  | 20,809             | 55                | 20,754       | 3,974            | 3,804                        |
| IBKC-UNION Secondary Mezzanine Fund                                     | 5,796              | 50                | 5,746        | 7                | (209)                        |
| K&SECONDARY No.3 FUND   | 3,899              | 25                | 3,874        | 238              | 160                          |
| IBKC-K&SECONDARY No.1 FUND  | 4,631              | 125               | 4,506        | 8                | (369)                        |
| IBK Start-up Job Creation Fund  | 6,954              | 299               | 6,655        | 15               | (287)                        |
| Turnaround 2nd Fund   | 4,726              | 46                | 4,680        | 912              | 312                          |
| IBK Synergy IB Mezzanine Fund   | 10,003             | 62                | 9,941        | 3                | (59)                         |
| Mirae Asset triumph private bond balanced No.17, and 8 investment funds | 617,561            | 46,267            | 571,294      | 11,361           | (5,899)                      |
| KTB Confidence Investment Trust No. 31                                  | 4,474              | -                 | 4,474        | 22               | 20                           |

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|   | September 30, 2018 |                   |              |                  |                              |
|---|--------------------|-------------------|--------------|------------------|------------------------------|
|   | Total assets       | Total liabilities | Total equity | Operating income | Profit (loss) for the period |
| Heungkuk High-class Private Securities Investment Fund No.6 | 300                | -                 | 300          | -                | -                            |
| Mireaasset Deoksong-Naegak Expressway Private Equity Fund   | 84,930             | 937               | 83,993       | 2,867            | 2,847                        |
| JS Real Estate Professional Private Investment No1.         | 6,261              | 1,063             | 5,198        | 21               | 6,483                        |
| IBK Professional Investor Private Fund RP 1 [Bond]          | 287,050            | 185,732           | 101,318      | 2,473            | 1,118                        |
| IBK Professional Investor Private Fund RP 3 [Bond]          | 240,137            | 140,027           | 100,110      | 144              | 73                           |
| Darby Hana Green Private Investment Trust Fund              | 148,054            | 1,548             | 146,506      | 4,486            | 3,511                        |
| Trust with repayment guarantees of principal                | 600,916            | 574,480           | 26,436       | 11,593           | 150                          |
| Trust with repayment guarantees of principal and interest   | 673                | 669               | 4            | 11               | -                            |
| Myungdong City Maintenance Business and 2 others            | 31,057             | 61,747            | (30,690)     | 36,110           | (1,268)                      |

(In millions of Korean won)

|  | December 31, 2017 |                   |              | September 30, 2017 |                              |
|--|-------------------|-------------------|--------------|--------------------|------------------------------|
|  | Total assets      | Total liabilities | Total equity | Operating income   | Profit (loss) for the period |
| IBK Capital Corporation                            | 5,399,494         | 4,713,535         | 685,959      | 204,717            | 62,808                       |
| IBK Asset Management Co., Ltd.                     | 54,927            | 2,755             | 52,172       | 12,612             | 4,451                        |
| IBK Credit Information Corp.                       | 23,962            | 2,336             | 21,626       | 19,080             | 1,626                        |
| IBK Securities Co., Ltd                            | 4,367,045         | 3,778,032         | 589,013      | 696,114            | 28,841                       |
| IBK System Co., Ltd.                               | 44,891            | 11,688            | 33,203       | 86,858             | 1,108                        |
| Industrial Bank of Korea (China) Limited           | 3,465,262         | 3,075,703         | 389,559      | 198,082            | 13,724                       |
| IBK Insurance Co., Ltd.                            | 5,391,437         | 5,062,296         | 329,141      | 966,167            | 34,908                       |
| IBK Savings Bank Co., Ltd.                         | 1,000,347         | 894,395           | 105,952      | 40,822             | 14,245                       |
| IBK Capital Myanmar Co., Ltd.                      | 8,455             | 489               | 7,966        | 542                | (235)                        |
| IBK Private Equity Fund No.3                       | 586               | -                 | 586          | 41                 | 34                           |
| IBK-SKS Private Equity Fund No.4                   | 9,243             | 1,123             | 8,120        | 18,895             | 11,202                       |
| IBK Recovery Private Equity Fund                   | 20,098            | 944               | 19,154       | 2,222              | (3,945)                      |
| IBK-AJU Star Seekers No.1 Private Equity Fund      | 43,499            | 182               | 43,317       | 237                | (1,967)                      |
| IBK SKS Private Equity Fund 2012                   | 225,600           | 920               | 224,680      | 10,547             | 9,008                        |
| IBK POSCO TRUBEN Recovery Private Equity Fund No.1 | 53,903            | 354               | 53,549       | 302                | (1,535)                      |
| IBK NH Small Giant Private Equity Fund             | 20,522            | 328               | 20,194       | 1                  | (471)                        |
| No.1 Technology Financing Private Equity Fund      | 63,318            | -                 | 63,318       | 103                | (1,385)                      |
| Value Brand Korea No.1 Private Equity Fund         | 34,637            | 542               | 34,095       | 58                 | (1,485)                      |
| IBK-EUM Private Equity Fund No.1                   | 34,309            | 107               | 34,202       | -                  | (475)                        |
| IBK KIP Growth Stepstone No.1 Private Equity Fund  | -                 | 419               | (419)        | -                  | (41)                         |
| IBKC-TONGYANG Growth 2013 Private Equity Fund      | 23,764            | 1,122             | 22,642       | 2,625              | 1,725                        |

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|   | December 31, 2017 |                   |              | September 30, 2017 |                              |
|---|-------------------|-------------------|--------------|--------------------|------------------------------|
|   | Total assets      | Total liabilities | Total equity | Operating income   | Profit (loss) for the period |
| IBKC INNO-BIZ Fund No.1                                     | 3,143             | 205               | 2,938        | 184                | (437)                        |
| IBK Small Business Coexistence Investment Association No.2  | 10,038            | 294               | 9,744        | 297                | 143                          |
| IBK Cultural Contents Cooperative Investment Association    | 745               | -                 | 745          | 63                 | (21)                         |
| IBKC-STI Pre-IPO Investment Association No.1                | 5,681             | 32                | 5,649        | 111                | 7                            |
| IBK Group Mutual Growth Fund                                | 12,159            | 304               | 11,855       | 818                | (186)                        |
| IBK Group Contents IP Investment Fund                       | 5,081             | 53                | 5,028        | 256                | (108)                        |
| IBK Group IP Value-up Fund                                  | 24,590            | 1,332             | 23,258       | 794                | 26                           |
| Banks Foundation for young Entrepreneurs IBKC Pioneer Fund  | 17,734            | 338               | 17,396       | 89                 | 173                          |
| Gyeonggi-IBKC-STI Job Creation Fund                         | 28,485            | 307               | 28,178       | 1,581              | (685)                        |
| IBK Group KONEX Fund  | 21,920            | 388               | 21,532       | 841                | (87)                         |
| IBKC-Solidus Future Creation Fund                           | 24,945            | 349               | 24,596       | 74                 | (599)                        |
| IDV-IP Fishery Intellectual Property Specialty Fund         | 10,270            | 730               | 9,540        | 116                | (96)                         |
| IBK Group IP Creation Fund                                  | 29,581            | 254               | 29,327       | 689                | (99)                         |
| IBKC-STI New Growth Investment Fund No.1                    | 11,285            | 197               | 11,088       | 23                 | (546)                        |
| IBK Finance Group Union Contents Investment Fund            | 10,361            | 52                | 10,309       | 1,025              | 868                          |
| IBKC-JNT Secondary Fund No.1                                | 3,743             | 63                | 3,680        | 6                  | (185)                        |
| KIF-IBKC/SBI Secondary IT Venture Fund                      | 12,632            | 345               | 12,287       | 4,617              | 1,319                        |
| IBKC-SBI Bio Fund No.1                                      | 27,550            | 450               | 27,100       | 762                | 418                          |
| IBK Group Crowdfunding Matching Fund                        | 7,675             | 200               | 7,475        | 2                  | (163)                        |
| IBK Group Future Growth Engine Fund                         | 15,572            | 600               | 14,972       | 65                 | (396)                        |
| IBK Capital Contents Investment Fund                        | 4,699             | 200               | 4,499        | 9                  | (143)                        |
| IBKC-Medici Secondary Fund                                  | 12,992            | 177               | 12,815       | 8                  | (524)                        |
| IBK Group IP Value-up Fund No.2                             | 3,540             | 125               | 3,415        | 7                  | (370)                        |
| IBKC-GMB New Growth Industry Investment Fund                | 11,596            | 438               | 11,158       | 6                  | (323)                        |
| IBKC-MGI New Economic Growth Pre-IPO Fund                   | 9,884             | 105               | 9,779        | 7                  | (184)                        |
| GMB-IBKC Biotech Investment Fund                            | 22,388            | 55                | 22,333       | 322                | 235                          |
| IBKC-UNION Secondary Mezzanine Fund                         | 2,942             | 50                | 2,892        | 2                  | (59)                         |
| K&SECONDARY No.3 FUND                                       | 3,978             | 26                | 3,952        | 1                  | (22)                         |
| IBKC-K&SECONDARY No.1 FUND                                  | 3,000             | 125               | 2,875        | -                  | (3)                          |
| IBK Start-up Job Creation Fund                              | 4,002             | 60                | 3,942        | -                  | -                            |
| Turnaround 1st Fund   | 942               | 16                | 926          | -                  | -                            |
| Turnaround 2nd Fund   | 4,370             | 2                 | 4,368        | -                  | -                            |
| KB Haeorum Private Securities 69 Bond, 8 investment funds   | 740,057           | 13,254            | 726,803      | 38,164             | 25,202                       |
| KTB Confidence Investment Trust No. 31                      | 4,479             | -                 | 4,479        | 20                 | 18                           |
| Heungkuk High-class Private Securities Investment Fund No.6 | 300               | -                 | 300          | -                  | (6)                          |
| Mireaasset Deoksong-Naegak Expressway Private Equity Fund   | 83,556            | 54                | 83,502       | 576                | 557                          |
| JS Real Estate Professional Private                         | 71,348            | 47,398            | 23,950       | -                  | 37                           |

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|   | December 31, 2017 |                   |              | September 30, 2017 |                              |
|---|-------------------|-------------------|--------------|--------------------|------------------------------|
|   | Total assets      | Total liabilities | Total equity | Operating income   | Profit (loss) for the period |
| Investment No1.   |                   |                   |              |                    |                              |
| Darby Hana Green Private Investment Trust Fund            | -                 | -                 | -            | -                  | -                            |
| Trust with repayment guarantees of principal              | 566,765           | 540,479           | 26,286       | 7,878              | 140                          |
| Trust with repayment guarantees of principal and interest | 660               | 656               | 4            | 25                 | -                            |
| Myungdong City Maintenance Business and 3 others          | 59,891            | 69,472            | (9,581)      | 22,254             | 243                          |

## 2.3 Basis of Preparation

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

The Group's consolidated interim financial statements as at September 30, 2018, and for the nine-month period ended September 30, 2018, were prepared in accordance with Korean IFRS 1034 *Interim Financial Reporting*. These consolidated interim financial statements have been prepared in accordance with Korean IFRS which is effective or early adopted as at September 30, 2018.

### 2.3.1 Changes in Accounting Policies and Disclosures

(a) *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time from January 1, 2018.

- Enactment of Korean IFRS 1109 *Financial Instruments*

The Group has applied Korean IFRS 1109 *Financial Instruments* on January 1, 2018, the date of initial application. In accordance with the transitional provisions in Korean IFRS 1109, comparative financial statements have not been restated, and the differences between previous book amounts and book amounts at the date of initial application are recognized to retained earnings. Details on the impact of the application of the standard are as follows: Reclassification of financial instrument

Details of financial assets by class in accordance with Korean IFRS 1039 *Financial Instruments: Recognition and Measurement* and Korean IFRS 1109 *Financial Instruments* are as follows:

(In millions of Korean won)

|                         | Classification in accordance with |                                | Amount in accordance with     |                               |
|-------------------------|-----------------------------------|--------------------------------|-------------------------------|-------------------------------|
|                         | Korean IFRS 1039                  | Korean IFRS 1109               | Korean IFRS 1039 <sup>1</sup> | Korean IFRS 1109 <sup>1</sup> |
| Cash and due from banks |                                   | Cash and due from banks        | 12,816,137                    | 12,816,137                    |
|                         |                                   | Financial assets at fair value | 90,000                        | 84,835                        |

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| Classification in accordance with                                |   | Amount in accordance with        |                                  |
|--|---|----------------------------------|----------------------------------|
| Korean IFRS<br>1039  | Korean IFRS<br>1109   | Korean IFRS<br>1039 <sup>1</sup> | Korean IFRS<br>1109 <sup>1</sup> |
|  | through profit or loss  |                                  |                                  |
| Financial assets held for trading                                | Financial assets at fair value through profit or loss             | 8,826,949                        | 8,807,501                        |
| Financial assets designated at fair value through profit or loss | Financial assets at fair value through profit or loss             | 512,045                          | 512,045                          |
| Available-for-sale financial assets                              | Financial assets at fair value through other comprehensive income | 12,090,509                       | 12,090,333                       |
|  | Financial assets at fair value through profit or loss             | 3,024,861                        | 3,036,849                        |
| Held-to-maturity financial assets                                | Securities at amortized cost                                      | 23,395,762                       | 23,386,123                       |
|  | Financial assets at fair value through profit or loss             | 133,127                          | 125,972                          |
| Loan receivables   | Loan receivables at amortized cost                                | 202,399,420                      | 202,124,908                      |
|  | Financial assets at fair value through profit or loss             | 496,795                          | 498,222                          |
|  | Financial assets at fair value through other comprehensive income | 20,000                           | 20,161                           |
| Derivative assets for hedge accounting                           | Derivative assets for hedge accounting                            | 40,708                           | 40,708                           |
| Other financial assets   | Other financial assets  | 6,100,386                        | 6,099,045                        |
|  |   | 269,946,699                      | 269,642,839                      |

<sup>1</sup> Amount after deduction of provisions

Details of the reclassification and remeasurement of financial instruments by class in accordance with Korean IFRS 1039 *Financial Instruments: Recognition and Measurement* and Korean IFRS 1109 *Financial Instruments* are as follows:

(In millions of Korean won)

| Financial Assets                                    |   |                                  |                       |                    |                                  |
|---|---|----------------------------------|-----------------------|--------------------|----------------------------------|
| Classification in accordance with                   |   | Amount in accordance with        |                       |                    |                                  |
| Korean IFRS<br>1039                                 | Korean IFRS<br>1109   | Korean IFRS<br>1039 <sup>1</sup> | Reclassifi-<br>cation | Remeasure-<br>ment | Korean IFRS<br>1109 <sup>1</sup> |
| Cash and due from banks                             | Cash and due from banks   | 12,906,137                       | (90,000)              | -                  | 12,816,137                       |
|   | Financial assets at fair value through profit or loss                   | -                                | 90,000                | (5,165)            | 84,835                           |
| Financial assets held for trading equity securities | Financial assets at fair value through profit or loss equity securities | 501,024                          | (473,254)             | -                  | 27,770                           |
| Financial assets                                    | Financial assets at   | 6,175,453                        | 473,254               | -                  | 6,648,707                        |

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|   |   | Financial Assets                 |                       |                    |                                  |
|---|---|----------------------------------|-----------------------|--------------------|----------------------------------|
| Classification in accordance with   |   | Amount in accordance with        |                       |                    |                                  |
| Korean IFRS<br>1039   | Korean IFRS<br>1109   | Korean IFRS<br>1039 <sup>1</sup> | Reclassifi-<br>cation | Remeasure-<br>ment | Korean IFRS<br>1109 <sup>1</sup> |
| held for trading<br>debt securities                                       | fair value through<br>profit or loss debt<br>securities   |                                  |                       |                    |                                  |
| Financial assets<br>held for trading                                      | Financial assets at<br>fair value through<br>profit or loss                                     | 2,150,472                        | (19,448)              | -                  | 2,131,024                        |
| derivative assets   | derivative assets   |                                  |                       |                    |                                  |
| Financial assets<br>designated at fair<br>value through profit<br>or loss | Financial assets<br>designated at fair<br>value through profit<br>or loss                       | 512,045                          | (512,045)             | -                  | -                                |
|   | Financial assets at<br>fair value through<br>profit or loss                                     | -                                | 512,045               | -                  | 512,045                          |
| Available-for-sale<br>financial assets<br>equity securities               | Financial assets at<br>fair value through<br>other comprehensive<br>income equity<br>securities | 4,760,143                        | (2,967,204)           | (88)               | 1,792,851                        |
|   | Financial assets at<br>fair value through<br>profit or loss equity<br>securities <sup>2</sup>   | -                                | 575,846               | 8,682              | 584,528                          |
|   | Financial assets at<br>fair value through<br>profit or loss debt<br>securities <sup>2</sup>     | -                                | 2,391,270             | 3,306              | 2,394,576                        |
| Available-for-sale<br>financial assets<br>debt securities                 | Financial assets at<br>fair value through<br>other comprehensive<br>income debt<br>securities   | 10,355,227                       | (57,745)              | -                  | 10,297,482                       |
|   | Financial assets at<br>fair value through<br>profit or loss debt<br>securities                  | -                                | 57,745                | -                  | 57,745                           |
| Held-to-maturity<br>financial assets                                      | Securities at<br>amortized cost   | 23,528,889                       | (133,127)             | (9,639)            | 23,386,123                       |
|   | Financial assets at<br>fair value through<br>profit or loss                                     | -                                | 133,127               | (7,155)            | 125,972                          |
| Loan receivables  | Loan receivables at<br>amortized cost   | 202,916,215                      | (516,795)             | (274,512)          | 202,124,908                      |
|   | Financial assets at<br>fair value through<br>profit or loss                                     | -                                | 516,220               | (17,998)           | 498,222                          |
|   | Financial assets at<br>fair value through   | -                                | 20,000                | 161                | 20,161                           |

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| Financial Assets                          |   |                                  |                       |                    |                                  |
|---|---|----------------------------------|-----------------------|--------------------|----------------------------------|
| Classification in accordance with         |   | Amount in accordance with        |                       |                    |                                  |
| Korean IFRS<br>1039                       | Korean IFRS<br>1109                       | Korean IFRS<br>1039 <sup>1</sup> | Reclassifi-<br>cation | Remeasure-<br>ment | Korean IFRS<br>1109 <sup>1</sup> |
|   | other comprehensive<br>income             |                                  |                       |                    |                                  |
| Derivative assets for<br>hedge accounting | Derivative assets for<br>hedge accounting | 40,708                           | -                     | -                  | 40,708                           |
| Other financial<br>assets                 | Other financial assets                    | 6,100,386                        | -                     | (1,341)            | 6,099,045                        |
|   |   | 269,946,699                      | (111)                 | (303,749)          | 269,642,839                      |

<sup>1</sup> Amount after deduction of provisions

<sup>2</sup> Amount remeasured at its fair value for the equity securities measured at cost.

(In millions of Korean won)

| Financial Liabilities  |  |                           |                       |                    |                     |
|--|--|---------------------------|-----------------------|--------------------|---------------------|
| Classification in accordance with  |  | Amount in accordance with |                       |                    |                     |
| Korean IFRS<br>1039  | Korean IFRS<br>1109  | Korean IFRS<br>1039       | Reclassifi-<br>cation | Remeasure-<br>ment | Korean IFRS<br>1109 |
| Financial liabilities<br>held for trading                                      | Financial liabilities at<br>fair value through<br>profit or loss               | 2,297,583                 | (111)                 | -                  | 2,297,472           |
| Financial liabilities<br>designated at fair<br>value through profit<br>or loss | Financial liabilities<br>designated at fair<br>value through profit<br>or loss | 1,427,235                 | 201                   | -                  | 1,427,436           |
| Financial liabilities<br>at amortized cost<br>deposit liabilities              | Financial liabilities at<br>amortized cost<br>deposit liabilities              | 112,590,632               | -                     | -                  | 112,590,632         |
| Financial liabilities<br>at amortized cost<br>debts                            | Financial liabilities at<br>amortized cost<br>debts                            | 27,339,704                | -                     | -                  | 27,339,704          |
| Financial liabilities<br>at amortized cost<br>debentures                       | Financial liabilities at<br>amortized cost<br>debentures                       | 94,200,567                | -                     | (1,662)            | 94,198,905          |
| Derivative liabilities<br>for hedge<br>accounting                              | Derivative liabilities<br>for hedge accounting                                 | 283,584                   | -                     | -                  | 283,584             |
| Other financial<br>liabilities at<br>amortized cost                            | Other financial<br>liabilities at<br>amortized cost                            | 9,545,691                 | (201)                 | 682                | 9,546,172           |
|  |  | 247,684,996               | (111)                 | (980)              | 247,683,905         |

- Provision for impairment

The differences in provision for impairment in accordance with Korean IFRS 1039 *Financial Instruments: Recognition and Measurement* and Korean IFRS 1109 *Financial Instruments* are as follows:

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|  |                             | Outstanding<br>Balance | Loss allowance under |                     | Difference     |
|--|-----------------------------|------------------------|----------------------|---------------------|----------------|
|  |                             |                        | Korean IFRS<br>1039  | Korean IFRS<br>1109 |                |
| <i>(In millions of Korean won)</i>             |                             |                        |                      |                     |                |
| Loan receivables and<br>other financial assets | Stage 1                     | 182,799,246            | 753,519              | 820,237             | 66,718         |
|  | Stage 2                     | 19,373,466             | 526,235              | 725,347             | 199,112        |
|  | Stage 3                     | 2,948,133              | 1,023,883            | 1,033,295           | 9,412          |
|  | Reclassification<br>of FVPL | 611,840                | 30,341               | -                   | (30,341)       |
|  |                             | <u>205,732,685</u>     | <u>2,333,978</u>     | <u>2,578,879</u>    | <u>244,901</u> |
| Payment guarantees and<br>commitments          | Stage 1                     | 49,755,006             | 86,898               | 124,282             | 37,384         |
|  | Stage 2                     | 3,578,148              | 18,615               | 37,392              | 18,777         |
|  | Stage 3                     | 151,449                | 36,903               | 35,984              | (919)          |
|  |                             | <u>53,484,603</u>      | <u>142,416</u>       | <u>197,658</u>      | <u>55,242</u>  |
| Debt securities                                |                             | 33,884,116             | -                    | 4,399               | 4,399          |
|  |                             | <u>293,101,404</u>     | <u>2,476,394</u>     | <u>2,780,936</u>    | <u>304,542</u> |

Details of reclassification and remeasurement of provisions in accordance with Korean IFRS 1039 *Financial Instruments: Recognition and Measurement* and Korean IFRS 1109 *Financial Instruments* are as follows:

*(In millions of Korean won)*

| Classification in accordance with                       |  | Provisions for impairment in accordance with |                       |                    |                     |
|---|--|--|-----------------------|--------------------|---------------------|
| Korean IFRS<br>1039                                     | Korean IFRS<br>1109  | Korean IFRS<br>1039                          | Reclassifica-<br>tion | Remeasure-<br>ment | Korean IFRS<br>1109 |
| Loan receivables  | Loan receivables at<br>amortized cost                                      | 2,287,190                                    | -                     | 274,495            | 2,561,685           |
|   | Financial assets at<br>fair value through<br>profit or loss                | 30,341                                       | (30,341)              | -                  | -                   |
| Other financial<br>assets                               | Other financial assets   | 16,447                                       | -                     | 747                | 17,194              |
| Available-for-sale<br>financial assets                  | Financial assets at<br>fair value through<br>other comprehensive<br>income | -  | -                     | 2,410              | 2,410               |
| Held-to-maturity<br>financial assets                    | Securities at<br>amortized cost  | -  | -                     | 1,989              | 1,989               |
| Unused loan<br>commitments and<br>payment<br>guarantees | Unused loan<br>commitments and<br>payment guarantees                       | 128,029                                      | -                     | 53,958             | 181,987             |
| Financial guarantee<br>contracts                        | Financial guarantee<br>contracts   | 14,387                                       | -                     | 1,284              | 15,671              |
|   |  | <u>2,476,394</u>                             | <u>(30,341)</u>       | <u>334,883</u>     | <u>2,780,936</u>    |

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- Impact on the Group's equity

(In millions of Korean won)

|  | Attributable to owners of the Parent Company |                            |                 |  |                   |            |         | Non-controlling interest | Total equity |
|--|--|----------------------------|-----------------|--|-------------------|------------|---------|--------------------------|--------------|
|  | Share capital                                | Hybrid capital instruments | Capital surplus | Accumulated other comprehensive income | Retained earnings | Total      |         |                          |              |
| December 31, 2017<br>(Korean IFRS 1039)  | 3,289,756                                    | 2,031,543                  | 559,315         | 660,946                                | 13,155,814        | 19,697,374 | 104,364 | 19,801,738               |              |
| Effects of changes in accounting policy  |  |                            |                 |  |                   |            |         |                          |              |
| Provision for impairment loss:   |  |                            |                 |  |                   |            |         |                          |              |
| Changes due to remeasurement of expected credit loss   | -  | -                          | -               | -                                      | (275,242)         | (275,242)  | -       | (275,242)                |              |
| Changes due to reclassification of financial instruments                                     | -  | -                          | -               | -                                      | 30,341            | 30,341     | -       | 30,341                   |              |
|  | -  | -                          | -               | -                                      | (244,901)         | (244,901)  | -       | (244,901)                |              |
| Provisions:  |  |                            |                 |  |                   |            |         |                          |              |
| Unused loan commitments and payment guarantees   | -  | -                          | -               | -                                      | (53,653)          | (53,653)   | (305)   | (53,958)                 |              |
| Provision for financial guarantees   | -  | -                          | -               | -                                      | (1,284)           | (1,284)    | -       | (1,284)                  |              |
|  | -  | -                          | -               | -                                      | (54,937)          | (54,937)   | (305)   | (55,242)                 |              |
| Provision for securities at amortized cost   | -  | -                          | -               | -                                      | (1,989)           | (1,989)    | -       | (1,989)                  |              |
| Provision for securities at fair value through other comprehensive income                    | -  | -                          | -               | 2,410                                  | (2,410)           | -          | -       | -                        |              |
| Remeasurement of the fair value of financial instruments:                                    |  |                            |                 |  |                   |            |         |                          |              |
| Remeasurement due to classification of financial assets at fair value through profit or loss | -  | -                          | -               | -                                      | (18,243)          | (18,243)   | -       | (18,243)                 |              |
| Others   | -  | -                          | 446             | -                                      | (30,488)          | (30,042)   | (102)   | (30,144)                 |              |
|  | -  | -                          | 446             | -                                      | (48,731)          | (48,285)   | (102)   | (48,387)                 |              |
| Changes in other comprehensive   | -  | -                          | -               | (105,980)                              | 105,980           | -          | -       | -                        |              |

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|  |                  |                  |                |                |                   |                   |                |                   |
|--|------------------|------------------|----------------|----------------|-------------------|-------------------|----------------|-------------------|
| income due to reclassification of financial instruments  |                  |                  |                |                |                   |                   |                |                   |
| Overlay adjustment   | -                | -                | -              | (2,668)        | 2,668             | -                 | -              | -                 |
| Changes in financial liabilities designated at fair value through profit or loss                     | -                | -                | -              | 4              | (4)               | -                 | -              | -                 |
| Changes in valuation of hedges of equity securities at fair value through other comprehensive income | -                | -                | -              | (32,477)       | 32,477            | -                 | -              | -                 |
|  | -                | -                | 446            | (138,711)      | (211,847)         | (350,112)         | (407)          | (350,519)         |
| Tax effect   | -                | -                | -              | 38,146         | 58,258            | 96,404            | -              | 96,404            |
| Total effect of changes in accounting policy   | -                | -                | 446            | (100,565)      | (153,589)         | (253,708)         | (407)          | (254,115)         |
| December 31, 2017 (Korean IFRS 1109)   | <u>3,289,756</u> | <u>2,031,543</u> | <u>559,761</u> | <u>560,381</u> | <u>13,002,225</u> | <u>19,443,666</u> | <u>103,957</u> | <u>19,547,623</u> |

- Korean IFRS 1115 *Revenue from Contracts with Customers*

The Group adopts Korean IFRS 1115 *Revenue from Contracts with Customers*. This standard replaces Korean IFRS 1018 *Revenue*, Korean IFRS 1011 *Construction Contracts*, Interpretation 2031 *Revenue-Barter Transactions Involving Advertising Services*, Interpretation 2113 *Customer Loyalty Programs*, Interpretation 2115 *Agreements for the Construction of Real Estate* and Interpretation 2118 *Transfers of Assets from Customers*.

Korean IFRS 1115 *Revenue from Contracts with Customers* will replace the risk-and-reward model under the current standards and is based on the principle that revenue is recognized when control of goods or services transfer to the customer by applying the five-step process.

- Identify contracts with customers
- Identify the separate performance obligation
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations, and
- Recognize the revenue as each performance obligation is satisfied.

Key changes to current practices include guidance on separate recognition of distinct goods or services in any bundled arrangement, constraint on recognizing variable consideration, criteria on recognizing revenue over time, and increased disclosures. The amendment does not have a significant impact on the financial statements.

- Amendments to Korean IFRS 1102 *Share-based Payment*

Amendments to Korean IFRS 1102 clarify accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Amendments also clarify that the measurement approach should treat the terms and conditions of a cash-settled award in the same way as for an equity-settled award. The amendment does not have a significant impact on the financial statements.

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#### - Enactment of Interpretation 2122 *Foreign Currency Transaction and Advance Consideration*

According to the enactment, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. The enactment does not have a significant impact on the financial statements.

#### - Amendment to Korean IFRS 1040 *Transfers of Investment Property*

A transfer to, or from, investment property, including property under construction, can only be made if there has been a change in use that is supported by evidence. The amendment does not have a significant impact on the financial statements.

#### *(b) New standards and interpretations not yet adopted by the Group*

Certain new accounting standards and interpretations that have been published that are not mandatory for the reporting period commencing January 1, 2018 and have not been early adopted by the Group are set out below.

#### - Enactment of Korean IFRS 1116 *Leases*

Korean IFRS 1116 *Leases* issued on May 22, 2017 is effective for annual period beginning on or after January 1, 2019, with early adoption permitted. This standard will replace Korean IFRS 1017 *Leases*, Interpretation 2104 *Determining whether an Arrangement contains a Lease*, Interpretation 2015 *Operating Leases-Incentives*, and Interpretation 2027 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The Group will adopt Korean IFRS 1116 *Leases* from the beginning of the fiscal year beginning on or after January 1, 2019.

At inception of a contract, the entity shall assess whether the contract is, or contains, a lease. Also, at the date of initial application, the entity shall assess whether the contract is, or contains, a lease in accordance with the standard. However, the entity will not need to reassess all contracts with applying the practical expedient because the entity elected to apply the practical expedient only to contracts entered before the date of initial application.

For a contract that is, or contains, a lease, the entity shall account for each lease component within the contract as a lease separately from non-lease components of the contract. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The lessee may elect not to apply the requirements to short-term lease (a lease term of 12 months or less at the commencement date) and low value assets (e.g. underlying assets below \$ 5,000). In addition, as a practical expedient, the lessee may elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

#### *Lessee accounting*

A lessee shall apply this standard to its leases either:

- retrospectively to each prior reporting period presented applying Korean IFRS 1008 *Accounting Policies, Changes in Accounting Estimates and Errors* (Full retrospective application); or

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- retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The Group has not yet elected the application method.

The Group has not completed an impact assessment to identify potential financial effects of applying Korean IFRS 1116. Therefore, it is practically difficult to provide reasonable estimate of financial effect until the analysis is complete.

#### *Lessor accounting*

The Group expects the effect on the financial statements applying the new standard will not be significant as accounting for the Group, as a lessor, will not significantly change.

## **2.4 Significant Accounting Policies**

Significant accounting policies and method of computation used in the preparation of the consolidated interim financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2017, except for the changes due to the application of amendments and enactments of standards described in Note 2.1.1 and the matters described below.

### **2.4.1 Income Tax Expense**

Income tax expense for the interim period is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate is applied to the pre-tax income.

### **2.4.2 Recognition and Measurement of Financial Instruments**

#### *(a) Initial recognition*

The Group recognizes a financial asset or a financial liability on its statements of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. A regular purchase or sale of financial assets (a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within a certain time frame established generally by market regulation or practice) is recognized and derecognized, as applicable, using trade date accounting.

The Group classifies its financial assets as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, securities at amortized cost, loan receivable at amortized cost and its financial liabilities as financial liabilities at fair value through profit or loss (financial liabilities held for trading and financial liabilities designated at fair value through profit or loss) and other financial liabilities.

When a financial asset or financial liability is recognized initially, it is measured at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. 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. Actual prices of transactions provide the best estimate of its fair value on its recognition.

#### *(b) Subsequent measurement*

The classification of financial instruments at initial recognition determines the measurement basis as follows:

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#### *i) Amortized cost*

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition and adjusted to reflect the deducting of principal repayments, add or less the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction (directly or through the use of a provision for impairment account) for impairment or uncollectibility.

#### *ii) Fair value*

The fair value which the Group primarily uses for measurement of financial instruments is published price quotations in an active market which is based on the market price or dealer price quotations of financial instruments traded in an active market where available, which is the best evidence of fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, an entity in the same industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the market for a financial instrument is not active, fair value is established either by using a valuation technique or independent third-party pricing service. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

The Group uses valuation models that are commonly used by market participants for determining fair values of common financial instruments of lower complexity, such as options or interest rate and currency swaps and for more complex instruments, the Group uses internally developed models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

In addition, if the valuation technique does not reflect all factors which market participants would consider in setting a price, the fair value is adjusted to reflect those factors. These factors include counterparty credit risk, bid-ask spread, liquidity risk and others.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Group calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument or based on any available observable market data.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability
- Level 3: Unobservable inputs for the asset or liability

The fair value hierarchy of valuation techniques is based on the categorization of the lowest level input into a valuation model among the valuation components (excluding foreign currency rate) that is significant. For this purpose, the significance of an input is assessed against the fair value

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measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

*(c) Derecognition*

Derecognition is the removal of a previously recognized financial asset or financial liability from the statement of financial position. The Group derecognizes a financial asset or a financial liability when, and only when:

*i) Derecognition of financial assets*

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or the financial assets have been transferred and substantially all the risks and rewards of ownership of the financial assets are also transferred. Therefore, if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets, the Group continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

*ii) Derecognition of financial liabilities*

Financial liabilities are derecognized from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expires.

*(d) Offsetting*

A financial asset and a financial liability are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

**2.4.3 Classification of Financial Assets**

*(a) Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. If the host contract is within the scope of Korean IFRS 1109, hybrid (combined) contracts with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

*Classification of debt instruments*

| <b>Business model for the contractual cash flows characteristics</b>               | <b>Solely represent payments of principal and interest</b>               | <b>All other</b>                                |
|--|--|---|
| Hold the financial asset for the collection of the contractual cash flows          | Measured at amortized cost <sup>1</sup>                                  |   |
| Hold the financial asset for the collection of the contractual cash flows and sale | Recognized at fair value through other comprehensive income <sup>1</sup> | Recognized at fair value through profit or loss |
| Hold for sale  | Recognized at fair value through profit or loss                          |   |

<sup>1</sup> A designation at fair value through profit or loss is allowed only if such designation mitigates an

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## Notes to the Consolidated Interim Financial Statements

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accounting mismatch (irrevocable).

The Group classifies its debt instruments into one of the following three measurement categories:

- Financial assets at fair value through profit or loss: financial assets held for sale or whose contractual cash flows does not represent solely payments of principal and interest are classified as fair value through profit or loss if upon initial recognition the following conditions are met and the Group designates the financial assets as fair value through profit or loss.
  - If classification of financial assets as fair value through profit or loss eliminates or significantly reduces measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') which arise when assets or liabilities, or their related gains or losses are recognized applying different standards.

Valuation gains or loss due to changes in fair value of the financial assets and gains or losses arising on derecognition of the financial assets are recognized in profit or loss.

- Financial assets at fair value through other comprehensive income: Assets that are held for collection and selling of contractual cash flows, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment loss (i.e. changes in expected credit loss), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.
- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Impairment loss (reversal), the changes in expected credit losses, and gains or losses arising from the recognition of the financial assets are recognized in profit or loss.

#### *(b) Equity instruments*

The Group subsequently measures all equity investments at fair value.

- Financial assets at fair value through profit or loss: equity instruments that are held for trading or that are not classified as financial assets at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Any gain or loss on valuation or derecognition of the financial assets is recognized in profit or loss, and the Group recognizes dividends in profit or loss when the Group's right to receive payments of the dividend is established.
- Financial assets at fair value through other comprehensive income: for the equity instruments that are not held for trading, at initial recognition, the Group may make an election to present changes in fair value in other comprehensive income. Valuation gain or loss previously recognized as other comprehensive income is not reclassified to profit or loss but reclassified to retained earnings when the equity instruments are derecognized. For dividend income from these equity instruments, the Group recognizes dividends in profit or loss when the Group's right to receive payments of the dividend is established.

#### **2.4.4 Impairment of Financial Assets**

The Group assesses on a forward looking basis and recognizes as allowance for doubtful accounts the expected credit losses associated with its debt instruments at fair value through other comprehensive income, financial assets at amortized cost, loans agreement and financial guarantee contract.

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The Group recognizes (at a minimum) 12-month expected credit losses in profit or loss. Lifetime expected losses are recognized on assets for which there is a significant increase in credit risk after initial recognition.

| Stage   | Loss allowance  |
|---|---|
| 1 No significant increase in credit risk after initial recognition <sup>1</sup> | 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the end of the reporting period) |
| 2 Significant increase in credit risk after initial recognition                 | Lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument)   |
| 3 Credit-impaired   |   |

<sup>1</sup> If the debt instrument (securities) has low credit risk at the end of the reporting period, the Group may assume that the credit risk has not increased significantly since initial recognition.

The expected credit losses of financial assets measured as amortized cost are recognized as allowance for doubtful account, a contra asset account. Allowance for doubtful account of debt securities at fair value through other comprehensive income are recognized as other comprehensive income and their book values are not adjusted. Also, expected credit losses of loan commitments and financial guarantee contracts are recognized as provision.

At each reporting date, the Group recognizes in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss or other operating income or expense.

#### **2.4.5 Derivative Financial Instruments**

##### *(a) Financial assets (liabilities) at fair value through profit or loss*

All derivative financial instruments, except for derivatives that are designated and qualify for hedge accounting, are classified as financial assets (liabilities) at fair value through profit or loss, and measured at fair value. A gain or loss arising from a change in fair value is recognized in profit or loss on the financial statement of profit or loss.

##### *(b) Fair value hedge*

If derivatives qualify for a fair value hedge, the change in fair value of the hedging instrument and the change in fair value of the hedged item attributable to the hedged risk are recognized in profit or loss as part of other operating income and expenses in the statement of comprehensive income. The gain or loss on the hedging instrument shall be recognized in other comprehensive income, if the hedging instrument hedges an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio, but the risk management objective for that designated hedging relationship remains the same, an entity shall adjust the hedge ratio of the hedging relationship so that it meets the qualifying criteria again (this is referred to in the standard as 'rebalancing'). Fair value hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Once fair value hedge accounting is discontinued, the adjustment to the carrying amount of a hedged item is fully amortized to profit or loss over the maturity of the financial instrument using the effective interest method.

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#### *(c) Cash flow hedge*

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, whereas the gain or loss relating to the ineffective portion is recognized immediately in the current profit or loss.

Hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Once hedge accounting is discontinued, any cumulative gain or loss existing in equity remains in equity and will be recognized as profit or loss over the period of forecast transaction. However, when a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognized in the current profit or loss.

#### *(d) Financial liabilities designated as hedge of a net investment in a foreign operation*

The effective portion of gain or loss on financial liabilities that are designated and qualify as hedge of a net investment in a foreign operation is recognized in other comprehensive income, whereas the gain or loss relating to the ineffective portion is recognized in profit or loss. When foreign operations are wholly or partially sold, the relevant amount recognized in other comprehensive income is transferred to profit or loss.

#### *(e) Embedded derivatives*

If the host contracts are not financial liabilities or assets that are within the scope of Korean IFRS 1109, an embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss. A gain or loss arising from a change in the fair value of embedded derivative separated from host contract is recognized in profit or loss as part of net gains on financial instruments at fair value through profit or loss.

#### *(f) Day one profit and loss*

If the Group uses a valuation technique that incorporates data not obtained from observable markets for the fair value at initial recognition of financial instruments, there may be a difference between the transaction price and the amount determined using that valuation technique. In these circumstances, the fair value of financial instruments is recognized as the transaction price and the difference is amortized by using straight line method over the life of the financial instruments. If the fair value of the financial instruments is determined using observable market inputs, the remaining deferred amount is recognized in profit or loss.

## **2.4.6 Financial Guarantee Contracts**

A financial guarantee contract is a contract that requires the issuer (the Group) to make specified payments to reimburse the holder for a loss when a specified debtor fails to make payments in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognized at fair value in other liabilities at fair value and are amortized over the life of the contract. After initial recognition, financial guarantee contracts are measured at the higher of:

- Allowance for doubtful accounts in accordance with Korean IFRS 1109 *Financial Instruments*.
- The amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with Korean IFRS 1115.

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#### 2.4.7 Financial Liabilities Designated at Fair Value through Profit or Loss

The Group may designate certain financial liabilities as at fair value through profit or loss when one of the following conditions is met:

- If classification of financial assets as fair value through profit or loss eliminates or significantly reduces measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') which arise when assets or liabilities, or their related gains or losses are recognized applying different standards.
- A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis by entity's management.
- Hybrid (combined) contracts with embedded derivatives allowed under Korean IFRS 1039 *Financial Instruments: Recognition and Measurement* may be designated as financial assets at fair value through profit or loss in their entirety.

The amount of the change in the fair value of financial liabilities at fair value through profit or loss that is attributable to changes in the credit risk is recognized in other comprehensive income, unless this treatment of the credit risk component creates or enlarges a measurement mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

#### 2.4.8 The Overlay Approach

The Group has applied overlay approach according to enactment of Korean IFRS 1109 *Financial Instruments* and Korean IFRS 1104 *Insurance Contracts*.

A financial asset is eligible for designation for the overlay approach if, and only if, the following criteria are met:

- It is measured at fair value through profit or loss applying Korean IFRS 1109 but would not have been measured at fair value through profit or loss in its entirety applying Korean IFRS 1039, and
- It is held in respect of an activity that is connected with contracts within the scope of Korean IFRS 1104 *Insurance Contracts*. With application of overlay approach, the Group recognizes difference between (a) gain or loss on valuation (profit or loss) and gain or loss on disposal (profit or loss) in accordance with Korean IFRS 1109, and (b) gain or loss on valuation (accumulated other comprehensive income) and gains or loss on disposal (profit or loss) in accordance with Korean IFRS 1039, respectively as a separate line item in the statement of profit or loss and other comprehensive income as overlay adjustment.

### 3. Critical Accounting Estimates and Assumptions

The preparation of consolidated interim financial statements requires the application of accounting policies, certain critical accounting estimates and assumptions that may have a significant impact on assets/liabilities and income/expenses. The managements' estimate of outcome may differ from an actual outcome if the managements' estimate and assumption based on its best judgment at the reporting date are different from an actual environment.

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Significant accounting estimates and assumptions applied in the preparation of these consolidated interim financial statements are the same as those applied to the consolidated financial statements for the year ended December 31, 2017, except for the estimates used to determine income tax expense, and accounting estimates and assumptions used to measure loss provision in accordance Korean IFRS 1109.

**4. Financial Assets and Liabilities Held for Trading**

Details of financial assets held for trading as at September 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i> |   | <b>September 30,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|------------------------------------|---|-------------------------------|------------------------------|
| Securities                         | Equity securities                         | 1,060,511                     | 501,024                      |
|                                    | Beneficiary securities and others         | 2,804,998                     | -                            |
|                                    | Government and public bonds               | 2,005,920                     | 2,105,219                    |
|                                    | Bank bonds                                | 1,620,028                     | 2,108,931                    |
|                                    | Corporate bonds in Korean won             | 1,239,984                     | 1,065,843                    |
|                                    | Corporate bonds in foreign<br>currencies  | 555,034                       | 570,438                      |
|                                    | Government bonds in foreign<br>currencies | 55,181                        | -                            |
|                                    | Asset-backed securities                   | <u>80,008</u>                 | <u>325,022</u>               |
|                                    |   | <u>9,421,664</u>              | <u>6,676,477</u>             |
| Derivatives                        |   | 1,417,748                     | 2,150,472                    |
| Loan receivables                   |   | 541,756                       | -                            |
| Deposit                            |   | <u>247,952</u>                | -                            |
|                                    |   | <u>11,629,120</u>             | <u>8,826,949</u>             |

Details of securities included in financial assets held for trading as at September 30, 2018 and December 31, 2017, are as follows:

**September 30, 2018**

| <i>(In millions of Korean won)</i>   | <b>Par value</b> | <b>Acquisition cost</b> | <b>Amortized cost</b> | <b>Fair value<br/>(Book amount)</b> |
|--------------------------------------|------------------|-------------------------|-----------------------|-------------------------------------|
| Equity securities                    | -                | 1,049,749               | -                     | 1,060,511                           |
| Beneficiary securities and<br>others | -                | 2,742,936               | -                     | 2,804,998                           |
| Government and public<br>bonds       | 2,042,764        | 1,996,710               | 1,995,601             | 2,005,920                           |
| Bank bonds                           | 1,624,392        | 1,619,775               | 1,619,644             | 1,620,028                           |
| Corporate bonds in<br>Korean won     | 1,243,201        | 1,244,234               | 1,243,870             | 1,239,984                           |
| Corporate bonds in                   | 592,300          | 574,087                 | 572,254               | 555,034                             |

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|  |                  |                  |                  |                  |
|--|------------------|------------------|------------------|------------------|
| foreign currencies                     |                  |                  |                  |                  |
| Government bonds in foreign currencies | 55,635           | 55,288           | 55,287           | 55,181           |
| Asset-backed securities                | 80,000           | 79,939           | 79,955           | 80,008           |
|  | <u>5,638,292</u> | <u>9,362,718</u> | <u>5,566,611</u> | <u>9,421,664</u> |

**December 31, 2017**

| <i>(In millions of Korean won)</i>    | Par value        | Acquisition cost | Amortized cost   | Fair value<br>(Book amount) |
|---------------------------------------|------------------|------------------|------------------|-----------------------------|
| Equity securities                     | -                | 497,158          | -                | 501,024                     |
| Government and public bonds           | 2,138,363        | 2,115,166        | 2,114,926        | 2,105,219                   |
| Bank bonds                            | 2,183,183        | 2,175,906        | 2,175,806        | 2,108,931                   |
| Corporate bonds in Korean won         | 1,070,701        | 1,068,369        | 1,069,035        | 1,065,843                   |
| Corporate bonds in foreign currencies | 573,531          | 599,669          | 599,624          | 570,438                     |
| Asset-backed securities               | 325,400          | 325,112          | 325,158          | 325,022                     |
|                                       | <u>6,291,178</u> | <u>6,781,380</u> | <u>6,284,549</u> | <u>6,676,477</u>            |

Details of financial liabilities held for trading as at September 30, 2018 and December 31, 2017, are as follows:

**September 30, 2018**

| <i>(In millions of Korean won)</i> | Maturity                   | Interest rate (%) | Par value         | Acquisition cost | Fair value<br>(Book amount) |
|------------------------------------|----------------------------|-------------------|-------------------|------------------|-----------------------------|
| Securities sold                    | 2020.03.10<br>~ 2027.12.10 | 1.75 ~ 4.25       | 328,000           | 331,030          | 330,205                     |
| Derivatives                        | -                          | -                 | 63,563,333        | -                | 1,480,802                   |
|                                    |                            |                   | <u>63,891,333</u> | <u>331,030</u>   | <u>1,811,007</u>            |

**December 31, 2017**

| <i>(In millions of Korean won)</i> | Maturity                   | Interest rate (%) | Par value         | Acquisition cost | Fair value<br>(Book amount) |
|------------------------------------|----------------------------|-------------------|-------------------|------------------|-----------------------------|
| Securities sold                    | 2020.06.10 ~<br>2047.03.10 | 1.75 ~ 2.13       | 26,000            | 25,055           | 26,216                      |
| Derivatives                        | -                          | -                 | 71,645,314        | -                | 2,271,367                   |
|                                    |                            |                   | <u>71,671,314</u> | <u>25,055</u>    | <u>2,297,583</u>            |

Details of derivative transactions for trading purposes as at September 30, 2018 and December 31, 2017, are as follows:

**September 30, 2018**

| <i>(In millions of Korean won)</i> | Assets | Liabilities | Nominal <sup>1</sup> | Valuation gains | Valuation losses |
|------------------------------------|--------|-------------|----------------------|-----------------|------------------|
| Interest rate forwards             | 4,757  | -           | 50,000               | -               | 809              |

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|                       |                  |                  |                    |                  |                  |
|-----------------------|------------------|------------------|--------------------|------------------|------------------|
| Interest rate futures | -                | -                | 892,239            | 1,719            | 779              |
| Interest rate swaps   | 414,254          | 446,523          | 64,893,960         | 265,202          | 266,576          |
| Interest rate options |                  |                  |                    |                  |                  |
| (buy)                 | 17,819           | -                | 537,732            | 1,856            | 1,067            |
| Interest rate options |                  |                  |                    |                  |                  |
| (sell)                | -                | 39,135           | 720,000            | 2,293            | 1,759            |
|                       | <u>436,830</u>   | <u>485,658</u>   | <u>67,093,931</u>  | <u>271,070</u>   | <u>270,990</u>   |
| Currency forwards     | 494,134          | 514,942          | 49,985,992         | 566,747          | 543,355          |
| Currency futures      | -                | -                | 3,516              | 35               | -                |
| Currency swaps        | 371,626          | 346,480          | 23,388,806         | 359,471          | 356,254          |
| Currency options      |                  |                  |                    |                  |                  |
| (buy)                 | 12               | -                | 8,011              | -                | 13               |
| Currency options      |                  |                  |                    |                  |                  |
| (sell)                | -                | 12               | 8,011              | 16               | -                |
|                       | <u>865,772</u>   | <u>861,434</u>   | <u>73,394,336</u>  | <u>926,269</u>   | <u>899,622</u>   |
| Stock price index     |                  |                  |                    |                  |                  |
| futures               | -                | -                | 1,491,238          | 59,805           | 51,655           |
| Stock swap            | 1,849            | 6,956            | 324,975            | 18,084           | 130              |
| Stock options (buy)   | 38,359           | -                | 1,527,750          | 4,892            | 5,622            |
| Stock options (sell)  | -                | 28,417           | 1,582,723          | 582              | 55,718           |
| Stock price index     |                  |                  |                    |                  |                  |
| options (buy)         | 47,617           | -                | 3,889,655          | 29,366           | 35,848           |
| Stock price index     |                  |                  |                    |                  |                  |
| options (sell)        | -                | 81,643           | 3,959,111          | 72,579           | 9,109            |
|                       | <u>87,825</u>    | <u>117,016</u>   | <u>12,775,452</u>  | <u>185,308</u>   | <u>158,082</u>   |
| Credit swaps          | <u>18,304</u>    | <u>957</u>       | <u>2,131,806</u>   | <u>6,586</u>     | <u>9,222</u>     |
| Others                | <u>2,169</u>     | <u>7,855</u>     | <u>265,924</u>     | <u>4,733</u>     | <u>31,635</u>    |
| Day 1 P&L             | <u>6,848</u>     | <u>7,882</u>     | <u>-</u>           | <u>-</u>         | <u>-</u>         |
|                       | <u>1,417,748</u> | <u>1,480,802</u> | <u>155,661,449</u> | <u>1,393,966</u> | <u>1,369,551</u> |

**December 31, 2017**

*(In millions of Korean won)*

|                        | <b>Assets</b> | <b>Liabilities</b> | <b>Nominal<sup>1</sup></b> | <b>Valuation gains</b> | <b>Valuation losses</b> |
|------------------------|---------------|--------------------|----------------------------|------------------------|-------------------------|
| Interest rate forwards | 5,566         | -                  | 50,000                     | 1,619                  | -                       |
| Interest rate futures  | -             | -                  | 751,159                    | -                      | -                       |
| Interest rate swaps    | 380,922       | 407,047            | 72,824,338                 | 297,032                | 267,074                 |

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|                       |                  |                  |                    |                  |                  |
|-----------------------|------------------|------------------|--------------------|------------------|------------------|
| Interest rate options |                  |                  |                    |                  |                  |
| (buy)                 | 15,651           | -                | 557,280            | 3,847            | 3,581            |
| Interest rate options |                  |                  |                    |                  |                  |
| (sell)                | -                | 34,786           | 630,000            | 7,126            | 1,067            |
|                       | <u>402,139</u>   | <u>441,833</u>   | <u>74,812,777</u>  | <u>309,624</u>   | <u>271,722</u>   |
| Currency forwards     | 1,099,940        | 1,126,423        | 59,793,406         | 1,093,536        | 1,128,133        |
| Currency futures      | -                | -                | 2,298              | -                | -                |
| Currency swaps        | <u>544,068</u>   | <u>545,538</u>   | <u>19,292,120</u>  | <u>758,436</u>   | <u>781,579</u>   |
|                       | <u>1,644,008</u> | <u>1,671,961</u> | <u>79,087,824</u>  | <u>1,851,972</u> | <u>1,909,712</u> |
| Stock price index     |                  |                  |                    |                  |                  |
| futures               | -                | -                | 1,834,254          | -                | -                |
| Stock swap            | 1,099            | 14,890           | 311,487            | 9,919            | 7,581            |
| Stock options (buy)   | 50,818           | -                | 2,666,762          | 11,280           | 11,153           |
| Stock options (sell)  | -                | 79,514           | 2,270,242          | 1,274            | 6,366            |
| Stock price index     |                  |                  |                    |                  |                  |
| options (buy)         | 21,521           | -                | 2,778,684          | 7,654            | 12,107           |
| Stock price index     |                  |                  |                    |                  |                  |
| options (sell)        | -                | 54,091           | 3,179,188          | 7,450            | 34,486           |
|                       | <u>73,438</u>    | <u>148,495</u>   | <u>13,040,617</u>  | <u>37,577</u>    | <u>71,693</u>    |
| Credit swaps          | <u>21,070</u>    | <u>1,087</u>     | <u>1,956,464</u>   | <u>12,859</u>    | <u>9,775</u>     |
| Others                | <u>4,822</u>     | <u>276</u>       | <u>126,402</u>     | <u>7,008</u>     | <u>13,343</u>    |
| Day 1 P&L             | <u>4,995</u>     | <u>7,715</u>     | -                  | -                | -                |
|                       | <u>2,150,472</u> | <u>2,271,367</u> | <u>169,024,084</u> | <u>2,219,040</u> | <u>2,276,245</u> |

<sup>1</sup> Nominal amount is the gross contract amount which forms a basis for measuring changes in fair value of derivatives. Nominal amounts as at September 30, 2018 and December 31, 2017, do not indicate any market risk or credit risk.

If the Group calculates the fair value using unobservable inputs and finds that their valuation amounts different from the transaction price, the Group recognizes the transaction price as the fair value. The difference is deferred and amortized on a straight-line basis and when the inputs become observable, the deferred difference is immediately recognized through profit and loss.

Total difference amount being deferred and their changes for the nine-month periods ended September 30, 2018 and 2017, are as follows:

| <i>(In millions of Korean won)</i>                             | <b>September 30,<br/>2018</b> | <b>September 30,<br/>2017</b> |
|--|-------------------------------|-------------------------------|
| Balance at the beginning of the period                         | (2,720)                       | (6,832)                       |
| New transactions   | 19,273                        | 6,158                         |
| The amount reflected in the statements of comprehensive income | (17,587)                      | (6,204)                       |

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|                                  |         |         |
|----------------------------------|---------|---------|
| Balance at the end of the period | (1,034) | (6,878) |
|----------------------------------|---------|---------|

For fair value evaluation of derivatives, in order to reflect the bid/ask price effect and the credit risk, adjustments to bid/ask price evaluation were ₩ 1,380 million (December 31, 2017: ₩ 727 million), and adjustments to credit risk were ₩ 1,296 million (December 31, 2017: ₩ 2,061 million) as at September 30, 2018.

Details of financial assets designated at fair value through profit or loss as at December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i> | <b>Acquisition cost</b> | <b>Book amount</b> |
|------------------------------------|-------------------------|--------------------|
| Equity securities <sup>1</sup>     | 26,568                  | 25,964             |
| Debt securities <sup>1</sup>       | 501,930                 | 486,081            |
|                                    | <u>528,498</u>          | <u>512,045</u>     |

<sup>1</sup> Book amount reflects its Day 1 profit and loss.

As at December 31, 2017, financial assets designated at fair value through profit or loss are structured contracts including embedded derivatives or contracts which is managed and its performance being evaluated on a fair value basis by the Group's management. However, in accordance with Korean IFRS 1109 *Financial Instruments*, financial assets may be designated as fair value through profit or loss only if the fair value designation eliminates or significantly reduces an accounting mismatch; therefore, as at September 30, 2018, no financial assets are designated as fair value through profit or loss.

Details of financial liabilities designated at fair value through profit or loss as at September 30, 2018 and December 31, 2017, are as follows:

| <b>September 30, 2018</b>                    | <b>Changes in credit risk recognized as other comprehensive income</b> |                    |                       |                                  |
|--|--|--------------------|-----------------------|----------------------------------|
| <i>(In millions of Korean won)</i>           | <b>Acquisition cost</b>  | <b>Book amount</b> | <b>Changed amount</b> | <b>Cumulative changed amount</b> |
| Equity linked securities (sell) <sup>1</sup> | 1,663,092  | 1,673,738          | (3)                   | -                                |

<sup>1</sup> Book amount reflects its Day 1 profit and loss.

**December 31, 2017**

| <i>(In millions of Korean won)</i>           | <b>Acquisition cost</b> | <b>Book amount</b> |
|--|-------------------------|--------------------|
| Equity linked securities (sell) <sup>1</sup> | 1,434,891               | 1,427,235          |

<sup>1</sup> Book amount reflects its Day 1 profit and loss.

Above financial liabilities designated at fair value through profit or loss are structured contracts including embedded derivatives that are designated as fair value through profit or loss.

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**5. Financial Assets at Fair Value through Other Comprehensive Income**

Details of financial assets at fair value through other comprehensive income as at September 30, 2018, are as follows:

**September 30, 2018**

| <i>(In millions of Korean won)</i>        | <b>Par value</b>  | <b>Acquisition cost</b> | <b>Amortized cost</b> | <b>Fair value<br/>(Book amount)</b> |
|---|-------------------|-------------------------|-----------------------|-------------------------------------|
| Equity securities                         | -                 | 685,138                 | -                     | 1,670,082                           |
| Government and public bonds               | 2,806,550         | 2,869,720               | 2,839,197             | 2,827,091                           |
| Bank bonds                                | 3,254,600         | 3,256,815               | 3,254,892             | 3,253,110                           |
| Corporate bonds in Korean<br>won          | 2,191,300         | 2,218,170               | 2,207,196             | 2,205,099                           |
| Corporate bonds in foreign<br>currencies  | 1,442,419         | 1,450,541               | 1,441,499             | 1,426,619                           |
| Asset-backed securities                   | 1,480,359         | 1,481,162               | 1,480,486             | 1,479,863                           |
| Foreign government bonds                  | 19,922            | 19,582                  | 19,640                | 19,203                              |
| Government bonds in foreign<br>currencies | <u>11,195,150</u> | <u>11,981,128</u>       | <u>11,242,910</u>     | <u>12,881,067</u>                   |

Details of equity securities from financial assets at fair value through other comprehensive income as at September 30, 2018, are as follows:

|        |                           | <b>September 30, 2018</b> |                    |
|--------|---------------------------|---------------------------|--------------------|
|        |                           | <b>Acquisition cost</b>   | <b>Book amount</b> |
| Stocks | Marketable securities     | 282,048                   | 1,099,233          |
|        | Non-marketable securities | <u>403,090</u>            | <u>570,849</u>     |
|        |                           | <u>685,138</u>            | <u>1,670,082</u>   |

<sup>1</sup> The Group manages and classifies securities obtained through investment in-kind and investment conversion as securities at fair value through other comprehensive income. The fair value of the equity securities disposed during the reporting period according to the tag along rights agreed by creditors, and the accumulated net profit upon disposal were ₩ 42,723 million and ₩ 32,938 million, respectively.

Changes in the fair value of financial assets at fair value through other comprehensive income recognized as accumulated other comprehensive income for the nine-month period ended September 30, 2018, are as follows:

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**September 30, 2018**

| <i>(In millions of Korean won)</i>    | Beginning      | Changes in accounting policies <sup>1</sup> | Recognized in other comprehensive income | Reclassified to profit or loss |              | Reclassified to retained earnings | Tax effect    | Ending         |
|---------------------------------------|----------------|---|--|--------------------------------|--------------|-----------------------------------|---------------|----------------|
|                                       |                |   |  | Impairment loss (reversal)     | Sale         |                                   |               |                |
| Equity securities                     | 848,838        | (67,723)                                    | (78,929)                                 | -                              | -            | (32,938)                          | 30,763        | 700,011        |
| Debt securities in Korean won         | (39,485)       | (8,775)                                     | 42,296                                   | 3,122                          | 7,120        | -                                 | (14,448)      | (10,170)       |
| Debt securities in foreign currencies | (2,319)        | 1,410                                       | (4,114)                                  | (672)                          | (1,158)      | -                                 | 1,634         | (5,219)        |
|                                       | <u>807,034</u> | <u>(75,088)</u>                             | <u>(40,747)</u>                          | <u>2,450</u>                   | <u>5,962</u> | <u>(32,938)</u>                   | <u>17,949</u> | <u>684,622</u> |

<sup>1</sup> Amount after income tax effect.

Changes in provision for impairment of financial assets at fair value through other comprehensive income for the nine-month period ended September 30, 2018, are as follows:

| <i>(In millions of Korean won)</i>                                | 12 months expected credit losses | Expected lifetime credit losses |                       | Total        |
|---|----------------------------------|---------------------------------|-----------------------|--------------|
|   |                                  | Unrecognized impairment         | Recognized impairment |              |
| December 31, 2017   |                                  |                                 |                       | -            |
| Changes in accounting policies <sup>1</sup>                       |                                  |                                 |                       | 1,747        |
| Beginning   | 1,722                            | 25                              | -                     | 1,747        |
| Changes due to significant increase or decrease in credit risk    |                                  |                                 |                       |              |
| Transfer to 12 months expected credit losses                      | 17                               | (17)                            | -                     | -            |
| Transfer to expected lifetime losses with unrecognized impairment | -                                | -                               | -                     | -            |
| Transfer to expected lifetime losses with recognized impairment   | -                                | -                               | -                     | -            |
|   | <u>17</u>                        | <u>(17)</u>                     | <u>-</u>              | <u>-</u>     |
| Impairment loss (reversal)  | <u>2,468</u>                     | <u>(18)</u>                     | <u>-</u>              | <u>2,450</u> |
| Sale  | (663)                            | -                               | -                     | (663)        |
| Foreign exchange translation                                      | (47)                             | -                               | -                     | (47)         |
| Tax effect  | (496)                            | 10                              | -                     | (486)        |
| Ending  | <u>3,001</u>                     | <u>-</u>                        | <u>-</u>              | <u>3,001</u> |

<sup>1</sup> Amount after income tax effect.

There are no loaned securities recognized as financial assets at fair value through other comprehensive income as at September 30, 2018.

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**6. Available-for-sale Financial Assets**

Details of available-for-sale financial assets as at December 31, 2017, are as follows:

**December 31, 2017**

| <i>(In millions of Korean won)</i>     | <b>Par value</b>  | <b>Acquisition cost</b> | <b>Amortized cost</b> | <b>Fair value (Book amount)</b> |
|--|-------------------|-------------------------|-----------------------|---------------------------------|
| Equity securities                      | -                 | 3,674,324               | -                     | 4,760,143                       |
| Government and public bonds            | 3,436,300         | 3,515,759               | 3,486,917             | 3,478,456                       |
| Bank bonds                             | 2,325,200         | 2,330,515               | 2,326,271             | 2,317,638                       |
| Corporate bonds in Korean won          | 1,654,500         | 1,677,539               | 1,666,093             | 1,653,428                       |
| Corporate bonds in foreign currencies  | 1,322,197         | 1,331,090               | 1,334,269             | 1,322,461                       |
| Asset-backed securities                | 1,575,700         | 1,578,071               | 1,576,414             | 1,568,606                       |
| Government bonds in foreign currencies | 14,864            | 14,541                  | 14,637                | 14,638                          |
|  | <u>10,328,761</u> | <u>14,121,839</u>       | <u>10,404,601</u>     | <u>15,115,370</u>               |

Impairment loss and reversal of impairment loss on available-for-sale financial assets for the nine-month period ended September 30, 2017, are as follows:

| <i>(In millions of Korean won)</i>  | <b>September 30, 2017</b> |                 |
|-------------------------------------|---------------------------|-----------------|
|                                     | <b>Impairment loss</b>    | <b>Reversal</b> |
| Available-for-sale financial assets | 23,500                    | -               |

Details of equity securities as at December 31, 2017, are as follows:

**December 31, 2017**

| <i>(In millions of Korean won)</i> |   | <b>Acquisition cost</b> | <b>Book amount</b> |
|------------------------------------|---|-------------------------|--------------------|
| Stocks                             | Marketable equity securities                  | 444,988                 | 1,362,061          |
|                                    | Non-marketable equity securities <sup>1</sup> | 1,218,671               | 1,379,108          |
|                                    |   | <u>1,663,659</u>        | <u>2,741,169</u>   |
| Equity investments                 | Equity investments <sup>2</sup>               | 459,158                 | 443,581            |
| Beneficiary securities             | Beneficiary securities                        | 1,551,507               | 1,575,393          |
|                                    |   | <u>3,674,324</u>        | <u>4,760,143</u>   |

<sup>1</sup> Securities amounting to ₩ 119,365 million as at December 31, 2017, were valued at acquisition costs due to unavailability of reliable valuation sources. These equity securities are carried at cost because it is practically difficult to quantify the intrinsic values of the equity securities issued by unlisted entities. In addition, probabilities and range of estimated cash flows of the unlisted equity securities, which are issued by project financing companies, cannot be reasonably assessed. Therefore, these equity securities are carried at cost. The Group has no plans to sell these instruments in the near future, and is expected to measure their fair value upon the privatization of invested companies or upon further progress of the projects.

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<sup>2</sup> The ₩ 40,595 million of equity investments as at December 31, 2017, were valued at cost due to unavailability of reliable valuation sources.

Changes in the fair value of available-for-sale financial assets recognized as accumulated other comprehensive income for the nine-month period ended September 30, 2017, are as follows:

(In millions of Korean won)

|                                       | <b>September 30, 2017</b> |   |   |                   |                |
|---------------------------------------|---------------------------|---|---|-------------------|----------------|
|                                       | <b>Beginning</b>          | <b>Recognized<br/>in other<br/>comprehen-<br/>sive income</b> | <b>Reclassified<br/>to profit or<br/>loss</b> | <b>Tax effect</b> | <b>Ending</b>  |
| Equity securities                     | 773,927                   | 99,480  | (43,998)                                      | (13,426)          | 815,983        |
| Debt securities in Korean won         | (12,967)                  | (4,209)   | (7,326)                                       | 2,791             | (21,711)       |
| Debt securities in foreign currencies | (4,902)                   | 7,599   | (2,002)                                       | (1,355)           | (660)          |
|                                       | <u>756,058</u>            | <u>102,870</u>  | <u>(53,326)</u>                               | <u>(11,990)</u>   | <u>793,612</u> |

Details of loaned securities from available-for-sale financial assets as at December 31, 2017, are as follows:

(In millions of Korean won)

|            |                                      | <b>December 31, 2017</b> |
|------------|--------------------------------------|--------------------------|
| Bank bonds | Korea Securities Finance Corporation | 79,920                   |

**7. Securities at Amortized Cost**

Details of securities at amortized cost as at September 30, 2018, are as follows:

**September 30, 2018**

(In millions of Korean won)

|                                       | <b>Par value</b>  | <b>Acquisition cost</b> | <b>Amortized cost<br/>(Book amount)</b> | <b>Fair value</b> |
|---------------------------------------|-------------------|-------------------------|---|-------------------|
| Government and public bonds           | 12,770,000        | 12,648,888              | 12,659,608                              | 12,735,149        |
| Bank bonds                            | 7,280,000         | 7,279,532               | 7,280,246                               | 7,285,986         |
| Corporate bonds in Korean won         | 3,689,400         | 3,721,579               | 3,702,304                               | 3,715,100         |
| Corporate bonds in foreign currencies | 1,026,557         | 1,035,781               | 1,022,425                               | 1,001,389         |
| Asset-backed securities               | <u>970,495</u>    | <u>970,495</u>          | <u>970,495</u>                          | <u>974,670</u>    |
|                                       | 25,736,452        | 25,656,275              | 25,635,078                              | 25,712,294        |
| Provision for impairment              | <u>-</u>          | <u>-</u>                | <u>(2,561)</u>                          | <u>(2,561)</u>    |
|                                       | <u>25,736,452</u> | <u>25,656,275</u>       | <u>25,632,517</u>                       | <u>25,709,733</u> |

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Details of loaned securities measured at amortized cost as at September 30, 2018, are as follows:

|                                    |                                      |                           |
|------------------------------------|--------------------------------------|---------------------------|
| <i>(In millions of Korean won)</i> |                                      | <b>September 30, 2018</b> |
| Government bonds                   | Korea Securities Finance Corporation | 50,506                    |
| Bank bonds                         | Korea Securities Finance Corporation | 150,011                   |
|                                    |                                      | <u>200,517</u>            |

Changes in provision for impairment of securities at amortized cost for the nine-month period ended September 30, 2018, are as follows:

|                                    |   |                                    |                                  |              |
|------------------------------------|---|------------------------------------|----------------------------------|--------------|
| <i>(In millions of Korean won)</i> | <b>12 months<br/>expected credit<br/>losses</b> | <b>Expected lifetime losses</b>    |                                  |              |
|                                    |   | <b>Unrecognized<br/>impairment</b> | <b>Recognized<br/>impairment</b> | <b>Total</b> |
| December 31, 2017                  |   |                                    |                                  | -            |
| Changes in accounting policies     |   |                                    |                                  | 1,989        |
| Beginning                          | 1,989   | -                                  | -                                | 1,989        |
| Impairment loss                    | 567   | -                                  | -                                | 567          |
| Sale                               | (2)   | -                                  | -                                | (2)          |
| Foreign exchange translation       | 7   | -                                  | -                                | 7            |
| Ending                             | <u>2,561</u>                                    | <u>-</u>                           | <u>-</u>                         | <u>2,561</u> |

## 8. Held-to-Maturity Financial Assets

Details of held-to-maturity financial assets as at December 31, 2017, are as follows:

### December 31, 2017

|  |                   |                             |   |                   |
|--|-------------------|-----------------------------|---|-------------------|
| <i>(In millions of Korean won)</i>       | <b>Par value</b>  | <b>Acquisition<br/>cost</b> | <b>Amortized cost<br/>(Book amount)</b> | <b>Fair value</b> |
| Government and public bonds              | 11,876,089        | 11,837,572                  | 11,825,055                              | 11,806,104        |
| Bank bonds                               | 6,460,000         | 6,453,884                   | 6,454,023                               | 6,435,499         |
| Corporate bonds in Korean<br>won         | 3,064,400         | 3,100,942                   | 3,083,170                               | 3,070,913         |
| Corporate bonds in foreign<br>currencies | 1,082,552         | 1,116,149                   | 1,094,449                               | 1,077,216         |
| Asset-backed securities                  | 1,072,180         | 1,072,240                   | 1,072,192                               | 1,071,365         |
|  | <u>23,555,221</u> | <u>23,580,787</u>           | <u>23,528,889</u>                       | <u>23,461,097</u> |

Details of loaned securities recognized as held-to-maturity financial assets as at December 31, 2017, are as follows:

|                                    |                                      |                          |
|------------------------------------|--------------------------------------|--------------------------|
| <i>(In millions of Korean won)</i> |                                      | <b>December 31, 2017</b> |
| Government and public bonds        | Korea Securities Finance Corporation | 136,748                  |

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**9. Loan Receivables at Amortized Cost**

Details of loan receivables at amortized cost as at September 30, 2018, are as follows:

| <i>(In millions of Korean won)</i>          | <b>September 30, 2018</b> |
|---|---------------------------|
| Loans in Korean won                         | 199,211,816               |
| Loans in foreign currencies                 | 3,649,170                 |
| Bills bought in Korean won                  | 179,374                   |
| Bills bought in foreign currencies          | 1,591,414                 |
| Bonds purchased under repurchase agreements | 227,665                   |
| Interbank loans                             | 2,078,248                 |
| Domestic import usance bills                | 2,780,485                 |
| Payment on guarantees                       | 39,499                    |
| Credit card receivables                     | 2,865,885                 |
| Call loan                                   | 1,790,869                 |
| Privately placed bonds                      | 107,274                   |
| Other                                       | 421,695                   |
|   | <u>214,943,394</u>        |
| Deferred loan origination fees and costs    | 364,774                   |
| Less : Present value discount               | (14,197)                  |
| Less : Provision for impairment             | <u>(2,634,047)</u>        |
| Book amount                                 | <u>212,659,924</u>        |

Changes in provision for impairment of loan receivables at amortized cost for the nine-month period ended September 30, 2018, are as follows:

| <i>(In millions of Korean won)</i>   | <b>12 months<br/>expected credit<br/>losses</b> | <b>Expected lifetime losses</b>    |                                  | <b>Total</b> |
|--|---|------------------------------------|----------------------------------|--------------|
|  |   | <b>Unrecognized<br/>impairment</b> | <b>Recognized<br/>impairment</b> |              |
| December 31, 2017  |   |                                    |                                  | 2,317,531    |
| Changes in accounting policies   |   |                                    |                                  | 244,154      |
| Beginning  | 815,175   | 721,062                            | 1,025,448                        | 2,561,685    |
| Changes due to significant<br>increase or decrease in credit<br>risk       |   |                                    |                                  |              |
| Transferred to 12 months<br>expected credit losses                         | 147,630   | (134,674)                          | (12,956)                         | -            |
| Transferred to expected<br>lifetime losses with<br>unrecognized impairment | (77,428)  | 105,331                            | (27,903)                         | -            |
| Transferred to expected<br>lifetime losses with<br>recognized impairment   | (9,461)   | (52,827)                           | 62,288                           | -            |

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|  |                |                |                  |                  |
|--|----------------|----------------|------------------|------------------|
|  | 60,741         | (82,170)       | 21,429           | -                |
| Impairment loss (reversal)                 | (87,696)       | 122,671        | 978,719          | 1,013,694        |
| Sale or repurchase                         | (39)           | -              | (205,661)        | (205,700)        |
| Collection of previously written-off loans | -              | -              | 81,630           | 81,630           |
| Loans written-off                          | -              | -              | (785,882)        | (785,882)        |
| Unwinding effect                           | -              | -              | (36,321)         | (36,321)         |
| Foreign exchange translation               | 96             | 909            | 3,936            | 4,941            |
| Ending                                     | <u>788,277</u> | <u>762,472</u> | <u>1,083,298</u> | <u>2,634,047</u> |

Changes in deferred loan origination fees and costs for the nine-month period ended September 30, 2018, are as follows:

| <b>September 30, 2018</b><br><i>(In millions of Korean won)</i> | <b>Beginning</b> | <b>Increase</b> | <b>Decrease</b>  | <b>Ending</b>  |
|---|------------------|-----------------|------------------|----------------|
| Deferred loan origination fee                                   | (21,695)         | (16,785)        | 19,346           | (19,134)       |
| Deferred loan origination costs                                 | 355,722          | 175,605         | (147,419)        | 383,908        |
|   | <u>334,027</u>   | <u>158,820</u>  | <u>(128,073)</u> | <u>364,774</u> |

## 10. Loan Receivables

Details of loan receivables as at December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i>          | <b>December 31, 2017</b> |
|---|--------------------------|
| Loans in Korean won                         | 187,796,460              |
| Loans in foreign currencies                 | 3,531,622                |
| Bills bought in Korean won                  | 209,511                  |
| Bills bought in foreign currencies          | 1,776,847                |
| Bonds purchased under repurchase agreements | 2,842,615                |
| Interbank loans                             | 845,503                  |
| Domestic import usance bills                | 2,505,290                |
| Payment on guarantees                       | 24,407                   |
| Credit card receivables                     | 2,684,572                |
| Call loan                                   | 1,790,944                |
| Privately placed bonds                      | 519,889                  |
| Others                                      | 382,484                  |
|   | <u>204,910,144</u>       |
| Deferred loan origination fees and costs    | 334,027                  |
| Less : Present value discount               | (10,425)                 |
| Less : Provision for impairment             | <u>(2,317,531)</u>       |

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Book amount 202,916,215

Details of individually assessed provision for impairment and collectively assessed provision for impairment of loan receivables for the nine-month period ended September 30, 2017, are as follows:

**September 30, 2017**

| <i>(In millions of Korean won)</i>         | <b>Individually<br/>assessed<br/>provision for<br/>impairment</b> | <b>Collectively<br/>assessed<br/>provision for<br/>impairment</b> | <b>Total</b>     |
|--|---|---|------------------|
| Beginning                                  | 654,271   | 1,835,988   | 2,490,259        |
| Impairment loss                            | 393,779   | 572,566   | 966,345          |
| Sale                                       | (65,371)  | (107,164)   | (172,535)        |
| Collection of previously written-off loans | 3,540   | 66,698  | 70,238           |
| Loans written-off                          | (201,729)   | (591,127)   | (792,856)        |
| Unwinding effect                           | (16,033)  | (8,508)   | (24,541)         |
| Foreign exchange translation               | (1,369)   | (9,267)   | (10,636)         |
| Ending                                     | <u>767,088</u>  | <u>1,759,186</u>  | <u>2,526,274</u> |

Changes in deferred loan origination fees and costs for the nine-month period ended September 30, 2017, are as follows:

**September 30, 2017**

| <i>(In millions of Korean won)</i> | <b>Beginning</b> | <b>Increase</b> | <b>Decrease</b>  | <b>Ending</b>  |
|------------------------------------|------------------|-----------------|------------------|----------------|
| Deferred loan origination fee      | (24,330)         | (16,136)        | 18,182           | (22,284)       |
| Deferred loan origination costs    | 325,056          | 164,895         | (135,454)        | 354,497        |
|                                    | <u>300,726</u>   | <u>148,759</u>  | <u>(117,272)</u> | <u>332,213</u> |

**11. Derivative Financial Instruments for Hedge Accounting**

Details of hedge accounting derivative financial assets and liabilities as at September 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i> | <b>September 30, 2018</b> |                  |                            | <b>December 31, 2017</b> |                  |                            |
|------------------------------------|---------------------------|------------------|----------------------------|--------------------------|------------------|----------------------------|
|                                    | <b>Asset</b>              | <b>Liability</b> | <b>Nominal<sup>1</sup></b> | <b>Asset</b>             | <b>Liability</b> | <b>Nominal<sup>1</sup></b> |
| <b>Fair value hedge</b>            |                           |                  |                            |                          |                  |                            |
| Interest rate swap                 | 39,065                    | 145,602          | 3,826,747                  | 39,022                   | 150,445          | 3,622,086                  |
| Currency forward                   | -                         | 362              | 80,633                     | -                        | -                | -                          |
| Currency swap                      | 3,243                     | 143,187          | 1,044,293                  | 1,686                    | 99,448           | 1,100,167                  |
| Stock option                       | -                         | -                | -                          | -                        | 32,477           | 10,000                     |
|                                    | <u>42,308</u>             | <u>289,151</u>   | <u>4,951,673</u>           | <u>40,708</u>            | <u>282,370</u>   | <u>4,732,253</u>           |

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| Cash flow hedge |        |         |           |        |         |           |
|-----------------|--------|---------|-----------|--------|---------|-----------|
| Currency swap   | -      | 879     | 68,445    | -      | 1,214   | 30,000    |
|                 | -      | 879     | 68,445    | -      | 1,214   | 30,000    |
|                 | 42,308 | 290,030 | 5,020,118 | 40,708 | 283,584 | 4,762,253 |

<sup>1</sup> Nominal amount is the gross contract amount which forms a basis for measuring changes in fair value of derivatives. Nominal amounts as at September 30, 2018 and December 31, 2017, do not indicate any market risk or credit risk.

Changes in fair value of derivatives of fair value hedge for the nine-month periods ended September 30, 2018 and 2017, are as follows:

**September 30, 2018**

| <i>(In millions of Korean won)</i> | Changes in fair value<br>for the period | The ineffective<br>portion of hedges |
|------------------------------------|---|--------------------------------------|
| Interest rate swap                 | 6,681                                   | (4,828)                              |
| Currency forward                   | (3,248)                                 | (422)                                |
| Currency swap                      | (50,439)                                | 1,130                                |
|                                    | (47,006)                                | (4,120)                              |

**September 30, 2017**

| <i>(In millions of Korean won)</i> | Changes in fair value<br>for the period | The ineffective<br>portion of hedges |
|------------------------------------|---|--------------------------------------|
| Interest rate swap                 | (60,385)                                | 358                                  |
| Currency swap                      | 116,072                                 | 7,776                                |
| Stock option                       | 808                                     | 241                                  |
|                                    | 56,495                                  | 8,375                                |

Hedged items of fair value hedge as at September 30, 2018 and December 31, 2017, and for the nine-month periods ended September 30, 2018 and 2017, are as follows:

| <i>(In millions of Korean won)</i>                                      | September 30, 2018 |                                       |   |
|---|--------------------|---------------------------------------|---|
|   | Book amount        | Accumulated fair<br>value adjustments | Changes in fair<br>value for the period |
| Financial assets  |                    |                                       |   |
| Financial assets at fair value<br>through profit and loss               | 29,622             | 1,239                                 | 1,239                                   |
| Financial assets at fair value<br>through other comprehensive<br>income | 408,706            | (5,205)                               | (8,556)                                 |
| Securities at amortized cost  | 40,364             | 1,586                                 | 1,586                                   |
|   | 478,692            | (2,380)                               | (5,731)                                 |
| Financial liabilities   |                    |                                       |   |
| Debentures in Korean won  | 2,084,341          | (85,659)                              | 12,325                                  |
| Debentures in foreign currencies  | 2,208,536          | (19,770)                              | (16,995)                                |

**Industrial Bank of Korea and Subsidiaries**  
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|                                     | 4,292,877                            | (105,429)                                 | (4,670)                                     |
|-------------------------------------|--------------------------------------|---|---|
| <i>(In millions of Korean won)</i>  | <b>December 31, 2017<sup>1</sup></b> |   | <b>September 30, 2017<sup>1</sup></b>       |
|                                     | <b>Book amount</b>                   | <b>Accumulated fair value adjustments</b> | <b>Changes in fair value for the period</b> |
| Financial assets                    |                                      |   |   |
| Available-for-sale financial assets | 313,807                              | 36,635                                    | (1,464)                                     |
| Financial liabilities               |                                      |   |   |
| Debentures in Korean won            | 1,972,016                            | (97,984)                                  | (60,397)                                    |
| Debentures in foreign currencies    | 2,381,781                            | (1,037)                                   | (4,979)                                     |
|                                     | <u>4,353,797</u>                     | <u>(99,021)</u>                           | <u>(65,376)</u>                             |

<sup>1</sup> Book amount and accumulated fair value adjustments are amount at December 31, 2017, and changes in fair value are amount for the nine-month period ended September 30, 2017.

Changes in fair value of derivatives of cash flow hedge for the nine-month periods ended September 30, 2018 and 2017, are as follows:

**September 30, 2018**

| <i>(In millions of Korean won)</i> | <b>Changes in fair value</b> | <b>Amounts recognized as other comprehensive income</b> | <b>Amounts recognized as profit or loss</b> |
|------------------------------------|------------------------------|---|---|
| Currency swap                      | (879)                        | 881   | (1,760)                                     |

**September 30, 2017**

| <i>(In millions of Korean won)</i> | <b>Changes in fair value</b> | <b>Amounts recognized as other comprehensive income</b> | <b>Amounts recognized as profit or loss</b> |
|------------------------------------|------------------------------|---|---|
| Currency swap                      | 800                          | 16  | 784   |

*Hedges of Net Investment in Foreign Operations*

Hedged items related to hedges of net investment in foreign operations as at September 30, 2018 and December 31, 2017, and for the nine-month periods ended September 30, 2018 and 2017, are as follows:

| <i>(In millions of Korean won)</i> | <b>September 30, 2018</b> |   | <b>December 31, 2017<sup>1</sup></b> | <b>September 30, 2017<sup>1</sup></b>       |
|------------------------------------|---------------------------|---|--------------------------------------|---|
|                                    | <b>Book amount</b>        | <b>Changes in fair value for the period</b> | <b>Book amount</b>                   | <b>Changes in fair value for the period</b> |
| Debentures in foreign currencies   | 340,284                   | (9,718)                                     | 263,413                              | 13,574                                      |

<sup>1</sup> Book amount and accumulated fair value adjustments are amount at December 31, 2017, and changes in fair value are amount for the nine-month period ended September 30, 2017.

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**12. Investments in Associates and Non-consolidated Structured Entities**

Details of investments in associates as at September 30, 2018 and December 31, 2017, are as follows:

| <b>September 30, 2018</b>   |                      |                          |                        |                    |                                |                 |                 |
|---|----------------------|--------------------------|------------------------|--------------------|--------------------------------|-----------------|-----------------|
| <i>(In millions of Korean won, except for percentage)</i>               | <b>Ownership (%)</b> | <b>Acquisition value</b> | <b>Net asset value</b> | <b>Book amount</b> | <b>Primary business</b>        | <b>Location</b> | <b>Year end</b> |
| Korea Machinery Auction & Exchange                                      | 29.41                | 5,000                    | 3,010                  | 3,339              | Brokerage service of machinery | Korea           | December 31     |
| Joong-ang Special Industry Co., Ltd.                                    | 32.86                | 2,336                    | 71                     | 70                 | Manufacturing                  | Korea           | December 31     |
| Shin Kwang Co., Ltd.  | 20.00                | 470                      | 416                    | 692                | Manufacturing                  | Korea           | December 31     |
| Changwoo Textile Co., Ltd.  | 20.00                | 500                      | 1,019                  | 1,409              | Manufacturing                  | Korea           | December 31     |
| SEONGNAM THE HOUSE CO., Ltd.  | 34.17                | 410                      | 354                    | 359                | Real estate                    | Korea           | December 31     |
| Mirae Asset AGRO Project Fund   | 25.00                | 1,914                    | 2,207                  | 2,207              | Investment asset management    | Korea           | December 31     |
| Private Investment Special Company for Global SW Firm Fostering         | 37.75                | 1,100                    | 1,106                  | 1,135              | Investment asset management    | Korea           | December 31     |
| IBK-OCTUS Green Industry Growth Private Equity Fund                     | 28.93                | 19,576                   | 816                    | 761                | Investment asset management    | Korea           | December 31     |
| KoFC IBK Hi Investment Hyundai Heavy Industries Shared Growth No.1. PEF | 22.00                | 1,800                    | 876                    | 893                | Investment asset management    | Korea           | December 31     |
| KoFC-QCP-IBKC Frontier Champ 2010- 2 Private Equity Fund <sup>1</sup>   | 5.99                 | 10                       | 8                      | 8                  | Investment asset management    | Korea           | December 31     |
| Korea Global Infra Recovery Private Equity Fund <sup>1</sup>            | 2.42                 | 4,000                    | 3                      | -                  | Investment asset management    | Korea           | December 31     |
| IBK-Daesung Contents Small Giant Fund                                   | 36.00                | -                        | 1,811                  | 1,811              | Investment asset management    | Korea           | December 31     |
| IBKC-IDV IP Private Equity Fund No. 1                                   | 49.30                | 987                      | 1,741                  | 1,741              | Investment asset management    | Korea           | December 31     |
| KT Music contents Fund No.1   | 20.00                | 2,700                    | 2,612                  | 2,612              | Investment asset management    | Korea           | December 31     |
| IBK-KTB Contents IP Fund  | 22.50                | 1,855                    | 2,135                  | 2,135              | Investment asset management    | Korea           | December 31     |
| IBKC-GNTECH Second Fund <sup>2</sup>                                    | 60.00                | 2,040                    | 4,974                  | 4,974              | Investment asset management    | Korea           | December 31     |
| IBK-DAEKYO Contents Fund  | 37.50                | 3,000                    | 3,337                  | 3,337              | Investment asset management    | Korea           | December 31     |
| SM New Technology Fund No.1   | 36.36                | 684                      | 1,065                  | 1,065              | Investment asset management    | Korea           | December 31     |
| CCVC Culture-ICT Convergence Fund                                       | 20.00                | 1,000                    | 897                    | 897                | Investment asset management    | Korea           | December 31     |
| KDBC-EUM Corporate's Financial Stabilization Private Equity Fund No.4   | 24.84                | 4,808                    | 5,202                  | 5,202              | Investment asset management    | Korea           | December 31     |
| KEPS Calista Private Equity Fund  | 28.89                | 3,760                    | 3,674                  | 3,674              | Investment asset management    | Korea           | December 31     |

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| <i>(In millions of Korean won,<br/>except for percentage)</i>                               | <b>Ownership<br/>(%)</b> | <b>Acquisition<br/>value</b> | <b>Net asset<br/>value</b> | <b>Book<br/>amount</b> | <b>Primary business</b>        | <b>Location</b> | <b>Year end</b> |
|---|--------------------------|------------------------------|----------------------------|------------------------|--------------------------------|-----------------|-----------------|
| Credian Healthcare Private<br>Equity Fund II  | 24.44                    | 2,976                        | 3,159                      | 3,159                  | Investment asset<br>management | Korea           | December 31     |
| IBK-Daesung Majestic<br>Contents Small Giant Korea<br>Fund                                  | 20.00                    | 2,100                        | 1,962                      | 1,962                  | Investment asset<br>management | Korea           | December 31     |
| IBK-ISU Contents Fund   | 35.00                    | 2,800                        | 2,855                      | 2,855                  | Investment asset<br>management | Korea           | December 31     |
| KTBN Media Contents Fund  | 35.00                    | 3,500                        | 3,415                      | 3,415                  | Investment asset<br>management | Korea           | December 31     |
| The Value-up SME<br>Specialized Solution New<br>Technology Business<br>Investment Fund No.1 | 50.00                    | 4,050                        | 3,964                      | 3,973                  | Investment asset<br>management | Korea           | December 31     |
| KAI-KSM Crowd Seeding<br>Fund   | 31.25                    | 1,594                        | 1,493                      | 1,493                  | Investment asset<br>management | Korea           | December 31     |
| Presto Private Equity Fund<br>No. 4   | 24.59                    | 1,364                        | 1,465                      | 1,465                  | Investment asset<br>management | Korea           | December 31     |
| Presto Private Equity Fund<br>No. 7   | 32.00                    | 8,000                        | 7,821                      | 7,821                  | Investment asset<br>management | Korea           | December 31     |
| Presto Private Equity Fund<br>No. 8   | 33.31                    | 5,000                        | 6,203                      | 6,203                  | Investment asset<br>management | Korea           | December 31     |
| J&W Hidden Champion PEF   | 24.88                    | 9,875                        | 9,747                      | 9,747                  | Investment asset<br>management | Korea           | December 31     |
| Korea Omega Display Tech<br>Fund  | 35.29                    | 3,000                        | 2,987                      | 2,987                  | Investment asset<br>management | Korea           | December 31     |
| Gaia Bio Investment Fund #1 <sup>2</sup>  | 65.57                    | 4,000                        | 3,994                      | 3,994                  | Investment asset<br>management | Korea           | December 31     |
| Platformpartners Active<br>Mezzanine PEF  | 43.90                    | 3,000                        | 3,072                      | 3,072                  | Investment asset<br>management | Korea           | December 31     |
| Find value Pre IPO No.1   | 32.15                    | 1,000                        | 1,032                      | 1,032                  | Investment asset<br>management | Korea           | December 31     |
| KDB Infra IP Capital Fund   | 50.00                    | 31,400                       | 29,638                     | 29,638                 | Investment asset<br>management | Korea           | December 31     |
| Miraeasset Smart Q-Income<br>Plus Private Fund No.1   | 25.01                    | 50,000                       | 50,587                     | 50,580                 | Investment asset<br>management | Korea           | December 31     |
| NH-Amundi Maturity Bond<br>Private Securities Investment<br>Trust 1 [Bond]                  | 50.00                    | 50,000                       | 50,484                     | 50,484                 | Investment asset<br>management | Korea           | December 31     |
| Deoksong-Naegak<br>Expressway Co., Ltd.   | 50.00                    | 17,500                       | 4,715                      | 4,807                  | Service                        | Korea           | December 31     |
| IBK Davos Global High-<br>Dividends Master<br>Fund(Shares)                                  | 38.46                    | 3,000                        | 4,378                      | 4,000                  | Investment asset<br>management | Korea           | December 31     |
| YG-IBKC Lifestyle ValueUp<br>Fund   | 25.81                    | 4,000                        | 4,657                      | 4,657                  | Investment asset<br>management | Korea           | December 31     |
| EN Growth Investment No.5   | 20.27                    | 810                          | 709                        | 709                    | Investment asset<br>management | Korea           | December 31     |
| KT-IBKC Future Investment<br>Fund No.1  | 50.00                    | 10,200                       | 10,034                     | 10,034                 | Investment asset<br>management | Korea           | December 31     |
| PoscoPlutus Project Fund  | 20.53                    | 1,000                        | 964                        | 964                    | Investment asset<br>management | Korea           | December 31     |

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| <i>(In millions of Korean won, except for percentage)</i>   | <b>Ownership (%)</b> | <b>Acquisition value</b> | <b>Net asset value</b> | <b>Book amount</b> | <b>Primary business</b>     | <b>Location</b> | <b>Year end</b> |
|---|----------------------|--------------------------|------------------------|--------------------|-----------------------------|-----------------|-----------------|
| QCP-IBKC Contents Investment Fund                           | 43.20                | 3,000                    | 2,970                  | 2,970              | Investment asset management | Korea           | December 31     |
| AION ASTER Private Trust Fund For Specialized Investment    | 23.26                | 1,000                    | 1,279                  | 1,279              | Investment asset management | Korea           | December 31     |
| Smart Private Equity Fund No.2                              | 20.00                | 3,000                    | 2,900                  | 2,900              | Investment asset management | Korea           | December 31     |
| Shinyoung Private Equity Fund No.2                          | 20.00                | 2,000                    | 2,112                  | 2,112              | Investment asset management | Korea           | December 31     |
| NAU 1st Corporate Recovery Private Equity Fund              | 30.00                | 1,153                    | 2,045                  | 2,045              | Investment asset management | Korea           | December 31     |
| Centroid 1st China Private Equity Fund                      | 26.63                | 2,000                    | 2,055                  | 2,055              | Investment asset management | Korea           | December 31     |
| YG-IBKC Edu-Contents Value-up Fund <sup>3</sup>             | 9.52                 | 1,000                    | 991                    | 991                | Investment asset management | Korea           | December 31     |
| KLAVIS Meister Fund No.40                                   | 32.89                | 5,000                    | 4,980                  | 4,980              | Investment asset management | Korea           | December 31     |
| 2018-4 Entertainment Fund                                   | 28.57                | 3,000                    | 2,987                  | 2,987              | Investment asset management | Korea           | December 31     |
| IBKC-History 2018 Digital Contents Fund                     | 27.40                | 2,000                    | 1,987                  | 1,987              | Investment asset management | Korea           | December 31     |
| IBKC-History 2018-2 Bio Fund                                | 40.40                | 2,000                    | 1,977                  | 1,977              | Investment asset management | Korea           | December 31     |
| IBKC-History 2018-6 Bio Fund                                | 25.00                | 3,900                    | 3,886                  | 3,886              | Investment asset management | Korea           | December 31     |
| IBK PSEP Private Equity Fund <sup>3</sup>                   | 2.38                 | 245                      | 590                    | 590                | Investment asset management | Korea           | December 31     |
| IBKS Green Private Equity Fund <sup>3</sup>                 | 2.78                 | 2,000                    | 1,987                  | 1,985              | Investment asset management | Korea           | December 31     |
| IBKS SME Accelerating Private Equity Fund <sup>3</sup>      | 9.30                 | 880                      | 852                    | 852                | Investment asset management | Korea           | December 31     |
| IBKS Special Purpose Acquisition Company No.5 <sup>3</sup>  | 0.44                 | 20                       | 38                     | 38                 | Corporate acquisition       | Korea           | December 31     |
| IBKS Special Purpose Acquisition Company No.6 <sup>3</sup>  | 0.35                 | 15                       | 29                     | 29                 | Corporate acquisition       | Korea           | December 31     |
| IBKS Special Purpose Acquisition Company No.7 <sup>3</sup>  | 0.14                 | 5                        | 10                     | 10                 | Corporate acquisition       | Korea           | December 31     |
| IBKS Special Purpose Acquisition Company No.9 <sup>3</sup>  | 3.85                 | 10                       | 10                     | 10                 | Corporate acquisition       | Korea           | December 31     |
| IBKS Special Purpose Acquisition Company No.10 <sup>3</sup> | 3.03                 | 10                       | 10                     | 10                 | Corporate acquisition       | Korea           | December 31     |
|   |                      | 310,357                  | 280,364                | 281,065            |                             |                 |                 |

**December 31, 2017**

| <i>(In millions of Korean won, except for percentage)</i> | <b>Ownership (%)</b> | <b>Acquisition value</b> | <b>Net asset value</b> | <b>Book amount</b> | <b>Primary business</b>        | <b>Location</b> | <b>Year end</b> |
|---|----------------------|--------------------------|------------------------|--------------------|--------------------------------|-----------------|-----------------|
| Korea Machinery Auction & Exchange                        | 29.41                | 5,000                    | 3,100                  | 3,428              | Brokerage service of machinery | Korea           | December 31     |
| Joong-ang Special Industry Co., Ltd.                      | 32.86                | 2,336                    | 199                    | 197                | Manufacturing                  | Korea           | December 31     |

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| <i>(In millions of Korean won,<br/>except for percentage)</i>                 | <b>Ownership<br/>(%)</b> | <b>Acquisition<br/>value</b> | <b>Net asset<br/>value</b> | <b>Book<br/>amount</b> | <b>Primary business</b>        | <b>Location</b> | <b>Year end</b> |
|---|--------------------------|------------------------------|----------------------------|------------------------|--------------------------------|-----------------|-----------------|
| Shin Kwang Co., Ltd.  | 20.00                    | 470                          | 469                        | 745                    | Manufacturing                  | Korea           | December 31     |
| Changwoo Textile Co., Ltd.  | 20.00                    | 500                          | 1,019                      | 1,409                  | Manufacturing                  | Korea           | December 31     |
| SEONGNAM THE HOUSE<br>CO., Ltd.   | 34.17                    | 410                          | 410                        | 410                    | Real estate                    | Korea           | December 31     |
| Mirae Asset AGRO Project<br>Fund  | 25.00                    | 2,364                        | 3,150                      | 3,150                  | Investment asset<br>management | Korea           | December 31     |
| Private Investment Special<br>Company for Global SW<br>Firm Fostering         | 37.75                    | 1,100                        | 1,245                      | 1,273                  | Investment asset<br>management | Korea           | December 31     |
| IBK-OCTUS Green Industry<br>Growth Private Equity Fund                        | 28.93                    | 19,577                       | 345                        | 290                    | Investment asset<br>management | Korea           | December 31     |
| KoFC IBK Hi Investment<br>Hyundai Heavy Industries<br>Shared Growth No.1. PEF | 22.00                    | 1,997                        | 1,210                      | 1,228                  | Investment asset<br>management | Korea           | December 31     |
| KoFC-QCP-IBKC Frontier<br>Champ 2010- 2 Private<br>Equity Fund <sup>1</sup>   | 5.99                     | 320                          | 318                        | 318                    | Investment asset<br>management | Korea           | December 31     |
| KoFC IBKS KEISTONE<br>Corporate Recovery Private<br>Equity Fund <sup>1</sup>  | -                        | -                            | -                          | 400                    | Investment asset<br>management | Korea           | December 31     |
| Korea Global Infra Recovery<br>Private Equity Fund <sup>1</sup>               | 2.42                     | 4,000                        | 1,042                      | -                      | Investment asset<br>management | Korea           | December 31     |
| IBK-Daesung Contents Small<br>Giant Fund                                      | 36.00                    | -                            | 2,738                      | 2,738                  | Investment asset<br>management | Korea           | December 31     |
| IBKC-IDV IP Private Equity<br>Fund No. 1                                      | 49.30                    | 987                          | 1,780                      | 1,780                  | Investment asset<br>management | Korea           | December 31     |
| KT Music contents Fund No.1   | 20.00                    | 2,700                        | 2,710                      | 2,710                  | Investment asset<br>management | Korea           | December 31     |
| IBK-KTB Contents IP Fund  | 22.50                    | 3,025                        | 3,464                      | 3,465                  | Investment asset<br>management | Korea           | December 31     |
| IBKC-GNTECH Second<br>Fund <sup>2</sup>                                       | 60.00                    | 2,820                        | 5,166                      | 5,166                  | Investment asset<br>management | Korea           | December 31     |
| IBK-DAEKYO Contents Fund  | 37.50                    | 3,000                        | 3,248                      | 3,248                  | Investment asset<br>management | Korea           | December 31     |
| SM New Technology Fund<br>No.1  | 36.36                    | 1,914                        | 1,975                      | 1,976                  | Investment asset<br>management | Korea           | December 31     |
| CCVC Culture-ICT<br>Convergence Fund  | 20.00                    | 1,000                        | 898                        | 898                    | Investment asset<br>management | Korea           | December 31     |
| KDBC-EUM Corporate's<br>Financial Stabilization<br>Private Equity Fund No.4   | 24.84                    | 4,808                        | 5,139                      | 5,145                  | Investment asset<br>management | Korea           | December 31     |
| KEPS Calista Private Equity<br>Fund   | 28.89                    | 3,760                        | 9,765                      | 9,765                  | Investment asset<br>management | Korea           | December 31     |
| Credian Healthcare Private<br>Equity Fund II                                  | 24.44                    | 2,976                        | 2,936                      | 2,936                  | Investment asset<br>management | Korea           | December 31     |
| E&F Moorim Birdie New<br>Technology Business<br>Investment Fund               | 23.90                    | 3,000                        | 3,993                      | 3,993                  | Investment asset<br>management | Korea           | December 31     |
| IBK-Daesung Majestic<br>Contents Small Giant Korea                            | 20.00                    | 2,100                        | 2,017                      | 2,017                  | Investment asset<br>management | Korea           | December 31     |

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| <i>(In millions of Korean won,<br/>except for percentage)</i>                               | <b>Ownership<br/>(%)</b> | <b>Acquisition<br/>value</b> | <b>Net asset<br/>value</b> | <b>Book<br/>amount</b> | <b>Primary business</b>        | <b>Location</b> | <b>Year end</b> |
|---|--------------------------|------------------------------|----------------------------|------------------------|--------------------------------|-----------------|-----------------|
| Fund  |                          |                              |                            |                        |                                |                 |                 |
| IBK-ISU Contents Fund   | 35.00                    | 2,800                        | 2,727                      | 2,727                  | Investment asset<br>management | Korea           | December 31     |
| KTBN Media Contents Fund  | 35.00                    | 2,625                        | 2,583                      | 2,583                  | Investment asset<br>management | Korea           | December 31     |
| The Value-up SME<br>Specialized Solution New<br>Technology Business<br>Investment Fund No.1 | 50.00                    | 4,500                        | 4,502                      | 4,497                  | Investment asset<br>management | Korea           | December 31     |
| KAI-KSM Crowd Seeding<br>Fund   | 31.25                    | 1,593                        | 1,534                      | 1,534                  | Investment asset<br>management | Korea           | December 31     |
| Presto Private Equity Fund<br>No. 4   | 24.59                    | 3,000                        | 3,176                      | 3,176                  | Investment asset<br>management | Korea           | December 31     |
| Presto Private Equity Fund<br>No. 7   | 32.00                    | 8,000                        | 7,669                      | 7,669                  | Investment asset<br>management | Korea           | December 31     |
| Presto Private Equity Fund<br>No. 8   | 33.31                    | 5,000                        | 5,044                      | 5,044                  | Investment asset<br>management | Korea           | December 31     |
| Platformpartners Active<br>Mezzanine PEF  | 43.04                    | 3,000                        | 3,075                      | 3,102                  | Investment asset<br>management | Korea           | December 31     |
| Find value Pre IPO No.1   | 32.15                    | 1,000                        | 1,006                      | 1,006                  | Investment asset<br>management | Korea           | December 31     |
| KDB Infra IP Capital Fund   | 50.00                    | 25,900                       | 25,900                     | 25,900                 | Investment asset<br>management | Korea           | December 31     |
| Deoksong-Naegak<br>Expressway Co., Ltd.   | 50.00                    | 17,500                       | 9,337                      | 9,428                  | Service                        | Korea           | December 31     |
| IBK Davos Global High-<br>Dividends Master<br>Fund(Shares)                                  | 38.46                    | 3,000                        | 3,995                      | 3,732                  | Investment asset<br>management | Korea           | December 31     |
| YG-IBKC Lifestyle ValueUp<br>Fund   | 25.81                    | 4,000                        | 3,971                      | 3,971                  | Investment asset<br>management | Korea           | December 31     |
| EN Growth Investment No.5   | 20.27                    | 3,000                        | 3,467                      | 3,467                  | Investment asset<br>management | Korea           | December 31     |
| KT-IBKC Future Investment<br>Fund No.1  | 50.00                    | 11,250                       | 10,078                     | 10,078                 | Investment asset<br>management | Korea           | December 31     |
| PoscoPlutus Project Fund  | 20.53                    | 1,000                        | 945                        | 945                    | Investment asset<br>management | Korea           | December 31     |
| QCP-IBKC Contents<br>Investment Fund  | 43.20                    | 2,200                        | 2,008                      | 2,008                  | Investment asset<br>management | Korea           | December 31     |
| AION ASTER Private Trust<br>Fund For Specialized<br>Investment                              | 23.26                    | 1,000                        | 1,191                      | 1,191                  | Investment asset<br>management | Korea           | December 31     |
| Smart Private Equity Fund<br>No.2   | 20.00                    | 3,000                        | 2,948                      | 2,948                  | Investment asset<br>management | Korea           | December 31     |
| Shinyoung Private Equity<br>Fund No.2   | 20.00                    | 2,000                        | 2,848                      | 2,848                  | Investment asset<br>management | Korea           | December 31     |
| NAU 1st Corporate Recovery<br>Private Equity Fund   | 30.00                    | 1,513                        | 1,574                      | 1,587                  | Investment asset<br>management | Korea           | December 31     |
| Centroid 1st China Private<br>Equity Fund   | 26.63                    | 2,000                        | 2,079                      | 2,079                  | Investment asset<br>management | Korea           | December 31     |
| The IBKS SSI New<br>Technology Business   | 16.67                    | 250                          | 246                        | 247                    | Investment asset<br>management | Korea           | December 31     |

**Industrial Bank of Korea and Subsidiaries**  
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(In millions of Korean won,  
except for percentage)

|  | Ownership (%) | Acquisition value | Net asset value | Book amount    | Primary business            | Location | Year end    |
|--|---------------|-------------------|-----------------|----------------|-----------------------------|----------|-------------|
| Investment Fund No.1 <sup>1</sup>                          |               |                   |                 |                |                             |          |             |
| IBK PSEP Private Equity Fund <sup>3</sup>                  | 2.38          | 1,000             | 1,067           | 1,065          | Investment asset management | Korea    | December 31 |
| IBKS Special Purpose Acquisition Company No.3 <sup>3</sup> | 0.22          | 10                | 19              | 19             | Corporate acquisition       | Korea    | December 31 |
| IBKS Special Purpose Acquisition Company No.5 <sup>3</sup> | 0.44          | 20                | 37              | 37             | Corporate acquisition       | Korea    | December 31 |
| IBKS Special Purpose Acquisition Company No.6 <sup>3</sup> | 0.35          | 15                | 29              | 29             | Corporate acquisition       | Korea    | December 31 |
| IBKS Special Purpose Acquisition Company No.7 <sup>3</sup> | 0.14          | 5                 | -               | 10             | Corporate acquisition       | Korea    | December 31 |
| IBKS Special Purpose Acquisition Company No.8 <sup>3</sup> | 0.45          | 10                | 19              | 19             | Corporate acquisition       | Korea    | December 31 |
|  |               | <u>180,355</u>    | <u>161,410</u>  | <u>161,631</u> |                             |          |             |

<sup>1</sup> Although the Group holds less than 20% of the equity shares, the Group has significant influence over financial policy and operation policy as a joint general partner.

<sup>2</sup> The Group does not have control over the funds since the Group as the joint general partner with IBKC-GNTECH Second Fund has to jointly perform asset management.

<sup>3</sup> Although the Group holds less than 20% of the equity shares, these entities are classified as associates as the Group has right to appoint or dismiss their Board of Directors.

Changes in investments in associates for the nine-month periods ended September 30, 2018 and 2017, are as follows:

**September 30, 2018**

(In millions of Korean won)

|   | Beginning | Acquisition (disposal) | Dividends | Share of profit (loss) of associates | Accumulated other comprehensive income(loss) | Ending |
|---|-----------|------------------------|-----------|--------------------------------------|--|--------|
| Korea Machinery Auction & Exchange                                      | 3,428     | -                      | -         | (89)                                 | -  | 3,339  |
| Joong-ang Special Industry Co., Ltd.                                    | 197       | -                      | -         | (127)                                | -  | 70     |
| Shin Kwang Co., Ltd.  | 745       | -                      | -         | (53)                                 | -  | 692    |
| Changwoo Textile Co., Ltd.  | 1,409     | -                      | -         | -                                    | -  | 1,409  |
| SEONGNAM THE HOUSE  | 410       | -                      | -         | (51)                                 | -  | 359    |
| Mirae Asset AGRO Project Fund   | 3,150     | (450)                  | -         | (495)                                | 2  | 2,207  |
| Private Investment Special Company for Global SW Firm Fostering         | 1,273     | -                      | -         | 55                                   | (193)  | 1,135  |
| IBK-OCTUS Green Industry Growth Private Equity Fund                     | 290       | -                      | -         | 471                                  | -  | 761    |
| KoFC IBK Hi Investment Hyundai Heavy Industries Shared Growth No.1. PEF | 1,228     | (197)                  | -         | 13                                   | (151)  | 893    |
| KoFC-QCP-IBKC Frontier Champ 2010- 2 Private Equity Fund                | 318       | (310)                  | -         | -                                    | -  | 8      |

**Industrial Bank of Korea and Subsidiaries**  
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(In millions of Korean won)

|   | Beginning | Acquisition<br>(disposal) | Dividends | Share of<br>profit<br>(loss) of<br>associat-<br>es | Accumulated<br>other<br>comprehen-<br>sive<br>income(loss) | Ending |
|---|-----------|---------------------------|-----------|--|--|--------|
| KoFC IBKS KEISTONE<br>Corporate Recovery<br>Private Equity Fund                             | 400       | (400)                     | -         | -  | -  | -      |
| IBK-Daesung Contents<br>Small Giant Fund  | 2,738     | (1,080)                   | -         | 160  | (7)  | 1,811  |
| IBKC-IDV IP Private Equity<br>Fund No.1   | 1,780     | -                         | -         | (39)   | -  | 1,741  |
| KT Music Contents Fund<br>No.1  | 2,710     | -                         | -         | (98)   | -  | 2,612  |
| IBK-KTB Contents IP Fund  | 3,465     | (1,170)                   | -         | (190)  | 30   | 2,135  |
| IBKC-GNTECH Second<br>Fund  | 5,166     | (1,500)                   | -         | 1,822  | (514)  | 4,974  |
| IBK-DAEKYO Contents<br>Fund   | 3,248     | -                         | -         | 89   | -  | 3,337  |
| SM New Technology Fund<br>No.1  | 1,976     | (900)                     | (331)     | 343  | (23)   | 1,065  |
| CCVC Culture-ICT<br>Convergence Fund  | 898       | -                         | -         | (36)   | 35   | 897    |
| KDBC-EUM Corporate's<br>Financial Stabilization<br>Private Equity Fund No.4                 | 5,145     | -                         | (91)      | 26   | 122  | 5,202  |
| KEPS Calista Private Equity<br>Fund   | 9,765     | -                         | -         | (1,210)  | (4,881)  | 3,674  |
| Credian Healthcare Private<br>Equity FundII   | 2,936     | -                         | -         | 102  | 121  | 3,159  |
| E&F Moorim Birdie New<br>Technology Business<br>Investment Fund                             | 3,993     | (3,993)                   | -         | -  | -  | -      |
| IBK-Daesung Contents<br>Small Giant Fund  | 2,017     | -                         | -         | (219)  | 164  | 1,962  |
| IBK-ISU Contents Fund   | 2,727     | -                         | -         | 128  | -  | 2,855  |
| KTBN Media Contents Fund  | 2,583     | 875                       | -         | (43)   | -  | 3,415  |
| The Value-up SME<br>Specialized Solution New<br>Technology Business<br>Investment Fund No.1 | 4,497     | (450)                     | (1,500)   | 1,426  | -  | 3,973  |
| KAI-KSM Crowd Seeding<br>Fund   | 1,534     | -                         | -         | (41)   | -  | 1,493  |
| Presto Private Equity Fund<br>No. 4   | 3,176     | (1,500)                   | (136)     | (75)   | -  | 1,465  |
| Presto Private Equity Fund<br>No. 7   | 7,669     | -                         | -         | 75   | 77   | 7,821  |
| Presto Private Equity Fund<br>No. 8   | 5,044     | -                         | -         | 1,159  | -  | 6,203  |
| J&W Hidden Champion PEF   | -         | 9,875                     | -         | (128)  | -  | 9,747  |
| Korea Omega Display Tech<br>Fund  | -         | 3,000                     | -         | (13)   | -  | 2,987  |
| Gaia Bio Investment Fund #1   | -         | 4,000                     | -         | (6)  | -  | 3,994  |
| Platformpartners Active<br>Mezzanine PEF  | 3,102     | -                         | -         | 35   | (65)   | 3,072  |
| Find value Pre IPO No.1   | 1,006     | -                         | -         | 26   | -  | 1,032  |
| KDB Infra IP Capital Fund   | 25,900    | 5,500                     | -         | (1,762)  | -  | 29,638 |
| Miraeasset Smart Q-Income<br>Plus Private Fund No.1   | -         | 50,013                    | -         | 567  | -  | 50,580 |

**Industrial Bank of Korea and Subsidiaries**  
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(In millions of Korean won)

|  | Beginning | Acquisition<br>(disposal) | Dividends | Share of<br>profit<br>(loss) of<br>associat-<br>es | Accumulated<br>other<br>comprehen-<br>sive<br>income(loss) | Ending |
|--|-----------|---------------------------|-----------|--|--|--------|
| NH-Amundi Maturity Bond<br>Private Securities<br>Investment Trust 1 [Bond] | -         | 50,000                    | -         | 484  | -  | 50,484 |
| Deoksong-Naegak<br>Expressway Co., Ltd.                                    | 9,428     | -                         | -         | (4,621)  | -  | 4,807  |
| IBK Davos Global High-<br>Dividends Master<br>Fund(Shares)                 | 3,732     | (29)                      | -         | 297  | -  | 4,000  |
| YG-IBKC Lifestyle ValueUp<br>Fund  | 3,971     | -                         | -         | 385  | 301  | 4,657  |
| EN Growth Investment No. 5   | 3,467     | (2,190)                   | -         | (327)  | (241)  | 709    |
| KT-IBKC Future Investment<br>Fund No.1                                     | 10,078    | (1,050)                   | -         | 1,026  | (20)   | 10,034 |
| PoscoPlutus Project Fund   | 945       | -                         | -         | 19   | -  | 964    |
| QCP-IBKC Contents<br>Investment Fund                                       | 2,008     | 800                       | -         | 211  | (49)   | 2,970  |
| AION ASTER Private Trust<br>Fund For Specialized<br>Investment             | 1,191     | -                         | -         | (68)   | 156  | 1,279  |
| Smart Private Equity Fund<br>No.2  | 2,948     | -                         | -         | (48)   | -  | 2,900  |
| Shinyoung Private Equity<br>Fund No.2                                      | 2,848     | -                         | -         | (736)  | -  | 2,112  |
| NAU 1st Corporate Recovery<br>Private Equity Fund                          | 1,587     | (360)                     | (62)      | 937  | (57)   | 2,045  |
| Centroid 1st China Private<br>Equity Fund                                  | 2,079     | -                         | -         | (40)   | 16   | 2,055  |
| YG-IBKC Edu-Contents<br>Value-up Fund                                      | -         | 1,000                     | -         | (9)  | -  | 991    |
| KLAVIS Meister Fund No.40  | -         | 5,000                     | -         | (20)   | -  | 4,980  |
| 2018-4 Entertainment Fund  | -         | 3,000                     | -         | (13)   | -  | 2,987  |
| IBKC-History 2018 Digital<br>Contents Fund                                 | -         | 2,000                     | -         | (13)   | -  | 1,987  |
| IBKC-History 2018-2 Bio<br>Fund  | -         | 2,000                     | -         | (23)   | -  | 1,977  |
| IBKC-History 2018-6 Bio<br>Fund  | -         | 3,900                     | -         | (14)   | -  | 3,886  |
| The IBKS SSI New<br>Technology Business<br>Investment Fund No.1            | 247       | (247)                     | -         | -  | -  | -      |
| IBK PSEP Private Equity<br>Fund  | 1,065     | (964)                     | -         | 489  | -  | 590    |
| IBKS Green Private Equity<br>Fund  | -         | 2,000                     | -         | (15)   | -  | 1,985  |
| IBKS SME Accelerating<br>Private Equity Fund                               | -         | 880                       | -         | (28)   | -  | 852    |
| IBKS Special Purpose<br>Acquisition Company No.3                           | 19        | (19)                      | -         | -  | -  | -      |

**Industrial Bank of Korea and Subsidiaries**  
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(In millions of Korean won)

|   | Beginning      | Acquisition<br>(disposal) | Dividends      | Share of<br>profit<br>(loss) of<br>associat-<br>es | Accumulated<br>other<br>comprehen-<br>sive<br>income(loss) | Ending         |
|---|----------------|---------------------------|----------------|--|--|----------------|
| IBKS Special Purpose<br>Acquisition Company No.5  | 37             | -                         | -              | 1  | -  | 38             |
| IBKS Special Purpose<br>Acquisition Company No.6  | 29             | -                         | -              | -  | -  | 29             |
| IBKS Special Purpose<br>Acquisition Company No.7  | 10             | -                         | -              | -  | -  | 10             |
| IBKS Special Purpose<br>Acquisition Company No.8  | 19             | (19)                      | -              | -  | -  | -              |
| IBKS Special Purpose<br>Acquisition Company No.9  | -              | 10                        | -              | -  | -  | 10             |
| IBKS Special Purpose<br>Acquisition Company No.10 | -              | 10                        | -              | -  | -  | 10             |
|   | <u>161,631</u> | <u>127,035</u>            | <u>(2,120)</u> | <u>(304)</u>                                       | <u>(5,177)</u>   | <u>281,065</u> |

**September 30, 2017**

(In millions of Korean won)

|   | Beginning | Acquisition<br>(disposal) | Dividends | Share of<br>profit<br>(loss) of<br>associat-<br>es | Accumulated<br>other<br>comprehen-<br>sive<br>income(loss) | Impairme-<br>nt loss | Ending |
|---|-----------|---------------------------|-----------|--|--|----------------------|--------|
| Korea Machinery Auction &<br>Exchange   | 3,864     | -                         | -         | (151)  | -  | -                    | 3,713  |
| Joong-ang Special Industry<br>Co., Ltd.                                       | 935       | -                         | -         | (349)  | -  | -                    | 586    |
| Shin Kwang Co., Ltd.  | 470       | -                         | -         | -  | 275  | -                    | 745    |
| Changwoo Textile Co., Ltd.  | 500       | -                         | (25)      | -  | 935  | -                    | 1,410  |
| Mirae Asset AGRO Project<br>Fund  | 3,736     | (800)                     | -         | 57   | -  | -                    | 2,993  |
| Private Investment Special<br>Company for Global SW<br>Firm Fostering         | 1,285     | (223)                     | -         | 149  | -  | -                    | 1,211  |
| IBK-OCTUS Green Industry<br>Growth Private Equity Fund                        | 2,549     | -                         | -         | (2,263)  | -  | -                    | 286    |
| KoFC IBK Hi Investment<br>Hyundai Heavy Industries<br>Shared Growth No.1. PEF | 7,047     | (5,482)                   | -         | 46   | (38)   | -                    | 1,573  |
| KoFC-QCP-IBKC Frontier<br>Champ 2010- 2 Private<br>Equity Fund                | 1,684     | (1,020)                   | -         | (595)  | 251  | -                    | 320    |
| KoFC IBKS KEISTONE<br>Corporate Recovery<br>Private Equity Fund               | 400       | -                         | -         | -  | -  | -                    | 400    |
| Korea Global Infra Recovery<br>Private Equity Fund                            | 4,288     | -                         | -         | -  | -  | (4,288)              | -      |
| IBK-Daesung Contents<br>Small Giant Fund                                      | 5,352     | (720)                     | (1,548)   | 268  | (275)  | -                    | 3,077  |
| IBKC-IDV IP Private Equity<br>Fund No. 1                                      | 2,421     | (165)                     | -         | 1,000  | -  | -                    | 3,256  |
| KT Music Contents Fund 1  | 2,009     | 600                       | -         | 15   | 43   | -                    | 2,667  |
| IBK-KTB Contents IP Fund  | 3,735     | -                         | -         | (394)  | 87   | -                    | 3,428  |
| IBKC-GNTECH Second<br>Fund  | 10,047    | (2,160)                   | (540)     | 1,393  | (1,184)  | -                    | 7,556  |

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(In millions of Korean won)

|   | Beginning | Acquisition<br>(disposal) | Dividends | Share of<br>profit<br>(loss) of<br>associat-<br>es | Accumulated<br>other<br>comprehen-<br>sive<br>income(loss) | Impairme-<br>nt loss | Ending |
|---|-----------|---------------------------|-----------|--|--|----------------------|--------|
| IBK-DAEKYO Contents Fund  | 3,721     | -                         | -         | (22)   | -  | -                    | 3,699  |
| SM New Technology Fund No.1   | 1,954     | -                         | -         | (7)  | (27)   | -                    | 1,920  |
| CCVC Culture-ICT Convergence Fund   | 457       | 500                       | -         | (24)   | (16)   | -                    | 917    |
| KDBC-EUM Corporate's Financial Stabilization Private Equity Fund No.4           | 10,685    | (5,064)                   | (132)     | 1,899  | -  | -                    | 7,388  |
| KEPS Calista Private Equity Fund  | 10,737    | -                         | -         | (37)   | (144)  | -                    | 10,556 |
| Credian Healthcare Private Equity Fund II                                       | 2,922     | -                         | -         | 11   | -  | -                    | 2,933  |
| E&F Moorim Birdie New Technology Business Investment Fund                       | 2,959     | -                         | -         | (23)   | -  | -                    | 2,936  |
| IBK-Daesung Contents Small Giant Fund   | 1,174     | 900                       | -         | (43)   | (13)   | -                    | 2,018  |
| IBK-ISU Contents Fund   | 1,739     | -                         | -         | (34)   | -  | -                    | 1,705  |
| KTBN Media Contents Fund  | 869       | 1,750                     | -         | (17)   | -  | -                    | 2,602  |
| The Value-up SME Specialized Solution New Technology Business Investment Fund 1 | 1,350     | 1,500                     | -         | (11)   | -  | -                    | 2,839  |
| KAI-KSM Crowd Seeding Fund  | 656       | 938                       | -         | (29)   | -  | -                    | 1,565  |
| Presto Private Equity Fund No. 4  | -         | 3,000                     | -         | (11)   | -  | -                    | 2,989  |
| Presto Private Equity Fund No. 7  | -         | 8,000                     | -         | (42)   | -  | -                    | 7,958  |
| Presto Private Equity Fund No. 8  | -         | 5,000                     | -         | (7)  | -  | -                    | 4,993  |
| Platformpartners Active Mezzanine PEF 7   | -         | 3,003                     | -         | 21   | 48   | -                    | 3,072  |
| Deoksong-Naegak Expressway Co.,Ltd.   | -         | 17,500                    | -         | (3,907)  | -  | -                    | 13,593 |
| IBK Davos Global High-Dividends Master Fund(Equity)                             | -         | 3,341                     | -         | 269  | -  | -                    | 3,610  |
| YG-IBKC Lifestyle ValueUp Fund  | -         | 4,000                     | -         | (18)   | -  | -                    | 3,982  |
| EN Growth Investment No.5   | 2,894     | -                         | -         | (205)  | 78   | -                    | 2,767  |
| KT-IBKC Future Investment Fund 1  | 3,479     | 7,500                     | -         | (406)  | -  | -                    | 10,573 |
| PoscoPlutus Project Fund  | 1,007     | -                         | -         | (15)   | (74)   | -                    | 918    |
| QCP-IBKC Contents Investment Fund   | -         | 1,000                     | -         | (141)  | -  | -                    | 859    |
| AION ASTER Private Trust Fund For Specialized Investment                        | -         | 1,000                     | -         | 1  | -  | -                    | 1,001  |
| Smart Private Equity Fund   | -         | 3,000                     | -         | (58)   | 41   | -                    | 2,983  |

**Industrial Bank of Korea and Subsidiaries**  
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**September 30, 2018 and 2017 (Unaudited), and December 31, 2017**

(In millions of Korean won)

|  | Beginning     | Acquisition<br>(disposal) | Dividends      | Share of<br>profit<br>(loss) of<br>associat-<br>es | Accumulated<br>other<br>comprehen-<br>sive<br>income(loss) | Impairme-<br>nt loss | Ending         |
|--|---------------|---------------------------|----------------|--|--|----------------------|----------------|
| No.2   |               |                           |                |  |  |                      |                |
| Shinyoung Private Equity<br>Fund No.2                        | -             | 2,000                     | -              | 927  | -  | -                    | 2,927          |
| NAU 1st Corporate Recovery<br>Private Equity Fund            | -             | 1,814                     | -              | -  | -  | -                    | 1,814          |
| Centroid 1st China Private<br>Equity Fund                    | -             | 2,000                     | (6)            | 30   | -  | -                    | 2,024          |
| The IBKS SSI New<br>Technology Business<br>Investment Fund 1 | 250           | -                         | (2)            | -  | -  | -                    | 248            |
| IBK PSEP Private Equity<br>Fund                              | 994           | -                         | -              | 60   | -  | -                    | 1,054          |
| IBKS Special Purpose<br>Acquisition Company No.3             | 19            | -                         | -              | -  | -  | -                    | 19             |
| IBKS Special Purpose<br>Acquisition Company No.5             | 20            | 17                        | -              | -  | -  | -                    | 37             |
| IBKS Special Purpose<br>Acquisition Company No.6             | -             | 29                        | -              | -  | -  | -                    | 29             |
| IBKS Special Purpose<br>Acquisition Company No.7             | -             | 5                         | -              | -  | -  | -                    | 5              |
| IBKS Special Purpose<br>Acquisition Company No.8             | -             | 10                        | -              | -  | -  | -                    | 10             |
| IBKS Special Purpose<br>Acquisition Company GMB              | 15            | (15)                      | -              | -  | -  | -                    | -              |
|  | <u>98,223</u> | <u>52,758</u>             | <u>(2,253)</u> | <u>(2,663)</u>                                     | <u>(13)</u>  | <u>(4,288)</u>       | <u>141,764</u> |

Major financial information of the Group's associates as at September 30, 2018 and December 31, 2017, and for the nine-month periods ended September 30, 2018 and 2017, are as follows:

**September 30, 2018**

|   | September 30, 2018 <sup>1</sup> |                      |              |                     |                                    |
|---|---------------------------------|----------------------|--------------|---------------------|------------------------------------|
|   | Total<br>assets                 | Total<br>liabilities | Total equity | Operating<br>income | Profit (loss)<br>for the<br>period |
| Korea Machinery Auction & Exchange  | 12,039                          | 1,804                | 10,235       | 2,857               | (304)                              |
| Joong-ang Special Industry Co., Ltd.                                      | 13,847                          | 13,631               | 216          | -                   | (389)                              |
| Shin Kwang Co., Ltd.  | 8,111                           | 6,029                | 2,082        | 60                  | (264)                              |
| Changwoo Textile Co., Ltd.  | 12,339                          | 7,242                | 5,097        | -                   | -                                  |
| SEONGNAM THE HOUSE CO., Ltd.  | 68,498                          | 67,461               | 1,037        | -                   | (163)                              |
| Mirae Asset AGRO Project Fund   | 10,183                          | 1,355                | 8,828        | 979                 | (1,979)                            |
| Private Investment Special Company for<br>Global SW Firm Fostering        | 2,931                           | -                    | 2,931        | 150                 | 145                                |
| IBK-OCTUS Green Industry Growth<br>Private Equity Fund                    | 12,095                          | 9,275                | 2,820        | 1,653               | 1,628                              |
| KoFC IBK Hi Investment Hyundai Heavy<br>Industries Shared Growth No.1 PEF | 4,332                           | 350                  | 3,982        | 93                  | 62                                 |
| KOFC-QCP-IBKC Frontier Champ<br>2010- 2 Private Equity Fund               | 130                             | 2                    | 128          | 2,860               | 1                                  |

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| <i>(In millions of Korean won)</i>   | September 30, 2018 <sup>1</sup> |                   |              |                  |                              |
|--|---------------------------------|-------------------|--------------|------------------|------------------------------|
|  | Total assets                    | Total liabilities | Total equity | Operating income | Profit (loss) for the period |
| Korea Global Infra Recovery Private Equity Fund                                    | 170                             | 27                | 143          | 17               | 11                           |
| IBK-Daesung Contents Small Giant Fund  | 5,068                           | 37                | 5,031        | 722              | 444                          |
| IBKC-IDV IP Private Equity Fund No.1   | 3,541                           | 10                | 3,531        | 15               | (80)                         |
| KT Music Contents Fund No.1  | 14,020                          | 962               | 13,058       | 37               | (494)                        |
| IBK-KTB Contents IP Fund   | 11,247                          | 1,763             | 9,484        | 124              | (846)                        |
| IBKC-GNTECH Second Fund  | 8,297                           | 7                 | 8,290        | 4,086            | 3,037                        |
| IBK-DAEKYO Contents Fund   | 8,963                           | 64                | 8,899        | 306              | 239                          |
| SM New Technology Fund No.1  | 2,940                           | 11                | 2,929        | 1,033            | 943                          |
| CCVC Culture-ICT Convergence Fund  | 4,485                           | 1                 | 4,484        | 534              | (181)                        |
| KDBC-EUM Corporate's Financial Stabilization Private Equity Fund No.4              | 20,982                          | 42                | 20,940       | 768              | 106                          |
| KEPS Calista Private Equity Fund   | 12,839                          | 120               | 12,719       | -                | (4,188)                      |
| Credian Healthcare Private Equity Fund II  | 12,975                          | 50                | 12,925       | 562              | 417                          |
| IBK-Daesung Majestic Contents Small Giant Korea Fund                               | 9,884                           | 75                | 9,809        | 33               | (1,096)                      |
| IBK-ISU Contents Fund  | 8,196                           | 39                | 8,157        | 485              | 367                          |
| KTBN Media Contents Fund   | 9,810                           | 52                | 9,758        | 30               | (123)                        |
| The Value-up SME Specialized Solution New Technology Business Investment Fund No.1 | 8,046                           | 63                | 7,983        | 3,656            | 2,943                        |
| KAI-KSM Crowd Seeding Fund   | 4,778                           | 1                 | 4,777        | 32               | (131)                        |
| Presto Private Equity Fund No.4  | 5,971                           | 12                | 5,959        | 11               | (303)                        |
| Presto Private Equity Fund No.7  | 24,494                          | 55                | 24,439       | 472              | 472                          |
| Presto Private Equity Fund No.8  | 18,675                          | 54                | 18,621       | 3,644            | 3,479                        |
| J&W Hidden Champion PEF  | 39,281                          | 101               | 39,180       | 1                | (518)                        |
| Korea Omega Display Tech Fund  | 8,463                           | -                 | 8,463        | 1                | (37)                         |
| Gaia Bio Investment Fund #1  | 6,099                           | 8                 | 6,091        | -                | (9)                          |
| Platformpartners Active Mezzanine PEF  | 6,997                           | -                 | 6,997        | 79               | 79                           |
| Find value Pre IPO No.1  | 3,220                           | 10                | 3,210        | 118              | 80                           |
| KDB Infra IP Capital Fund  | 59,430                          | 154               | 59,276       | 672              | (3,524)                      |
| Miraeasset Smart Q-Income Plus Private Fund No.1                                   | 202,293                         | 25                | 202,268      | 2,596            | 2,268                        |
| NH-Amundi Maturity Bond Private Securities Investment Trust 1 [Bond]               | 199,607                         | 98,638            | 100,969      | 1,571            | 969                          |
| Deoksong-Naegak Expressway Co., Ltd.   | 212,879                         | 203,449           | 9,430        | -                | (9,244)                      |
| IBK Davos Global High-Dividends Master Fund(Shares)                                | 11,481                          | 99                | 11,382       | 3,601            | 817                          |
| YG-IBKC Lifestyle ValueUp Fund   | 18,086                          | 39                | 18,047       | 1,659            | 1,498                        |
| EN Growth Investment No.5  | 3,555                           | 56                | 3,499        | 229              | (1,612)                      |
| KT-IBKC Future Investment Fund No.1  | 20,218                          | 150               | 20,068       | 2,712            | 2,052                        |
| PoscoPlutus Project Fund   | 4,695                           | -                 | 4,695        | 133              | 95                           |

**Industrial Bank of Korea and Subsidiaries**  
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**September 30, 2018 and 2017 (Unaudited), and December 31, 2017**

| <i>(In millions of Korean won)</i>                       | September 30, 2018 <sup>1</sup> |                   |              |                  |                              |
|--|---------------------------------|-------------------|--------------|------------------|------------------------------|
|  | Total assets                    | Total liabilities | Total equity | Operating income | Profit (loss) for the period |
| QCP-IBKC Contents Investment Fund                        | 6,988                           | 111               | 6,877        | 944              | 488                          |
| AION ASTER Private Trust Fund For Specialized Investment | 5,511                           | 11                | 5,500        | 1,711            | (294)                        |
| Smart Private Equity Fund No.2                           | 14,554                          | 52                | 14,502       | 1                | (237)                        |
| Shinyoung Private Equity Fund No.2                       | 10,617                          | 55                | 10,562       | 868              | (3,676)                      |
| NAU 1st Corporate Recovery Private Equity Fund           | 6,864                           | 48                | 6,816        | 3,315            | 3,125                        |
| Centroid 1st China Private Equity Fund                   | 7,756                           | 38                | 7,718        | 99               | (152)                        |
| YG-IBKC Edu-Contents Value-up Fund                       | 10,430                          | 26                | 10,404       | 1                | (96)                         |
| KLAVIS Meister Fund No.40                                | 15,200                          | 61                | 15,139       | -                | (61)                         |
| 2018-4 Entertainment Fund                                | 10,486                          | 31                | 10,455       | 1                | (45)                         |
| IBKC-History 2018 Digital Contents Fund                  | 7,272                           | 21                | 7,251        | 1                | (49)                         |
| IBKC-History 2018-2 Bio Fund                             | 4,908                           | 14                | 4,894        | -                | (56)                         |
| IBKC-History 2018-6 Bio Fund                             | 15,599                          | 56                | 15,543       | 1                | (57)                         |
| IBK PSEP Private Equity Fund                             | 24,823                          | 42                | 24,781       | 12,553           | 12,425                       |
| IBKS Green Private Equity Fund                           | 71,607                          | 146               | 71,461       | 1                | (539)                        |
| IBKS SME Accelerating Private Equity Fund                | 9,268                           | 108               | 9,160        | -                | (300)                        |
| IBKS Special Purpose Acquisition Company No.5            | 9,760                           | 1,282             | 8,478        | -                | 9                            |
| IBKS Special Purpose Acquisition Company No.6            | 9,922                           | 1,580             | 8,342        | -                | (7)                          |
| IBKS Special Purpose Acquisition Company No.7            | 8,442                           | 1,267             | 7,175        | -                | 26                           |
| IBKS Special Purpose Acquisition Company No.9            | 260                             | 1                 | 259          | -                | -                            |
| IBKS Special Purpose Acquisition Company No.10           | 330                             | -                 | 330          | -                | -                            |

**December 31, 2017 / September 30, 2017**

| <i>(In millions of Korean won)</i>   | December 31, 2017 |                   |              | September 30, 2017 <sup>1</sup> |                              |
|--------------------------------------|-------------------|-------------------|--------------|---------------------------------|------------------------------|
|                                      | Total assets      | Total liabilities | Total equity | Operating income                | Profit (loss) for the period |
| Korea Machinery Auction & Exchange   | 11,819            | 1,280             | 10,539       | 1,213                           | (515)                        |
| Joong-ang Special Industry Co., Ltd. | 14,302            | 13,698            | 604          | 9,738                           | (1,061)                      |
| Shin Kwang Co., Ltd.                 | 8,717             | 6,371             | 2,346        | -                               | -                            |
| Changwoo Textile Co., Ltd.           | 12,339            | 7,242             | 5,097        | -                               | -                            |
| SEONGNAM THE HOUSE CO., Ltd.         | 1,200             | -                 | 1,200        | -                               | -                            |
| Mirae Asset AGRO Project Fund        | 13,790            | 1,189             | 12,601       | 521                             | 225                          |
| Private Investment Special           | 3,298             | -                 | 3,298        | 421                             | 414                          |

**Industrial Bank of Korea and Subsidiaries**  
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**September 30, 2018 and 2017 (Unaudited), and December 31, 2017**

| (In millions of Korean won)  | December 31, 2017 |                   |              | September 30, 2017 <sup>1</sup> |                              |
|--|-------------------|-------------------|--------------|---------------------------------|------------------------------|
|  | Total assets      | Total liabilities | Total equity | Operating income                | Profit (loss) for the period |
| Company for Global SW Firm Fostering   |                   |                   |              |                                 |                              |
| IBK-OCTUS Green Industry Growth Private Equity Fund                                | 10,463            | 9,272             | 1,191        | 50                              | 36                           |
| KoFC IBK Hi Investment Hyundai Heavy Industries Shared Growth No.1 PEF             | 5,538             | 36                | 5,502        | 510                             | 210                          |
| KOFC-QCP-IBKC Frontier Champ 2010- 2 Private Equity Fund                           | 5,309             | 6                 | 5,303        | 1,380                           | (9,938)                      |
| KOFC IBKS KEISTONE Corporate Recovery Private Equity Fund                          | 195,754           | 2                 | 195,752      | -                               | (177)                        |
| Korea Global Infra Recovery Private Equity Fund                                    | 43,252            | 181               | 43,071       | 19,692                          | 19,035                       |
| IBK-Daesung Contents Small Giant Fund  | 7,765             | 158               | 7,607        | 1,521                           | 746                          |
| IBKC-IDV IP Private Equity Fund No.1   | 3,663             | 52                | 3,611        | 2,077                           | 2,028                        |
| KT Music Contents Fund No.1  | 14,593            | 1,041             | 13,552       | 19                              | 74                           |
| IBK-KTB Contents IP Fund   | 16,773            | 1,378             | 15,395       | 1,835                           | (1,752)                      |
| IBKC-GNTECH Second Fund  | 8,836             | 225               | 8,611        | 2,584                           | 2,321                        |
| IBK-DAEKYO Contents Fund   | 8,693             | 33                | 8,660        | 1,022                           | (57)                         |
| SM New Technology Fund No.1  | 5,570             | 137               | 5,433        | 75                              | (18)                         |
| CCVC Culture-ICT Convergence Fund  | 4,589             | 100               | 4,489        | 4                               | (121)                        |
| KDBC-EUM Corporate's Financial Stabilization Private Equity Fund No.4              | 20,769            | 84                | 20,685       | 7,938                           | 7,642                        |
| KEPS Calista Private Equity Fund   | 33,803            | 1                 | 33,802       | -                               | (127)                        |
| Credian Healthcare Private Equity Fund II  | 12,059            | 47                | 12,012       | 187                             | 45                           |
| E&F Moorim Birdie New Technology Business Investment Fund                          | 16,839            | 136               | 16,703       | 91                              | (95)                         |
| IBK-Daesung Majestic Contents Small Giant Korea Fund                               | 10,164            | 81                | 10,083       | 13                              | (214)                        |
| IBK-ISU Contents Fund  | 7,829             | 38                | 7,791        | 17                              | (99)                         |
| KTBN Media Contents Fund   | 7,434             | 53                | 7,381        | -                               | (46)                         |
| The Value-up SME Specialized Solution New Technology Business Investment Fund No.1 | 9,005             | -                 | 9,005        | 11                              | (27)                         |
| KAI-KSM Crowd Seeding Fund   | 4,961             | 52                | 4,909        | (93)                            | 8                            |
| Presto Private Equity Fund No.4  | 12,940            | 23                | 12,917       | (47)                            | 90                           |
| Presto Private Equity Fund No.7  | 24,021            | 54                | 23,967       | (130)                           | -                            |
| Presto Private Equity Fund No.8  | 15,195            | 53                | 15,142       | -                               | (20)                         |
| Platformpartners Active Mezzanine PEF  | 7,145             | -                 | 7,145        | 49                              | 49                           |

**Industrial Bank of Korea and Subsidiaries**  
**Notes to the Consolidated Interim Financial Statements**  
**September 30, 2018 and 2017 (Unaudited), and December 31, 2017**

| <i>(In millions of Korean won)</i>                        | December 31, 2017 |                   |              | September 30, 2017 <sup>1</sup> |                              |
|---|-------------------|-------------------|--------------|---------------------------------|------------------------------|
|   | Total assets      | Total liabilities | Total equity | Operating income                | Profit (loss) for the period |
| Find value Pre IPO No.1                                   | 3,136             | 6                 | 3,130        | -                               | -                            |
| KDB Infra IP Capital Fund                                 | 51,800            | -                 | 51,800       | -                               | -                            |
| Deoksong-Naegak Expressway Co., Ltd.                      | 221,520           | 202,846           | 18,674       | -                               | (7,812)                      |
| IBK Davos Global High-Dividends Master Fund(Shares)       | 10,434            | 45                | 10,389       | -                               | 980                          |
| YG-IBKC Lifestyle ValueUp Fund                            | 15,429            | 41                | 15,388       | -                               | (72)                         |
| EN Growth Investment No. 5                                | 18,217            | 1,116             | 17,101       | 1,335                           | (1,012)                      |
| KT-IBKC Future Investment Fund No.1                       | 20,308            | 152               | 20,156       | 11                              | (814)                        |
| PoscoPlusus Project Fund                                  | 4,619             | 19                | 4,600        | -                               | (75)                         |
| QCP-IBKC Contents Investment Fund                         | 4,766             | 117               | 4,649        | -                               | (327)                        |
| AION ASTER Private Trust Fund For Specialized Investment  | 5,134             | 12                | 5,122        | 32                              | 3                            |
| Smart Private Equity Fund No.2                            | 14,790            | 51                | 14,739       | 1                               | (288)                        |
| Shinyoung Private Equity Fund No.2                        | 14,238            | -                 | 14,238       | 4,837                           | 4,633                        |
| NAU 1st Corporate Recovery Private Equity Fund            | 5,303             | 55                | 5,248        | 127                             | 3                            |
| Centroid 1st China Private Equity Fund                    | 7,899             | 94                | 7,805        | 274                             | 112                          |
| The IBKS SSI New Technology Business Investment Fund No.1 | 1,478             | 1                 | 1,477        | 14                              | 10                           |
| IBK PSEP Private Equity Fund                              | 45,173            | 349               | 44,824       | 1,077                           | 836                          |
| IBKS Special Purpose Acquisition Company No.3             | 9,940             | 1,487             | 8,453        | -                               | (14)                         |
| IBKS Special Purpose Acquisition Company No.5             | 9,691             | 1,251             | 8,440        | -                               | 11                           |
| IBKS Special Purpose Acquisition Company No.6             | 9,878             | 1,541             | 8,337        | -                               | 15                           |
| IBKS Special Purpose Acquisition Company No.7             | 1,539             | 1,228             | 311          | -                               | -                            |
| IBKS Special Purpose Acquisition Company No.8             | 4,876             | 708               | 4,168        | -                               | -                            |

<sup>1</sup> Operating income and profit (loss) for the period amounts are for the nine-month periods ended September 30, 2018 and 2017.

Major commitments with investments in associates as at September 30, 2018 and December 31, 2017, are as follows:

**September 30, 2018**

| <i>(In millions of Korean won)</i>   | Committed contribution | Contribution amount | Executory contribution |
|--|------------------------|---------------------|------------------------|
| Mirae Asset AGRO Project Fund  | 5,000                  | 4,000               | 1,000                  |
| Private Investment Special Company for Global SW Firm Fostering <sup>1</sup> | 14,964                 | 14,964              | -                      |

**Industrial Bank of Korea and Subsidiaries**  
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| <i>(In millions of Korean won)</i>  | <b>Committed contribution</b> | <b>Contribution amount</b> | <b>Executory contribution</b> |
|---|-------------------------------|----------------------------|-------------------------------|
| IBK-OCTUS Green Industry Growth Private Equity Fund <sup>2</sup>                                | 33,486                        | 33,486                     | -                             |
| KoFC IBK Hi Investment Hyundai Heavy Industries Shared Growth No.1. PEF                         | 12,426                        | 12,426                     | -                             |
| KOFC-QCP-IBKC Frontier Champ 2010- 2 Private Equity Fund <sup>3,4</sup>                         | 20,000                        | 19,290                     | 710                           |
| Korea Global Infra Recovery Private Equity Fund   | 4,000                         | 4,000                      | -                             |
| IBK-Daesung Contents Small Giant Fund   | 7,200                         | 7,200                      | -                             |
| IBKC-IDV IP Private Equity Fund No.1 <sup>3,5</sup>   | 7,000                         | 4,200                      | 2,800                         |
| KT Music Contents Fund No.1   | 3,000                         | 3,000                      | -                             |
| IBK-KTB Contents IP Fund  | 4,500                         | 4,500                      | -                             |
| IBKC-GNTECH Second Fund   | 18,000                        | 18,000                     | -                             |
| IBK-DAEKYO Contents Fund  | 3,000                         | 3,000                      | -                             |
| SM New Technology Fund No.1   | 2,000                         | 2,000                      | -                             |
| CCVC Culture-ICT Convergence Fund   | 2,000                         | 1,000                      | 1,000                         |
| KDBC-EUM Corporate's Financial Stabilization Private Equity Fund No.4                           | 10,000                        | 10,000                     | -                             |
| KEPS Calista Private Equity Fund  | 3,900                         | 3,900                      | -                             |
| Credian Healthcare Private Equity Fund II   | 3,300                         | 2,976                      | 324                           |
| IBK-Daesung Majestic Contents Small Giant Korea Fund  | 3,000                         | 2,100                      | 900                           |
| IBK-ISU Contents Fund   | 3,500                         | 2,800                      | 700                           |
| KTBN Media Contents Fund  | 3,500                         | 3,500                      | -                             |
| The Value-up SME Specialized Solution New Technology Business Investment Fund No.1 <sup>6</sup> | 4,500                         | 4,500                      | -                             |
| KAI-KSM Crowd Seeding Fund  | 2,500                         | 1,594                      | 906                           |
| Presto Private Equity Fund No.4   | 3,000                         | 3,000                      | -                             |
| Presto Private Equity Fund No.7   | 8,000                         | 8,000                      | -                             |
| Presto Private Equity Fund No.8   | 5,000                         | 5,000                      | -                             |
| J&W Hidden Champion PEF   | 10,000                        | 9,875                      | 125                           |
| Korea Omega Display Tech Fund   | 3,000                         | 3,000                      | -                             |
| Gaia Bio Investment Fund #1   | 4,000                         | 4,000                      | -                             |
| Platformpartners Active Mezzanine PEF   | 3,000                         | 3,000                      | -                             |
| Find value Pre IPO No.1   | 1,000                         | 1,000                      | -                             |
| KDB Infra IP Capital Fund   | 50,000                        | 29,900                     | 20,100                        |
| Miraeasset Smart Q-Income Plus Private Fund No.1  | 50,000                        | 50,000                     | -                             |
| NH-Amundi Maturity Bond Private Securities Investment Trust 1 [Bond]                            | 50,000                        | 50,000                     | -                             |
| Deoksong-Naegak Expressway Co., Ltd.  | 55,000                        | 17,500                     | 37,500                        |
| IBK Davos Global High-Dividends Master Fund(Shares)   | 3,000                         | 3,000                      | -                             |

**Industrial Bank of Korea and Subsidiaries**  
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| <i>(In millions of Korean won)</i>                       | <b>Committed contribution</b> | <b>Contribution amount</b> | <b>Executory contribution</b> |
|--|-------------------------------|----------------------------|-------------------------------|
| YG-IBKC Lifestyle ValueUp Fund                           | 4,000                         | 4,000                      | -                             |
| EN Growth Investment No.5                                | 3,000                         | 3,000                      | -                             |
| KT-IBKC Future Investment Fund No.1                      | 15,000                        | 11,250                     | 3,750                         |
| PoscoPlutus Project Fund                                 | 1,000                         | 1,000                      | -                             |
| QCP-IBKC Contents Investment Fund                        | 10,000                        | 4,800                      | 5,200                         |
| AION ASTER Private Trust Fund For Specialized Investment | 1,000                         | 1,000                      | -                             |
| Smart Private Equity Fund No.2                           | 3,000                         | 3,000                      | -                             |
| Shinyoung Private Equity Fund No.2                       | 2,000                         | 2,000                      | -                             |
| NAU 1st Corporate Recovery Private Equity Fund           | 4,500                         | 1,813                      | 2,687                         |
| Centroid 1st China Private Equity Fund                   | 2,000                         | 2,000                      | -                             |
| YG-IBKC Edu-Contents Value-up Fund                       | 1,000                         | 1,000                      | -                             |
| KLAVIS Meister Fund No.40                                | 5,000                         | 5,000                      | -                             |
| 2018-4 Entertainment Fund                                | 3,000                         | 3,000                      | -                             |
| IBKC-History 2018 Digital Contents Fund                  | 2,000                         | 2,000                      | -                             |
| IBKC-History 2018-2 Bio Fund                             | 2,000                         | 2,000                      | -                             |
| IBKC-History 2018-6 Bio Fund                             | 3,900                         | 3,900                      | -                             |
| IBK PSEP Private Equity Fund                             | 1,000                         | 1,000                      | -                             |
| IBKS Green Private Equity Fund                           | 2,000                         | 2,000                      | -                             |
| IBKS SME Accelerating Private Equity Fund                | 2,000                         | 880                        | 1,120                         |
| IBKS Special Purpose Acquisition Company No.5            | 20                            | 20                         | -                             |
| IBKS Special Purpose Acquisition Company No.6            | 15                            | 15                         | -                             |
| IBKS Special Purpose Acquisition Company No.7            | 5                             | 5                          | -                             |
| IBKS Special Purpose Acquisition Company No.9            | 10                            | 10                         | -                             |
| IBKS Special Purpose Acquisition Company No.10           | 10                            | 10                         | -                             |
|  | <b>483,236</b>                | <b>404,414</b>             | <b>78,822</b>                 |

**December 31, 2017**

| <i>(In millions of Korean won)</i>   | <b>Committed contribution</b> | <b>Contribution amount</b> | <b>Executory contribution</b> |
|--|-------------------------------|----------------------------|-------------------------------|
| Mirae Asset AGRO Project Fund  | 5,000                         | 4,000                      | 1,000                         |
| Private Investment Special Company for Global SW Firm Fostering <sup>1</sup> | 14,964                        | 14,964                     | -                             |
| IBK-OCTUS Green Industry Growth Private Equity Fund <sup>2</sup>             | 33,486                        | 33,486                     | -                             |
| KoFC IBK Hi Investment Hyundai Heavy   | 12,426                        | 12,426                     | -                             |

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| <i>(In millions of Korean won)</i>  | <b>Committed contribution</b> | <b>Contribution amount</b> | <b>Executory contribution</b> |
|---|-------------------------------|----------------------------|-------------------------------|
| Industries Shared Growth No.1. PEF  |                               |                            |                               |
| KOFC-QCP-IBKC Frontier Champ 2010- 2 Private Equity Fund <sup>3,4</sup>                         | 20,000                        | 19,290                     | 710                           |
| KOFC IBKS KEISTONE Corporate Recovery Private Equity Fund <sup>1</sup>                          | 3,000                         | 3,000                      | -                             |
| Korea Global Infra Recovery Private Equity Fund   | 4,000                         | 4,000                      | -                             |
| IBK-Daesung Contents Small Giant Fund   | 7,200                         | 7,200                      | -                             |
| IBKC-IDV IP Private Equity Fund No.1 <sup>3,5</sup>   | 7,000                         | 4,200                      | 2,800                         |
| KT Music Contents Fund No.1   | 3,000                         | 3,000                      | -                             |
| IBK-KTB Contents IP Fund  | 4,500                         | 4,500                      | -                             |
| IBKC-GNTECH Second Fund   | 18,000                        | 18,000                     | -                             |
| IBK-DAEKYO Contents Fund  | 3,000                         | 3,000                      | -                             |
| SM New Technology Fund No.1   | 2,000                         | 2,000                      | -                             |
| CCVC Culture-ICT Convergence Fund   | 2,000                         | 1,000                      | 1,000                         |
| KDBC-EUM Corporate's Financial Stabilization Private Equity Fund No.4                           | 10,000                        | 10,000                     | -                             |
| KEPS Calista Private Equity Fund  | 3,900                         | 3,900                      | -                             |
| Credian Healthcare Private Equity Fund II   | 3,300                         | 2,976                      | 324                           |
| E&F Moorim Birdie New Technology Business Investment Fund                                       | 3,000                         | 3,000                      | -                             |
| IBK-Daesung Majestic Contents Small Giant Korea Fund  | 3,000                         | 2,100                      | 900                           |
| IBK-ISU Contents Fund   | 3,500                         | 2,800                      | 700                           |
| KTBN Media Contents Fund  | 3,500                         | 2,625                      | 875                           |
| The Value-up SME Specialized Solution New Technology Business Investment Fund No.1 <sup>6</sup> | 4,500                         | 4,500                      | -                             |
| KAI-KSM Crowd Seeding Fund  | 2,500                         | 1,594                      | 906                           |
| Presto Private Equity Fund No.4   | 3,000                         | 3,000                      | -                             |
| Presto Private Equity Fund No.7   | 8,000                         | 8,000                      | -                             |
| Presto Private Equity Fund No.8   | 5,000                         | 5,000                      | -                             |
| Platformpartners Active Mezzanine PEF   | 3,000                         | 3,000                      | -                             |
| Deoksong-Naegak Expressway Co., Ltd.  | 55,000                        | 17,500                     | 37,500                        |
| YG-IBKC Lifestyle ValueUp Fund  | 4,000                         | 4,000                      | -                             |
| EN Growth Investment No.5   | 3,000                         | 3,000                      | -                             |
| KT-IBKC Future Investment Fund No.1   | 15,000                        | 11,250                     | 3,750                         |
| PoscoPlutus Project Fund  | 1,000                         | 1,000                      | -                             |
| QCP-IBKC Contents Investment Fund   | 10,000                        | 2,200                      | 7,800                         |
| AION ASTER Private Trust Fund For Specialized Investment  | 1,000                         | 1,000                      | -                             |
| Smart Private Equity Fund No.2  | 3,000                         | 3,000                      | -                             |
| Shinyoung Private Equity Fund No.2  | 2,000                         | 2,000                      | -                             |

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| <i>(In millions of Korean won)</i>                        | <b>Committed contribution</b> | <b>Contribution amount</b> | <b>Executory contribution</b> |
|---|-------------------------------|----------------------------|-------------------------------|
| NAU 1st Corporate Recovery Private Equity Fund            | 4,500                         | 1,813                      | 2,687                         |
| Centroid 1st China Private Equity Fund                    | 2,000                         | 2,000                      | -                             |
| The IBKS SSI New Technology Business Investment Fund No.1 | 250                           | 250                        | -                             |
| IBK PSEP Private Equity Fund                              | 1,000                         | 1,000                      | -                             |
| IBKS Special Purpose Acquisition Company No.3             | 10                            | 10                         | -                             |
| IBKS Special Purpose Acquisition Company No.5             | 20                            | 20                         | -                             |
| IBKS Special Purpose Acquisition Company No.6             | 15                            | 15                         | -                             |
| IBKS Special Purpose Acquisition Company No.7             | 5                             | 5                          | -                             |
| IBKS Special Purpose Acquisition Company No.8             | 10                            | 10                         | -                             |
|   | <u>297,586</u>                | <u>236,634</u>             | <u>60,952</u>                 |

<sup>1</sup> The Group is obligated to cover for the loss up to the total management fees received upon liquidation. As at September 30, 2018, the Group does not expect any priority funding liability.

<sup>2</sup> In case the respective associate is liquidated and as part of the liquidation process if funds required for distribution and refunds to partners are insufficient, general partners are required to allocate ₩ 3 billion of contractual investment for distribution and refunds. As at September 30, 2018, such expected priority funding liability amounts to ₩ 3 billion.

<sup>3</sup> The Group committed to refund a portion of the management fees if the accumulated amount of investment is less than the certain ratio of aggregated committed contribution.

<sup>4</sup> In case funds required for distribution and refunds to partners are insufficient during liquidation, the general partners are required to allocate up to ₩ 5 billion from the contractual investment amount of IBK Capital Corporation.

<sup>5</sup> In case the funds required for distribution and refunds to partners are insufficient during liquidation, general partners are required to allocate up to the amount invested by the limited liability partners from the amount reserved for management fees of IBK Capital Corporation and task force for co-operation.

<sup>6</sup> In case the funds required for distribution and refunds to partners are insufficient during liquidation, general partners are required to allocate up to 5% of the amount invested by the limited liability partners of IBK Securities Co., Ltd. and task force for co-operation.

Investments in non-consolidated structured entities as at September 30, 2018 and December 31, 2017, are as follows:

(a) Summary of non-consolidated structured entities

Purpose and character, financing methods, and total assets of non-consolidated structured entities that has no influence owned by the Group as at September 30, 2018 and December 31, 2017, are as follows:

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| <i>(In millions of Korean won)</i> | Purpose and character                                    | Financing methods       | Total assets <sup>1</sup> |                   |
|------------------------------------|--|-------------------------|---------------------------|-------------------|
|                                    |  |                         | September 30, 2018        | December 31, 2017 |
| Beneficiary securities and others  | Investments and distributions                            | Equity stakes           | 20,362,743                | 16,464,164        |
| SPCs                               | Asset securitization, real estate development and others | ABL, ABCP and Borrowing | 76,512,661                | 93,032,756        |
| Total                              |  |                         | 96,875,404                | 109,496,920       |

<sup>1</sup> The ₩ 37,068,281 million (December 31, 2017: ₩ 25,851,691 million) of the total assets are based on unaudited financial statements.

(b) Investments and maximum exposures

Details of the Group's shares of non-consolidated structured entities and related risk as at September 30, 2018 and December 31, 2017, are as follows:

**September 30, 2018**

*(In millions of Korean won)*

|                                   | Assets     |                  |        | Total     |
|-----------------------------------|------------|------------------|--------|-----------|
|                                   | Securities | Loan receivables | Others |           |
| Beneficiary securities and others | 2,221,948  | -                | -      | 2,221,948 |
| SPCs                              | 52,462     | 6,508,671        | 1,117  | 6,562,250 |
|                                   | 2,274,410  | 6,508,671        | 1,117  | 8,784,198 |

*(In millions of Korean won)*

|                                   | Liabilities |        |       | Maximum exposures <sup>1</sup> |
|-----------------------------------|-------------|--------|-------|--------------------------------|
|                                   | Provisions  | Others | Total |                                |
| Beneficiary securities and others | -           | -      | -     | 2,378,723                      |
| SPCs                              | 1,157       | 63     | 1,220 | 10,930,907                     |
|                                   | 1,157       | 63     | 1,220 | 13,309,630                     |

**December 31, 2017**

*(In millions of Korean won)*

|                                   | Assets     |                  |        | Total     |
|-----------------------------------|------------|------------------|--------|-----------|
|                                   | Securities | Loan receivables | Others |           |
| Beneficiary securities and others | 1,726,556  | -                | -      | 1,726,556 |
| SPCs                              | 62,737     | 6,056,032        | -      | 6,118,769 |
|                                   | 1,789,293  | 6,056,032        | -      | 7,845,325 |

*(In millions of Korean won)*

|                                   | Liabilities |        |        | Maximum exposures <sup>1</sup> |
|-----------------------------------|-------------|--------|--------|--------------------------------|
|                                   | Provisions  | Others | Total  |                                |
| Beneficiary securities and others | -           | -      | -      | 1,779,176                      |
| SPCs                              | 700         | 10,149 | 10,849 | 10,674,361                     |
|                                   | 700         | 10,149 | 10,849 | 12,453,537                     |

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<sup>1</sup> Maximum exposure includes the amount probable to be finalized when certain conditions are met in the future through commitments including investment assets, purchase commitments, providing lines of credit and others recognized in the financial statements.

**13. Investment Properties**

Changes in investment properties for the nine-month periods ended September 30, 2018 and 2017, are as follows:

| <i>(In millions of Korean won)</i>                  | <b>September 30, 2018</b> |                  |                |
|---|---------------------------|------------------|----------------|
|   | <b>Land</b>               | <b>Buildings</b> | <b>Total</b>   |
| <b>Acquisition cost</b>                             |                           |                  |                |
| January 1, 2018                                     | 104,327                   | 45,542           | 149,869        |
| Acquisition   | -                         | 877              | 877            |
| Disposal  | (60,508)                  | (10,411)         | (70,919)       |
| Transfers   | 1,508                     | (467)            | 1,041          |
| September 30, 2018                                  | <u>45,327</u>             | <u>35,541</u>    | <u>80,868</u>  |
| <b>Accumulated depreciation and impairment loss</b> |                           |                  |                |
| January 1, 2018                                     | -                         | 14,784           | 14,784         |
| Depreciation  | -                         | 713              | 713            |
| Disposal  | -                         | (278)            | (278)          |
| Transfers   | -                         | (80)             | (80)           |
| September 30, 2018                                  | <u>-</u>                  | <u>15,139</u>    | <u>15,139</u>  |
| <b>Net book amount</b>                              |                           |                  |                |
| January 1, 2018                                     | <u>104,327</u>            | <u>30,758</u>    | <u>135,085</u> |
| September 30, 2018                                  | <u>45,327</u>             | <u>20,402</u>    | <u>65,729</u>  |
| <b>September 30, 2017</b>                           |                           |                  |                |
| <i>(In millions of Korean won)</i>                  | <b>Land</b>               | <b>Buildings</b> | <b>Total</b>   |
| <b>Acquisition cost</b>                             |                           |                  |                |
| January 1, 2017                                     | 66,480                    | 36,520           | 103,000        |
| Acquisition   | 60,179                    | 10,692           | 70,871         |
| Transfers   | (22,641)                  | (1,865)          | (24,506)       |
| September 30, 2017                                  | <u>104,018</u>            | <u>45,347</u>    | <u>149,365</u> |
| <b>Accumulated depreciation and impairment loss</b> |                           |                  |                |
| January 1, 2017                                     | -                         | 14,497           | 14,497         |
| Depreciation  | -                         | 649              | 649            |

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|                        |         |        |         |
|------------------------|---------|--------|---------|
| Transfers              | -       | (622)  | (622)   |
| September 30, 2017     | -       | 14,524 | 14,524  |
| <b>Net book amount</b> |         |        |         |
| January 1, 2017        | 66,480  | 22,023 | 88,503  |
| September 30, 2017     | 104,018 | 30,823 | 134,841 |

Methodology and inputs used to value investment properties as at September 30, 2018, are as follows:

(In millions of Korean won)

| Type               | Fair value | Valuation method | Inputs  |
|--------------------|------------|------------------|---|
| Land and Buildings | 94,519     | Cost method      | Officially assessed price, price change trends, transaction history |

The fair value of investment properties as at September 30, 2018 and December 31, 2017, is ₩ 94,519 million and ₩ 174,158 million, respectively, and the fair value was determined by a certified independent valuation company. As for the land, it is valued using an officially assessed price for a comparable property as well as considering the price trend analysis and other objective factors. Buildings are valued using the cost method along with considering other relevant factors such as infrastructure, raw materials, and progress of the construction and others. Fair value of investment property is classified as Level 3 investment in accordance with the standards disclosed in Note 26.2, *Fair Value Hierarchy*.

Rental income for investment property for the nine-month periods ended September 30, 2018 and 2017, are ₩ 3,891 million and ₩ 1,397 million, respectively.

#### 14. Property and Equipment

Changes in property and equipment for the nine-month periods ended September 30, 2018 and 2017, are as follows:

##### September 30, 2018

| (In millions of Korean won)  | Land     | Buildings | Leasehold improvements | Equipment and vehicles | Others  | Total     |
|------------------------------|----------|-----------|------------------------|------------------------|---------|-----------|
| <b>Acquisition cost</b>      |          |           |                        |                        |         |           |
| January 1, 2018              | 861,910  | 1,147,745 | 162,106                | 764,039                | 1,146   | 2,936,946 |
| Acquisition                  | 2        | 11,193    | 10,835                 | 25,828                 | 14,172  | 62,030    |
| Disposal                     | (12,252) | (2,847)   | (595)                  | (57,977)               | -       | (73,671)  |
| Transfers                    | 247      | 6,092     | -                      | 1,146                  | (8,526) | (1,041)   |
| Foreign exchange translation | 11       | 13        | 108                    | 59                     | -       | 191       |
| September 30, 2018           | 849,918  | 1,162,196 | 172,454                | 733,095                | 6,792   | 2,924,455 |

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**Accumulated depreciation and impairment loss**

|                              |     |         |         |          |   |           |
|------------------------------|-----|---------|---------|----------|---|-----------|
| January 1, 2018              | 963 | 277,607 | 140,160 | 683,001  | - | 1,101,731 |
| Depreciation                 | -   | 17,911  | 7,613   | 30,714   | - | 56,238    |
| Disposal                     | -   | (436)   | (557)   | (56,612) | - | (57,605)  |
| Transfers                    | -   | 80      | -       | -        | - | 80        |
| Foreign exchange translation | -   | 10      | (101)   | 45       | - | (46)      |
| September 30, 2018           | 963 | 295,172 | 147,115 | 657,148  | - | 1,100,398 |

**Net book amount**

|                    |         |         |        |        |       |           |
|--------------------|---------|---------|--------|--------|-------|-----------|
| January 1, 2018    | 860,947 | 870,138 | 21,946 | 81,038 | 1,146 | 1,835,215 |
| September 30, 2018 | 848,955 | 867,024 | 25,339 | 75,947 | 6,792 | 1,824,057 |

**September 30, 2017**

| <i>(In millions of Korean won)</i>                  | Land    | Buildings | Leasehold improvements | Equipment and vehicles | Others   | Total     |
|---|---------|-----------|------------------------|------------------------|----------|-----------|
| <b>Acquisition cost</b>                             |         |           |                        |                        |          |           |
| January 1, 2017                                     | 822,861 | 1,120,085 | 153,431                | 749,217                | 10,105   | 2,855,699 |
| Acquisition   | 666     | 9,342     | 9,246                  | 19,924                 | 8,011    | 47,189    |
| Disposal  | (275)   | (765)     | (2,805)                | (13,725)               | -        | (17,570)  |
| Transfers   | 28,141  | 13,552    | -                      | 929                    | (18,116) | 24,506    |
| Foreign exchange translation                        | (16)    | (22)      | (164)                  | (349)                  | -        | (551)     |
| September 30, 2017                                  | 851,377 | 1,142,192 | 159,708                | 755,996                | -        | 2,909,273 |
| <b>Accumulated depreciation and impairment loss</b> |         |           |                        |                        |          |           |
| January 1, 2017                                     | 1,178   | 252,950   | 130,688                | 649,984                | -        | 1,034,800 |
| Depreciation  | -       | 17,896    | 10,134                 | 36,119                 | -        | 64,149    |
| Disposal  | (216)   | (765)     | (2,418)                | (13,543)               | -        | (16,942)  |
| Transfers   | -       | 622       | -                      | -                      | -        | 622       |
| Foreign exchange translation                        | -       | (14)      | (123)                  | (280)                  | -        | (417)     |
| September 30, 2017                                  | 962     | 270,689   | 138,281                | 672,280                | -        | 1,082,212 |
| <b>Net book amount</b>                              |         |           |                        |                        |          |           |
| January 1, 2017                                     | 821,683 | 867,135   | 22,743                 | 99,233                 | 10,105   | 1,820,899 |

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|                       |         |         |        |        |   |           |
|-----------------------|---------|---------|--------|--------|---|-----------|
| September 30,<br>2017 | 850,415 | 871,503 | 21,427 | 83,716 | - | 1,827,061 |
|-----------------------|---------|---------|--------|--------|---|-----------|

**15. Intangible Assets**

Changes in intangible assets for the nine-month periods ended September 30, 2018 and 2017, are as follows:

**September 30, 2018**

| <i>(In millions of Korean won)</i>                    | <b>Development costs</b> | <b>Software</b> | <b>Intangible assets under development</b> | <b>Memberships</b> | <b>Others</b> | <b>Total</b> |
|---|--------------------------|-----------------|--|--------------------|---------------|--------------|
| <b>Acquisition cost</b>                               |                          |                 |  |                    |               |              |
| January 1, 2018                                       | 364,557                  | 212,390         | 4,923                                      | 35,667             | 95,950        | 713,487      |
| Acquisition   | 1,304                    | 9,356           | 17,307                                     | 3,348              | 1,666         | 32,981       |
| Disposal  | -                        | (544)           | -  | (2,313)            | -             | (2,857)      |
| Transfers   | 10,670                   | 698             | (11,368)                                   | -                  | -             | -            |
| Foreign exchange translation                          | -                        | (145)           | -  | 17                 | -             | (128)        |
| September 30, 2018                                    | 376,531                  | 221,755         | 10,862                                     | 36,719             | 97,616        | 743,483      |
| <b>Accumulated amortization and impairment losses</b> |                          |                 |  |                    |               |              |
| January 1, 2018                                       | 264,323                  | 158,850         | -  | 3,223              | 73,413        | 499,809      |
| Amortization  | 36,920                   | 17,900          | -  | 1                  | 6,917         | 61,738       |
| Disposal  | -                        | (471)           | -  | (537)              | -             | (1,008)      |
| Foreign exchange translation                          | -                        | (112)           | -  | (1)                | -             | (113)        |
| September 30, 2018                                    | 301,243                  | 176,167         | -  | 2,686              | 80,330        | 560,426      |
| <b>Net book amount</b>                                |                          |                 |  |                    |               |              |
| January 1, 2018                                       | 100,234                  | 53,540          | 4,923                                      | 32,444             | 22,537        | 213,678      |
| September 30, 2018                                    | 75,288                   | 45,588          | 10,862                                     | 34,033             | 17,286        | 183,057      |

**September 30, 2017**

| <i>(In millions of Korean won)</i> | <b>Development costs</b> | <b>Software</b> | <b>Intangible assets under development</b> | <b>Memberships</b> | <b>Others</b> | <b>Total</b> |
|------------------------------------|--------------------------|-----------------|--|--------------------|---------------|--------------|
| <b>Acquisition cost</b>            |                          |                 |  |                    |               |              |
| January 1, 2017                    | 351,404                  | 199,993         | 2,451                                      | 32,511             | 84,765        | 671,124      |
| Acquisition                        | (3,552)                  | 6,048           | 17,083                                     | 3,266              | 11,061        | 33,906       |
| Disposal                           | (440)                    | (484)           | -  | (256)              | -             | (1,180)      |

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|   |                |                |              |               |               |                |
|---|----------------|----------------|--------------|---------------|---------------|----------------|
| Transfers   | 13,373         | 2,318          | (15,691)     | -             | -             | -              |
| Foreign exchange translation                          | -              | (38)           | -            | (35)          | -             | (73)           |
| September 30, 2017                                    | <u>360,785</u> | <u>207,837</u> | <u>3,843</u> | <u>35,486</u> | <u>95,826</u> | <u>703,777</u> |
| <b>Accumulated amortization and impairment losses</b> |                |                |              |               |               |                |
| January 1, 2017                                       | 214,481        | 134,710        | -            | 3,349         | 60,157        | 412,697        |
| Amortization  | 36,948         | 18,497         | -            | 1             | 6,685         | 62,131         |
| Disposal  | (440)          | (483)          | -            | -             | -             | (923)          |
| Foreign exchange translation                          | -              | (10)           | -            | 50            | -             | 40             |
| September 30, 2017                                    | <u>250,989</u> | <u>152,714</u> | <u>-</u>     | <u>3,400</u>  | <u>66,842</u> | <u>473,945</u> |
| <b>Net book amount</b>                                |                |                |              |               |               |                |
| January 1, 2017                                       | <u>136,923</u> | <u>65,283</u>  | <u>2,451</u> | <u>29,162</u> | <u>24,608</u> | <u>258,427</u> |
| September 30, 2017                                    | <u>109,796</u> | <u>55,123</u>  | <u>3,843</u> | <u>32,086</u> | <u>28,984</u> | <u>229,832</u> |

## 16. Income Tax Expense

Details of income tax expense for the three month and nine-month periods ended September 30, 2018 and 2017, are as follows:

| <i>(in millions of Korean won)</i>  | 2018           |                | 2017           |                |
|---|----------------|----------------|----------------|----------------|
|   | Three months   | Nine months    | Three months   | Nine months    |
| Current tax expense   | 141,314        | 415,830        | 147,623        | 407,908        |
| Tax refunds in relation to the current tax of prior period                                    | 1,674          | (3,901)        | (1,084)        | (28,122)       |
| Change in deferred tax assets and liabilities   |                |                |                |                |
| Adjusting beginning deferred tax expenses   | -              | (95,167)       | 1              | 21,931         |
| Deferred tax expense (benefit) due to temporary differences                                   | 33,360         | 95,792         | (52,360)       | (10,529)       |
| Tax expense recognized directly in equity   |                |                |                |                |
| Gain (loss) on valuation of financial assets at fair value through other comprehensive income | 1,902          | 17,949         | -              | -              |
| Changes in the fair value of available-for-sale financial assets                              | -              | -              | 39,640         | (11,990)       |
| Other components  | (634)          | (718)          | 757            | (1,807)        |
| Changes in accounting policy  | -              | 96,404         | -              | -              |
| Tax expense   | <u>177,616</u> | <u>526,189</u> | <u>134,577</u> | <u>377,391</u> |

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The relationship between profit before income tax and tax expense for the three month and nine-month periods ended September 30, 2018 and 2017, follows:

| <i>(in millions of Korean won)</i>                          | 2018         |             | 2017         |             |
|---|--------------|-------------|--------------|-------------|
|   | Three months | Nine months | Three months | Nine months |
| Profit before income tax                                    | 700,663      | 1,986,454   | 585,701      | 1,628,004   |
| Tax rate <sup>1</sup>                                       |              |             |              |             |
| Tax expense calculated by applicable tax rate               | 190,091      | 538,503     | 141,625      | 393,631     |
| Adjustments   |              |             |              |             |
| Unrecognized temporary differences and others               | (14,149)     | (8,413)     | (5,964)      | 11,882      |
| Tax refunds in relation to the current tax of prior periods | 1,674        | (3,901)     | (1,084)      | (28,122)    |
| Tax expense   | 177,616      | 526,189     | 134,577      | 377,391     |
| Effective tax rate  | 25.35%       | 26.49%      | 22.98%       | 23.18%      |

<sup>1</sup> 2018 : 27.5% for over ₩ 300,000 million; 24.2% for over ₩ 20,000 million but ₩ 300,000 million or less; 22% for over ₩ 200 million but ₩ 20,000 million or less; and 11% for ₩ 200 million or less.

2017 : 24.2% for over ₩ 20,000 million, 22% for over ₩ 200 million but ₩ 20,000 million or less; and 11% for ₩ 200 million or less.

Temporary differences and changes in deferred tax assets and liabilities for the three-month and nine-month periods ended September 30, 2018 and the year ended December 31, 2017, are as follows:

**September 30, 2018**  
**Three-month period**

| <i>(In millions of Korean won)</i>                                | Beginning | Increase (decrease) | Ending    |
|---|-----------|---------------------|-----------|
| Financial assets at fair value through profit and loss            | 29,815    | (45,727)            | (15,912)  |
| Financial assets at fair value through other comprehensive income | (630,164) | (19,441)            | (649,605) |
| Provision for impairment  | 11,898    | (472)               | 11,426    |
| Investments in subsidiaries and associates                        | (173,934) | (5,942)             | (179,876) |
| Derivatives   | 149,156   | 53,413              | 202,569   |
| Property and equipment, investment property                       | (158,401) | (4,813)             | (163,214) |
| Prepaid expenses  | (367,739) | (11,207)            | (378,946) |
| Accrued income  | (373,577) | (16,816)            | (390,393) |
| Provisions  | 425,523   | 6,160               | 431,683   |
| Post-employment benefit obligations                               | 246,147   | 11,625              | 257,772   |
| Unearned revenue  | 39,553    | 461                 | 40,014    |
| Accrued expenses  | 5,549     | 2,786               | 8,335     |
| Other financial liabilities                                       | 16,495    | 395                 | 16,890    |
| Others  | 104,970   | (91,729)            | 13,241    |

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|   |           |           |           |
|---|-----------|-----------|-----------|
|   | (674,709) | (121,307) | (796,016) |
| Average tax rate  | 27.50%    |           | 27.50%    |
| Total deferred tax liabilities effect                       | (185,545) |           | (218,905) |
| Temporary differences not recognized as deferred tax assets | 142       |           | 142       |
|   | (185,687) |           | (219,047) |
| Deferred tax assets   | 20,004    |           | 16,962    |
| Deferred tax liabilities                                    | (205,691) |           | (236,009) |

**September 30, 2018**  
**Nine-month period**

| <i>(In millions of Korean won)</i>                                | <b>Beginning</b> | <b>Adjustment<sup>1</sup></b> | <b>Beginning after adjustments</b> | <b>Increase (decrease)</b> | <b>Ending</b> |
|---|------------------|-------------------------------|------------------------------------|----------------------------|---------------|
| Financial assets at fair value through profit and loss            | 22,055           | (10,690)                      | 11,365                             | (27,277)                   | (15,912)      |
| Financial assets at fair value through other comprehensive income | (687,403)        | 34,058                        | (653,345)                          | 3,740                      | (649,605)     |
| Provision for impairment  | 18,387           | 270,518                       | 288,905                            | (277,479)                  | 11,426        |
| Investments in associates   | (185,361)        | 623                           | (184,738)                          | 4,862                      | (179,876)     |
| Derivatives   | 156,622          | 11,780                        | 168,402                            | 34,167                     | 202,569       |
| Property and equipment, investment property                       | (160,811)        | -                             | (160,811)                          | (2,403)                    | (163,214)     |
| Prepaid expenses  | (344,534)        | -                             | (344,534)                          | (34,412)                   | (378,946)     |
| Accrued income  | (338,083)        | (6,029)                       | (344,112)                          | (46,281)                   | (390,393)     |
| Provisions  | 379,759          | 51,090                        | 430,849                            | 834                        | 431,683       |
| Post-employment benefit obligations                               | 228,502          | 201                           | 228,703                            | 29,069                     | 257,772       |
| Unearned revenue  | 38,492           | -                             | 38,492                             | 1,522                      | 40,014        |
| Accrued expenses  | 22,594           | (14,089)                      | 8,505                              | (170)                      | 8,335         |
| Other financial liabilities                                       | 14,613           | 1,155                         | 15,768                             | 1,122                      | 16,890        |
| Others  | 41,424           | 7,446                         | 48,870                             | (35,629)                   | 13,241        |
|   | (793,744)        | 346,063                       | (447,681)                          | (348,335)                  | (796,016)     |
| Average tax rate  | 27.50%           |                               |                                    |                            | 27.50%        |
| Total deferred tax liabilities effect                             | (218,280)        |                               |                                    |                            | (218,905)     |
| Temporary differences not recognized as deferred tax assets       | 142              |                               |                                    |                            | 142           |
|   | (218,422)        |                               |                                    |                            | (219,047)     |
| Deferred tax assets   | 15,471           |                               |                                    |                            | 16,962        |
| Deferred tax liabilities  | (233,893)        |                               |                                    |                            | (236,009)     |

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December 31, 2017

| <i>(In millions of Korean won)</i>                          | Beginning | Adjustment <sup>1</sup> | Beginning<br>after<br>adjustments | Increase<br>(decrease) | Ending    |
|---|-----------|-------------------------|-----------------------------------|------------------------|-----------|
| Financial assets held for trading                           | 30,365    | -                       | 30,365                            | (8,310)                | 22,055    |
| Available-for-sale financial assets                         | (509,468) | (2,824)                 | (512,292)                         | (175,111)              | (687,403) |
| Provision for impairment                                    | (13,108)  | -                       | (13,108)                          | 31,495                 | 18,387    |
| Investments in associates                                   | (190,725) | -                       | (190,725)                         | 5,364                  | (185,361) |
| Derivatives   | 63,084    | (758)                   | 62,326                            | 94,296                 | 156,622   |
| Property and equipment, investment property                 | (156,951) | -                       | (156,951)                         | (3,860)                | (160,811) |
| Prepaid expenses  | (308,068) | -                       | (308,068)                         | (36,466)               | (344,534) |
| Accrued income  | (305,233) | -                       | (305,233)                         | (32,850)               | (338,083) |
| Provisions  | 388,657   | 57                      | 388,714                           | (8,955)                | 379,759   |
| Post-employment benefit obligations                         | 198,342   | -                       | 198,342                           | 30,160                 | 228,502   |
| Unearned revenue  | 42,685    | -                       | 42,685                            | (4,193)                | 38,492    |
| Accrued expenses  | 7,392     | 14                      | 7,406                             | 15,188                 | 22,594    |
| Other financial liabilities                                 | 5,688     | -                       | 5,688                             | 8,925                  | 14,613    |
| Others  | 125,824   | (87,111)                | 38,713                            | 2,711                  | 41,424    |
|   | (621,516) | (90,622)                | (712,138)                         | (81,606)               | (793,744) |
| Tax loss carryforwards                                      | 15,869    | -                       | 15,869                            | (15,869)               | -         |
|   | (605,647) | (90,622)                | (696,269)                         | (97,475)               | (793,744) |
| Average tax rate  | 24.20%    |                         |                                   |                        | 27.50%    |
| Total deferred tax liabilities effect                       | (146,567) |                         |                                   |                        | (218,280) |
| Temporary differences not recognized as deferred tax assets | 3,840     |                         |                                   |                        | 142       |
|   | (150,407) |                         |                                   |                        | (218,422) |
| Deferred tax assets   | 7,684     |                         |                                   |                        | 15,471    |
| Deferred tax liabilities                                    | (158,091) |                         |                                   |                        | (233,893) |

<sup>1</sup> Adjustments were additionally made at the final tax return.

As at September 30, 2018 and December 31, 2017, total amounts of temporary differences related to investments in associates where deferred tax assets were not recognized, amounted to ₩ 517 million.

## 17. Other Assets

Details of other assets as at September 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i> | September 30, 2018 | December 31, 2017 |
|------------------------------------|--------------------|-------------------|
| Other financial assets             |                    |                   |
| Unsettled accounts receivable      | 494,640            | 1,640,297         |

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|   |                  |                  |
|---|------------------|------------------|
| Other receivables                                       | 533,500          | 161,251          |
| Unsettled spot exchange receivables                     | 3,465,774        | 2,499,986        |
| Leasehold deposits provided                             | 826,344          | 831,150          |
| Accrued income  | 1,131,470        | 987,938          |
| Suspense credit receivable                              | 29,840           | 7,484            |
| Present value discounts                                 | (16,602)         | (15,228)         |
| Provision for impairment of other financial instruments | (41,622)         | (16,447)         |
| Others  | 10,316           | 3,955            |
|   | <u>6,433,660</u> | <u>6,100,386</u> |
| Other assets  |                  |                  |
| Prepaid expenses  | 120,347          | 132,740          |
| Petty cash  | 24,025           | 18,774           |
| Stationery  | 6,412            | 3,563            |
| Special account asset                                   | 1,636,091        | 1,528,964        |
| Other   | 81,137           | 77,911           |
|   | <u>1,868,012</u> | <u>1,761,952</u> |
|   | <u>8,301,672</u> | <u>7,862,338</u> |

Changes in provision for impairment of other assets for the nine-month period ended September 30, 2018, are as follows:

| <i>(In millions of Korean won)</i>   | 12 months<br>expected<br>credit<br>losses | Expected lifetime losses   |                          | Total         |
|--|---|----------------------------|--------------------------|---------------|
|  |   | Unrecognized<br>impairment | Recognized<br>impairment |               |
| December 31, 2017  |   |                            |                          | 16,447        |
| Changes in accounting policy   |   |                            |                          | 747           |
| Beginning  | 5,062                                     | 4,285                      | 7,847                    | 17,194        |
| Changes due to significant<br>increase or decrease in credit risk          |   |                            |                          |               |
| Transferred to 12 months<br>expected credit losses                         | 797                                       | (728)                      | (69)                     | -             |
| Transferred to expected<br>lifetime losses with<br>unrecognized impairment | (527)                                     | 693                        | (166)                    | -             |
| Transferred to expected<br>lifetime losses with<br>recognized impairment   | (56)                                      | (369)                      | 425                      | -             |
|  | <u>214</u>                                | <u>(404)</u>               | <u>190</u>               | <u>-</u>      |
| Impairment loss  | 22  | 1,438                      | 23,017                   | 24,477        |
| Sale   | 2   | -                          | (18)                     | (16)          |
| Collection of previously written-off<br>loans                              | -   | -                          | 66                       | 66            |
| Write-off  | -   | -                          | (63)                     | (63)          |
| Unwinding effect   | -   | -                          | (34)                     | (34)          |
| Foreign exchange translation   | (2)                                       | -                          | -                        | (2)           |
| Ending   | <u>5,298</u>                              | <u>5,319</u>               | <u>31,005</u>            | <u>41,622</u> |

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**18. Deposit Liabilities**

Details of deposit liabilities as at September 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i>            | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|---|---------------------------|--------------------------|
| Demand deposits in Korean won                 | 39,858,703                | 38,992,966               |
| Demand deposits in foreign currencies         | <u>7,509,913</u>          | <u>8,947,448</u>         |
|   | <u>47,368,616</u>         | <u>47,940,414</u>        |
| Time & savings deposits in Korean won         | 44,471,104                | 50,813,133               |
| Time & savings deposits in foreign currencies | <u>5,862,952</u>          | <u>4,910,664</u>         |
|   | <u>50,334,056</u>         | <u>55,723,797</u>        |
| Negotiable certificates of deposit            | 4,957,379                 | 5,479,898                |
| Others  | <u>3,475,038</u>          | <u>3,446,523</u>         |
|   | <u>106,135,089</u>        | <u>112,590,632</u>       |

**19. Debts**

The Debts as at September 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i>           | <b>Lender</b>                                  | <b>Interest rate (%)</b> | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|--|--|--------------------------|---------------------------|--------------------------|
| Borrowings in Korean won                     |  |                          |                           |                          |
| Borrowings in Korean won from BOK            | Bank of Korea                                  | 0.50 ~ 0.75              | 5,163,114                 | 5,615,836                |
| Borrowings in Korean won from funds          | Small & Medium Business Corporation and others | 0.00 ~ 4.10              | 13,524,467                | 12,236,613               |
| Borrowings in Korean won from the government | Ministry of Strategy and Finance and others    | 0.00 ~ 4.28              | 2,050,015                 | 1,925,106                |
| Borrowings in Korean won from deposit banks  | NH Bank and others                             | 2.25 ~ 2.98              | 40,000                    | 30,000                   |
| Other borrowings in Korean won               | Samsung Electronics Co., Ltd. and others       | 1.91 ~ 2.50              | 3,639,400                 | 3,489,207                |
|  |  |                          | <u>24,416,996</u>         | <u>23,296,762</u>        |
| Borrowings in foreign currencies             |  |                          |                           |                          |
| Overdraft due to banks in foreign currencies | COMMERZBANK AG and others                      | -                        | 189,473                   | 127,606                  |
| Borrowings from bank in foreign currencies   | MIZUHO Corporate Bank, Ltd. and others         | 0.24 ~ 2.94              | 557,788                   | 725,332                  |
| Offshore borrowings in foreign currencies    | KDB (Singapore)                                | 2.74                     | 1,113                     | -                        |

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| <i>(In millions of Korean won)</i>     | <b>Lender</b>  | <b>Interest rate (%)</b> | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|--|--|--------------------------|---------------------------|--------------------------|
| Other borrowings in foreign currencies | Bank of New York, BRUSSELS DHL and others                        | 0.00 ~ 3.51              | 1,087,561                 | 672,727                  |
|  |  |                          | <u>1,835,935</u>          | <u>1,525,665</u>         |
| Bills sold                             | Counter sale   | 1.10 ~ 1.99              | <u>183,850</u>            | <u>155,381</u>           |
| Call money                             |  |                          |                           |                          |
| Call money in Korean won               | -  | -                        | -                         | 95,000                   |
| Call money in foreign currencies       | Woori Bank (Seoul) and others                                    | 2.13 ~ 3.00              | 782,238                   | 810,136                  |
|  |  |                          | <u>782,238</u>            | <u>905,136</u>           |
| Bonds sold under repurchase agreements | Repurchase agreements sold to customers and others               | 1.00 ~ 4.41              | 2,233,850                 | 1,456,760                |
| Other                                  | Institute for Information and Communication Technology Promotion | -                        | 6,814                     | -                        |
|  |  |                          | <u>29,459,683</u>         | <u>27,339,704</u>        |

Details of debts from financial institutions as at September 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i> | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|------------------------------------|---------------------------|--------------------------|
| Bank of Korea                      | 5,163,114                 | 5,615,836                |
| Others                             | <u>5,724,459</u>          | <u>5,373,398</u>         |
|                                    | <u>10,887,573</u>         | <u>10,989,234</u>        |

## 20. Debentures

Details of debentures as at September 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i> | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|------------------------------------|---------------------------|--------------------------|
| Debentures in Korean won           | 97,443,773                | 87,593,507               |
| Debentures in foreign currencies   | 2,764,886                 | 2,408,566                |
| Other debentures                   | 5,194,602                 | 4,268,523                |
| Less : Discount on debentures      | <u>(92,144)</u>           | <u>(70,029)</u>          |
|                                    | <u>105,311,117</u>        | <u>94,200,567</u>        |

Details of debentures in Korean won and foreign currencies as at September 30, 2018 and December 31, 2017, are as follows:

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**Debentures in Korean won**

| <i>(In millions of Korean won)</i>  | <b>Interest rate (%)</b> | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|---|--------------------------|---------------------------|--------------------------|
| Small and Medium Industry (SMI) finance bonds                             |                          |                           |                          |
| Counter   | 0.70 ~ 7.77              | 61,475,381                | 59,975,677               |
| Market  | 1.31 ~ 5.75              | 30,354,041                | 22,615,804               |
| Subordinated SMI finance bonds  | 2.37 ~ 4.67              | 5,700,010                 | 5,100,010                |
|   |                          | <u>97,529,432</u>         | <u>87,691,491</u>        |
| Unissued SMI finance bonds  |                          | -                         | -                        |
| Loss (gain) on valuation of fair market value risk hedge (current period) |                          | 12,325                    | (98,267)                 |
| Loss (gain) on valuation of fair market value risk hedge (prior period)   |                          | (97,984)                  | 283                      |
|   |                          | <u>(85,659)</u>           | <u>(97,984)</u>          |
|   |                          | <u>97,443,773</u>         | <u>87,593,507</u>        |

**Debentures in foreign currencies**

| <i>(In millions of Korean won)</i>                                      | <b>Interest rate (%)</b> | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|---|--------------------------|---------------------------|--------------------------|
| Debentures in foreign currencies  | 0.01 ~ 4.52              | 2,720,924                 | 2,348,236                |
| Offshore foreign currency bonds issued                                  | 2.25                     | 63,732                    | 61,367                   |
|   |                          | <u>2,784,656</u>          | <u>2,409,603</u>         |
| Loss (gain) valuation of fair market value risk hedge (current period)  |                          | (16,995)                  | (16,550)                 |
| Loss (gain) on valuation of fair market value risk hedge (prior period) |                          | (2,775)                   | 15,513                   |
|   |                          | <u>(19,770)</u>           | <u>(1,037)</u>           |
|   |                          | <u>2,764,886</u>          | <u>2,408,566</u>         |

**21. Net Defined Benefit Liabilities**

Changes in net defined benefit liabilities recognized in relation to the defined benefit plan for the nine-month periods ended September 30, 2018 and 2017, are as follows:

**September 30, 2018**

| <i>(In millions of Korean won)</i> | <b>Present value of defined benefit obligation</b> | <b>Fair value of plan assets</b> | <b>Net defined benefit liabilities</b> |
|------------------------------------|--|----------------------------------|--|
| Beginning                          | 776,700  | (732,890)                        | 43,810                                 |
| Current service cost               | 92,089   | -                                | 92,089                                 |
| Interest expense (income)          | 15,983   | (17,365)                         | (1,382)                                |
| Paid in plan assets                | -  | (105,178)                        | (105,178)                              |
| Benefit payment                    | (30,518)   | 30,425                           | (93)                                   |

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Remeasurements

|                       |         |           |        |
|-----------------------|---------|-----------|--------|
| Return on plan assets | -       | 9,739     | 9,739  |
| Ending                | 854,254 | (815,269) | 38,985 |

**September 30, 2017**

| <i>(In millions of Korean won)</i> | <b>Present value of defined benefit obligation</b> | <b>Fair value of plan assets</b> | <b>Net defined benefit liabilities</b> |
|------------------------------------|--|----------------------------------|--|
| Beginning                          | 647,607  | (622,517)                        | 25,090                                 |
| Current service cost               | 88,793   | -                                | 88,793                                 |
| Interest expenses (income)         | 13,565   | (12,756)                         | 809                                    |
| Paid in plan assets                | -  | (41,944)                         | (41,944)                               |
| Benefit payment                    | (16,604)   | 15,775                           | (829)                                  |
| Remeasurements                     |  |                                  |  |
| Return on plan assets              | -  | 5,356                            | 5,356                                  |
| Ending                             | 733,361  | (656,086)                        | 77,275                                 |

Expenses recognized related to the defined benefit plans for the nine-month periods ended September 30, 2018 and 2017, are as follows:

| <i>(In millions of Korean won)</i> | <b>September 30, 2018</b> | <b>September 30, 2017</b> |
|------------------------------------|---------------------------|---------------------------|
| Current service cost               | 92,089                    | 88,793                    |
| Interest expenses (income)         | (1,382)                   | 809                       |
|                                    | 90,707                    | 89,602                    |

The significant actuarial assumptions as at September 30, 2018 and December 31, 2017, are as follows:

|                               | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|-------------------------------|---------------------------|--------------------------|
| Discount rate (%)             | 2.90 ~ 3.78               | 2.90 ~ 3.78              |
| Future salary growth rate (%) | 2.38 ~ 3.75               | 2.38 ~ 3.75              |

Plan assets as at September 30, 2018 and December 31, 2017, consist of:

| <i>(In millions of Korean won)</i> | <b>September 30, 2018</b> |                       | <b>December 31, 2017</b> |                       |
|------------------------------------|---------------------------|-----------------------|--------------------------|-----------------------|
|                                    | <b>Quoted price</b>       | <b>Unquoted price</b> | <b>Quoted price</b>      | <b>Unquoted price</b> |
| Cash and cash equivalents          | -                         | 815,269               | -                        | 732,890               |

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The sensitivity analysis of the defined benefit obligations as at September 30, 2018 and December 31, 2017, based on changes in the principal assumptions is:

**September 30, 2018**

| <i>(In millions of Korean won)</i> | <b>Change in principal assumption</b> | <b>Increase in principal assumption</b> | <b>Decrease in principal assumption</b> |
|------------------------------------|---------------------------------------|---|---|
| Discount rate                      | 1.00%                                 | (73,367)                                | 88,568                                  |
| Future salary growth rate          | 1.00%                                 | 88,149                                  | (74,374)                                |

**December 31, 2017**

| <i>(In millions of Korean won)</i> | <b>Change in principal assumption</b> | <b>Increase in principal assumption</b> | <b>Decrease in principal assumption</b> |
|------------------------------------|---------------------------------------|---|---|
| Discount rate                      | 1.00%                                 | (88,856)                                | 107,835                                 |
| Future salary growth rate          | 1.00%                                 | 106,160                                 | (89,189)                                |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The sensitivity of the defined benefit obligation to changes in principal actuarial assumptions is calculated using the projected unit credit method, the same method applied when calculating the defined benefit obligations recognized on the statement of financial position.

The Group is exposed to various risks through the defined benefit plans and the most significant risk is as below:

Decrease in earning rate of prime-rate bonds: Decrease in earning rate of prime-rate bonds may bring an increase in a certain portion of financial assets' value as an offset effect. However, as a result, the defined benefit obligation will be increased.

Maturity analysis of undiscounted defined benefit payments as at September 30, 2018 and December 31, 2017, is as follows:

| <i>(In millions of Korean won)</i> | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|------------------------------------|---------------------------|--------------------------|
| Within 10 years                    | 328,100                   | 286,255                  |
| 10 years ~ within 20 years         | 355,263                   | 310,856                  |
| 20 years ~ within 30 years         | 660,911                   | 642,045                  |
| 30 years and longer                | 81,287                    | 78,045                   |
|                                    | <u>1,425,561</u>          | <u>1,317,201</u>         |

The Group's best estimate of expected contributions after the end of the reporting period are ₩ 104,529 million and weighted average duration of the defined benefit obligation is 15.7 years.

The Group recognized expense related to the defined contribution plans for the nine-month periods ended September 30, 2018 and 2017 of ₩ 4,204 million and ₩ 1,892 million, respectively.

For the certain employees who have worked for more than 20 years, liabilities are recorded using actuarial methods for the pension to be paid to employees who would voluntarily retire prior to their legal retirement date. Pension liabilities recorded as at September 30, 2018 and December 31, 2017, are ₩ 94,817 million and ₩ 102,632 million, respectively.

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**22. Provisions**

Details of provisions as at September 30, 2018 and December 31, 2017, are as follows:

*(In millions of Korean won)*

|                                       | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|---------------------------------------|---------------------------|--------------------------|
| Provision for unused loan commitments | 126,995                   | 82,660                   |
| Payment guarantees outstanding        | 38,429                    | 45,369                   |
| Provision for litigation              | 10,785                    | 12,264                   |
| Provision for restoration             | 9,239                     | 9,041                    |
| Provision for award credits           | 3,170                     | 2,953                    |
| Others                                | 244,401                   | 228,148                  |
|                                       | <u>433,019</u>            | <u>380,435</u>           |

**Provisions for unused loan commitments**

Details of provisions for unused loan commitments as at September 30, 2018 and December 31, 2017, are as follows:

*(In millions of Korean won)*

|                             | <b>September 30, 2018</b>                 |                  |                  | <b>December 31, 2017</b>                  |                  |                  |
|-----------------------------|---|------------------|------------------|---|------------------|------------------|
|                             | <b>Commitment outstanding<sup>1</sup></b> | <b>Provision</b> | <b>Ratio (%)</b> | <b>Commitment outstanding<sup>1</sup></b> | <b>Provision</b> | <b>Ratio (%)</b> |
| Corporate loan commitment   | 36,949,505                                | 75,317           | 0.21             | 33,515,884                                | 58,872           | 0.18             |
| Retail loan commitment      | 4,831,590                                 | 4,488            | 0.10             | 2,099,048                                 | 2,109            | 0.10             |
| Credit line on credit cards | 11,555,048                                | 47,190           | 0.40             | 11,383,356                                | 21,679           | 0.19             |
|                             | <u>53,336,143</u>                         | <u>126,995</u>   | <u>0.24</u>      | <u>46,998,288</u>                         | <u>82,660</u>    | <u>0.18</u>      |

<sup>1</sup> Excludes commitments that are not required to set up provisions for unused loan commitments.

Changes in provisions for unused loan commitments for the nine-month period ended September 30, 2018, are as follows:

*(In millions of Korean won)*

|  | <b>12 months expected credit losses</b> | <b>Expected lifetime losses</b> |                              | <b>Total</b> |
|--|---|---------------------------------|------------------------------|--------------|
|  |   | <b>Unrecognized impairment</b>  | <b>Recognized impairment</b> |              |
| December 31, 2017  |   |                                 |                              | 82,660       |
| Changes in accounting policies                                       |   |                                 |                              | 51,119       |
| Beginning  | 93,548                                  | 36,632                          | 3,599                        | 133,779      |
| Changes due to significant increase or decrease in credit risk       |   |                                 |                              |              |
| Transferred to 12 months expected credit losses                      | 9,479                                   | (9,269)                         | (210)                        | -            |
| Transferred to expected lifetime losses with unrecognized impairment | (4,488)                                 | 4,686                           | (198)                        | -            |

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|  |               |                |              |                |
|--|---------------|----------------|--------------|----------------|
| Transferred to expected lifetime losses with recognized impairment | (281)         | (645)          | 926          | -              |
|  | <u>4,710</u>  | <u>(5,228)</u> | <u>518</u>   | <u>-</u>       |
| Impairment loss (reversal)   | (11,515)      | 3,398          | 1,332        | (6,785)        |
| Foreign exchange translation                                       | <u>3</u>      | <u>(2)</u>     | <u>-</u>     | <u>1</u>       |
| Ending   | <u>86,746</u> | <u>34,800</u>  | <u>5,449</u> | <u>126,995</u> |

Changes in provisions for the nine-month periods ended September 30, 2018 and 2017, are as follows:

**September 30, 2018**

| <i>(In millions of Korean won)</i> | Beginning      | Changes in accounting policy | Increase      | Reversal        | Others      | Ending         |
|------------------------------------|----------------|------------------------------|---------------|-----------------|-------------|----------------|
| Payment guarantees outstanding     | 45,369         | 2,839                        | -             | (9,792)         | 13          | 38,429         |
| Provision for litigation           | 12,264         | -                            | -             | (1,479)         | -           | 10,785         |
| Provision for restoration          | 9,041          | -                            | 93            | -               | 105         | 9,239          |
| Provision for award credits        | 2,953          | -                            | 217           | -               | -           | 3,170          |
| Others                             | <u>228,148</u> | <u>-</u>                     | <u>16,275</u> | <u>-</u>        | <u>(22)</u> | <u>244,401</u> |
|                                    | <u>297,775</u> | <u>2,839</u>                 | <u>16,585</u> | <u>(11,271)</u> | <u>96</u>   | <u>306,024</u> |

**September 30, 2017**

| <i>(In millions of Korean won)</i> | Beginning      | Increase      | Reversal        | Others         | Ending         |
|------------------------------------|----------------|---------------|-----------------|----------------|----------------|
| Payment guarantees outstanding     | 50,940         | 506           | -               | (37)           | 51,409         |
| Unused loan commitments            | 93,048         | -             | (14,810)        | (174)          | 78,064         |
| Provision for litigation           | 1,692          | 10,546        | -               | -              | 12,238         |
| Provision for restoration          | 10,276         | 86            | (28)            | (76)           | 10,258         |
| Provision for award credits        | 3,273          | -             | (354)           | -              | 2,919          |
| Others                             | <u>231,224</u> | <u>19,354</u> | <u>-</u>        | <u>(1,029)</u> | <u>249,549</u> |
|                                    | <u>390,453</u> | <u>30,492</u> | <u>(15,192)</u> | <u>(1,316)</u> | <u>404,437</u> |

Details of provisions for payment guarantees as at September 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i>                 | September 30, 2018 |           |           | December 31, 2017  |           |           |
|--|--------------------|-----------|-----------|--------------------|-----------|-----------|
|  | Payment guarantees | Provision | Ratio (%) | Payment guarantees | Provision | Ratio (%) |
| Confirmed payment guarantees in Korean won         | 613,320            | 7,478     | 1.22      | 597,551            | 3,966     | 0.66      |
| Confirmed payment guarantees in foreign currencies | 1,589,362          | 12,637    | 0.80      | 1,977,554          | 20,803    | 1.05      |
| Unconfirmed payment                                | 1,852,344          | 18,313    | 0.99      | 1,745,936          | 20,600    | 1.18      |

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|                |                  |               |             |                  |               |             |
|----------------|------------------|---------------|-------------|------------------|---------------|-------------|
| guarantees     |                  |               |             |                  |               |             |
| Bills endorsed | 265              | 1             | 0.38        | 90               | -             | -           |
|                | <u>4,055,291</u> | <u>38,429</u> | <u>0.95</u> | <u>4,321,131</u> | <u>45,369</u> | <u>1.05</u> |

**Litigation**

Details of lawsuits the Group has filed and is facing as at September 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i> |                 | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|------------------------------------|-----------------|---------------------------|--------------------------|
| Plaintiff                          | No. of lawsuits | 450                       | 473                      |
|                                    | Claim amounts   | 473,151                   | 581,460                  |
| Defendant                          | No. of lawsuits | 173                       | 181                      |
|                                    | Claim amounts   | 132,348                   | 142,675                  |

The Group establishes provisions considering the probability of the outcome of the lawsuit.

**Provision for restoration costs**

The Group recognizes a provision to the extent that the Group is obliged to rectify the damage to be caused for the restoration of the leased properties, and the present value valuation is applied if the rent is long-term and present value is material.

**Provisions for general wages**

The Group estimated the expected future payable amount in relation to the pending claims in relation to additional wage payment to employee (including severance payments) and recognized the best estimate as a provision. The Group lost in the first trial on May 26, 2016 and won in the second trial on May 12, 2017. The Group is in process of trial at the Supreme Court and outcome of the lawsuit cannot be reasonably predicted as at September 30, 2018.

**23. Other Liabilities**

Details of other liabilities as at September 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i>                   | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|--|---------------------------|--------------------------|
| Other financial liabilities                          |                           |                          |
| Financial guarantee liabilities                      | 64,295                    | 58,006                   |
| Borrowings from trust accounts                       | 2,831,709                 | 1,265,273                |
| Stock Investment Trustee                             | 460,586                   | 432,462                  |
| Guaranteed deposits                                  | 436,474                   | 351,931                  |
| Unsettled inter-office account in foreign currencies | 2,195,279                 | 2,576,199                |
| Dividends payable                                    | 10,060                    | 11,208                   |
| Other payables                                       | 895,690                   | 257,401                  |
| Unsettled spot exchange                              | 3,467,254                 | 2,499,463                |

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| <i>(In millions of Korean won)</i> | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|------------------------------------|---------------------------|--------------------------|
| Accrued expenses                   | 1,496,656                 | 1,359,116                |
| Agencies                           | 291,480                   | 294,956                  |
| Others                             | <u>663,088</u>            | <u>439,676</u>           |
|                                    | <u>12,812,571</u>         | <u>9,545,691</u>         |
| <b>Other liabilities</b>           |                           |                          |
| Income tax payable                 | 221,948                   | 224,386                  |
| Unearned revenue                   | 178,063                   | 178,466                  |
| Insurance liabilities              | 3,989,964                 | 3,401,745                |
| Special accounts                   | 1,641,495                 | 1,522,878                |
| Others                             | <u>546,375</u>            | <u>597,384</u>           |
|                                    | <u>6,577,845</u>          | <u>5,924,859</u>         |
|                                    | <u>19,390,416</u>         | <u>15,470,550</u>        |

Changes in financial guarantee liabilities for the nine-month period ended September 30, 2018, are as follows:

| <i>(In millions of Korean won)</i>   | <b>12 months<br/>expected<br/>credit<br/>losses</b> | <b>Expected lifetime losses</b>    |                                  | <b>Total</b>  |
|--|---|------------------------------------|----------------------------------|---------------|
|  |   | <b>Unrecognized<br/>impairment</b> | <b>Recognized<br/>impairment</b> |               |
| December 31, 2017  |   |                                    |                                  | 58,006        |
| Changes in accounting policies   |   |                                    |                                  | 1,284         |
| Beginning  | 44,819  | 3,393                              | 11,078                           | 59,290        |
| Changes due to significant<br>increase or decrease in credit<br>risk       |   |                                    |                                  |               |
| Transferred to 12 months<br>expected credit losses                         | 331   | (331)                              | -                                | -             |
| Transferred to expected lifetime<br>losses with unrecognized<br>impairment | (4,789)   | 4,789                              | -                                | -             |
| Transferred to expected lifetime<br>losses with recognized<br>impairment   | <u>(96)</u>   | <u>(29)</u>                        | <u>125</u>                       | <u>-</u>      |
|  | <u>(4,554)</u>                                      | <u>4,429</u>                       | <u>125</u>                       | <u>-</u>      |
| Impairment loss  | 375   | 159                                | 1,204                            | 1,738         |
| Foreign exchange translation   | <u>(11)</u>   | <u>(6)</u>                         | <u>-</u>                         | <u>(17)</u>   |
| Changes in fair value of financial<br>guarantee contracts                  | <u>4,706</u>  | <u>(1,342)</u>                     | <u>(80)</u>                      | <u>3,284</u>  |
| As at September 30, 2018   | <u>45,335</u>                                       | <u>6,633</u>                       | <u>12,327</u>                    | <u>64,295</u> |

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**24. Lease**

**Finance lease – the Group as a lessor**

The Group has finance lease contracts as a lessor on various types of assets, and the details of assets held under a finance lease as at September 30, 2018 and December 31, 2017, are as follows:

*(In millions of Korean won)*

|               | September 30, 2018     |                             |                | December 31, 2017      |                             |                |
|---------------|------------------------|-----------------------------|----------------|------------------------|-----------------------------|----------------|
|               | Minimum lease receipts | Unrealized interests income | Present value  | Minimum lease receipts | Unrealized interests income | Present value  |
| Within 1 year | 83,881                 | 3,547                       | 80,334         | 86,849                 | 3,012                       | 83,837         |
| 1 - 5 years   | 326,535                | 21,839                      | 304,696        | 286,921                | 20,915                      | 266,006        |
| Over 5 years  | 19,676                 | 428                         | 19,248         | 18,361                 | 236                         | 18,125         |
|               | <u>430,092</u>         | <u>25,814</u>               | <u>404,278</u> | <u>392,131</u>         | <u>24,163</u>               | <u>367,968</u> |

The accumulated provision for impairment for assets held under a finance lease as at September 30, 2018 and December 31, 2017, are ₩23,082 million and ₩ 24,157 million, respectively.

**Operating lease – the Group as a lessee**

The Group has lease contracts with companies regarding car and printer rentals, and others. The future minimum lease payments arising from the non-cancellable lease contracts as at September 30, 2018 and December 31, 2017, are as follows:

*(In millions of Korean won)*

|               | September 30, 2018 | December 31, 2017 |
|---------------|--------------------|-------------------|
| Within 1 year | 62,007             | 64,886            |
| 1 - 5 years   | <u>49,140</u>      | <u>56,817</u>     |
|               | <u>111,147</u>     | <u>121,703</u>    |

**Operating lease – the Group as a lessor**

The Group has multiple operating lease contracts for land and buildings classified as investment properties. Remaining years on these operating leases are less than five years, and all operating lease receipts are subject to increase annually depending on the market conditions. The future minimum lease receipts arising from the non-cancellable lease contracts as at September 30, 2018 and December 31, 2017, are as follows:

*(In millions of Korean won)*

|               | September 30, 2018 | December 31, 2017 |
|---------------|--------------------|-------------------|
| Within 1 year | 844                | 621               |
| 1 - 5 years   | <u>926</u>         | <u>545</u>        |
|               | <u>1,770</u>       | <u>1,166</u>      |

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**25. Contingent Liabilities and Commitments**

Details of payment guarantees and endorsed bills as at September 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i>                 | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|--|---------------------------|--------------------------|
| Confirmed payment and guarantees in Korean won     |                           |                          |
| Financial guarantee contracts                      | 1,705,504                 | 1,672,296                |
| Others   | <u>613,320</u>            | <u>597,551</u>           |
|  | <u>2,318,824</u>          | <u>2,269,847</u>         |
| Confirmed payment guarantees in foreign currencies |                           |                          |
| Financial guarantee contracts                      | 504,233                   | 492,978                  |
| Letters of guarantees for importers                | 120,214                   | 104,711                  |
| Others   | <u>1,469,148</u>          | <u>1,872,843</u>         |
|  | <u>2,093,595</u>          | <u>2,470,532</u>         |
| Unconfirmed payment guarantees                     |                           |                          |
| Customer's liability on letters of credit          | <u>1,852,344</u>          | <u>1,745,936</u>         |
|  | <u>1,852,344</u>          | <u>1,745,936</u>         |
| Bills endorsed                                     |                           |                          |
| Bills endorsed with recourse                       | <u>265</u>                | <u>90</u>                |
|  | <u>265</u>                | <u>90</u>                |
|  | <u>6,265,028</u>          | <u>6,486,405</u>         |

Details of commitments as at September 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i>         | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|--|---------------------------|--------------------------|
| Commitments on loans in Korean won         | 38,653,148                | 38,681,934               |
| Commitments on loans in foreign currencies | 9,243,319                 | 8,520,704                |
| Others                                     | <u>4,974,385</u>          | <u>5,191,316</u>         |
|  | <u>52,870,852</u>         | <u>52,393,954</u>        |

Credit offering commitments consist of loan commitments and revolving credit commitments. Generally, there is a term of validity or other expiration clauses in a commitment. There could be commitments that are not fully used. Therefore, the notional amount may not be equal to the future cash consumed. However, most credit offering commitments require customers to maintain certain credit levels. Thus, the potential credit loss should be less than total used commitment. In general, as longer commitments entail higher credit risk, the Group monitors the commitments throughout their maturity.

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**Trust Accounts**

(1) Composition of the Group's trust account as at September 30, 2018 and December 31, 2017, and for the nine-month periods ended September 30, 2018 and 2017, is as follows:

| (In millions of Korean won)   | Total assets       |                   | Operating income   |                    |
|-------------------------------|--------------------|-------------------|--------------------|--------------------|
|                               | September 30, 2018 | December 31, 2017 | September 30, 2018 | September 30, 2017 |
| Non-consolidated <sup>1</sup> | 52,503,088         | 52,512,172        | 262,174            | 192,122            |

<sup>1</sup> Financial information of the trust accounts has been prepared in accordance with the Korean Accounting Standard 5004, *Trust Accounts*, and enforcement regulations of Financial Investment Services under the Financial Investment Services and Capital Markets Act.

(2) Major transactions between the Group and the trust accounts as at September 30, 2018 and December 31, 2017, and for the nine-month periods ended September 30, 2018 and 2017, are as follows:

| (In millions of Korean won) | Type                       | September 30, 2018 | December 31, 2017 and September 30, 2017 |
|-----------------------------|----------------------------|--------------------|--|
|                             |                            | Income             | Trust operation income                   |
| Expense                     | Interest expense           | 29,083             | 18,335                                   |
| Receivable                  | Operation fees receivables | 571                | 560                                      |
|                             | Fees receivable            | 37,999             | 31,119                                   |
|                             |                            | <u>38,570</u>      | <u>31,679</u>                            |
| Payable                     | Trust accounts liabilities | 2,831,709          | 1,265,274                                |
|                             | Interest payable           | 330                | -  |
|                             |                            | <u>2,832,039</u>   | <u>1,265,274</u>                         |

**Others**

The Bank provides settlement services in Korean won for the transactions between Korea and Iran, and an internal investigation is in progress as requested by the U.S. Attorney's Office and New York State Attorney General's Office to confirm if the services are in compliance with the legal restrictive measures imposed by the U.S. government against transactions conducted with certain countries or institutions, and the relevant documents have been submitted to U.S. authorities. In January 2013, the Korean prosecutors previously concluded that the Bank and its executives and staff were not guilty for the fake transaction of "A" Corporation, which utilized the settlement service of the Bank. As at September 30, 2018, the outcome of the investigation and subsequent impact are not predictable or measurable.

**26. Fair Value**

There are no significant changes in business or economic environment that would result in material effects on fair value of financial assets and liabilities during the nine-month period ended September 30, 2018.

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**26.1 Carrying amount and Fair Value of Financial Instruments**

Carrying amount and fair value of financial instruments as at September 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i>                                | <b>September 30, 2018</b> |                    | <b>December 31, 2017</b> |                    |
|---|---------------------------|--------------------|--------------------------|--------------------|
|   | <b>Carrying amount</b>    | <b>Fair value</b>  | <b>Carrying amount</b>   | <b>Fair value</b>  |
| <b>Assets</b>   |                           |                    |                          |                    |
| Cash and due from banks   | 12,097,534                | 12,097,543         | 12,906,137               | 12,906,135         |
| Financial assets at fair value through profit or loss             | 11,629,120                | 11,629,120         | 8,826,949                | 8,826,949          |
| Financial assets designated at fair value through profit or loss  | -                         | -                  | 512,045                  | 512,045            |
| Financial assets at fair value through other comprehensive income | 12,881,067                | 12,881,067         | -                        | -                  |
| Available-for-sale financial assets                               | -                         | -                  | 15,115,370               | 15,115,370         |
| Securities at amortized cost                                      | 25,632,517                | 25,709,733         | -                        | -                  |
| Held-to-maturity financial assets                                 | -                         | -                  | 23,528,889               | 23,461,097         |
| Loan receivables at amortized cost <sup>1</sup>                   |                           |                    |                          |                    |
| Loans in Korean won   | 199,211,816               | 199,161,871        | 187,796,460              | 187,559,755        |
| Loans in foreign currencies                                       | 3,649,170                 | 3,649,340          | 3,531,622                | 3,532,481          |
| Interbank loans in foreign currencies                             | 2,078,248                 | 2,078,231          | 845,503                  | 845,302            |
| Domestic import usance bills                                      | 2,780,485                 | 2,780,485          | 2,505,290                | 2,505,290          |
| Call loan   | 1,790,869                 | 1,790,869          | 1,790,944                | 1,790,944          |
| Bills bought in Korean won / bills bought in foreign currencies   | 1,770,788                 | 1,769,178          | 1,986,358                | 1,985,253          |
| Payment on guarantees   | 39,499                    | 39,499             | 24,407                   | 24,407             |
| Credit card receivable  | 2,865,885                 | 2,865,885          | 2,684,572                | 2,684,858          |
| Bonds purchased under repurchase agreements                       | 227,665                   | 227,665            | 2,842,615                | 2,842,615          |
| Other loan receivables  | 528,969                   | 506,048            | 902,373                  | 905,396            |
| Provision for impairment  | (2,634,047)               | (2,634,047)        | (2,317,531)              | (2,317,531)        |
| Present value discount  | (14,197)                  | (14,197)           | (10,425)                 | (10,425)           |
| Deferred loan losses  | 364,774                   | 364,774            | 334,027                  | 334,027            |
|   | <u>212,659,924</u>        | <u>212,585,601</u> | <u>202,916,215</u>       | <u>202,682,372</u> |
| Derivative financial assets for hedge accounting                  | 42,308                    | 42,308             | 40,708                   | 40,708             |
| Other financial assets  | 6,433,660                 | 6,435,257          | 6,100,386                | 6,099,888          |
|   | <u>281,376,130</u>        | <u>281,380,629</u> | <u>269,946,699</u>       | <u>269,644,564</u> |
| <b>Liabilities</b>  |                           |                    |                          |                    |
| Financial liabilities at fair value through profit or loss        | 1,811,007                 | 1,811,007          | 2,297,583                | 2,297,583          |

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(In millions of Korean won)

|   | September 30, 2018 |                    | December 31, 2017  |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | Carrying amount    | Fair value         | Carrying amount    | Fair value         |
| Financial liabilities designated at fair value through profit or loss | 1,673,738          | 1,673,738          | 1,427,235          | 1,427,235          |
| Deposit liabilities   |                    |                    |                    |                    |
| Deposits in Korean won  | 87,802,812         | 87,804,631         | 93,251,203         | 93,247,752         |
| Negotiable certificates of deposit                                    | 4,957,379          | 4,958,499          | 5,479,898          | 5,479,512          |
| Deposits in foreign currencies  | 13,374,898         | 13,374,783         | 13,859,531         | 13,858,359         |
|   | <u>106,135,089</u> | <u>106,137,913</u> | <u>112,590,632</u> | <u>112,585,623</u> |
| Debts   |                    |                    |                    |                    |
| Borrowings in Korean won  | 24,416,996         | 24,406,430         | 23,296,762         | 23,296,762         |
| Borrowings in foreign currencies                                      | 1,835,935          | 1,835,936          | 1,525,665          | 1,525,628          |
| Bills sold  | 183,850            | 183,828            | 155,381            | 155,380            |
| Call money  | 782,238            | 782,238            | 905,136            | 905,136            |
| Bonds sold under repurchase agreements                                | 2,233,850          | 2,233,851          | 1,456,760          | 1,456,756          |
| Others  | 6,814              | 6,814              | -                  | -                  |
|   | <u>29,459,683</u>  | <u>29,449,097</u>  | <u>27,339,704</u>  | <u>27,339,662</u>  |
| Debentures  |                    |                    |                    |                    |
| Trading SMI   | 97,360,783         | 97,443,771         | 87,532,461         | 87,579,676         |
| Debentures issued in foreign currencies                               | 2,759,269          | 2,766,197          | 2,402,642          | 2,408,550          |
| Others debentures   | 5,191,065          | 5,215,690          | 4,265,464          | 4,265,463          |
|   | <u>105,311,117</u> | <u>105,425,658</u> | <u>94,200,567</u>  | <u>94,253,689</u>  |
| Derivative financial liabilities for hedge accounting                 | 290,030            | 290,030            | 283,584            | 283,584            |
| Other financial liabilities   | 12,812,571         | 12,815,844         | 9,545,691          | 9,537,816          |
|   | <u>257,493,235</u> | <u>257,603,287</u> | <u>247,684,996</u> | <u>247,725,192</u> |

<sup>1</sup> Loan receivables in case of December 31, 2017.

Standards applied in measuring the fair value of financial instruments are as follows:

- Cash and due from banks: Book amount of cash is considered to be the fair value. In addition, as demand deposits and deposits for settlements are liquid in nature and do not have a fixed maturity, their book amounts are also considered to approximate the fair value. Fair value of due from bank is calculated using discounted cash flow model. However, for deposits that are on demand and whose contractual maturity / interest rate change cycle is less than three months, book amount is considered to be the fair value.
- Marketable securities: For a listed security, fair value is measured at its quoted market price in its active market, and when such price is not available, fair value is measured by third party valuation experts. Third party experts apply one of the following valuation techniques by considering case-specific factors: Discounted Cash Flow Model, Imputed Market Value Model, and Free Cash Flow to Equity Model, Dividend Discount Model, Risk-adjusted Valuation Model, and Net Asset Value Method.

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- Loan receivables: For loans that are on demand and whose contractual maturity / interest rate change cycle is less than three months, book amount is considered to be the fair value. Fair value of a loan is calculated by discounting the future cash flows by the interest rate where market risk and other risks are reflected, less provision for impairment for loan.
- Derivatives: Derivative instruments that are traded in active markets are measured at fair value by using quoted prices, if available. Derivatives that are not traded in active market are measured at fair value by using valuation techniques. Widespread derivatives not traded in active markets, such as Interest rate swaps and foreign currency swaps, are measured by using valuation technique that are based on observable inputs. However, in some cases, determining appropriate valuation techniques and when there are no observable inputs to measure the fair value of some complex derivative instruments could be difficult. In those cases, they are measured by the independent valuation experts.
- Other financial assets and liabilities: For other financial assets and liabilities that are on demand in nature whose contractual maturity / interest rate change cycle is less than three months, book amount is considered to be the fair value. Fair value of other financial assets and liabilities is calculated by discounting the future cash flows by the interest rate where market risk and other risks are reflected.
- Deposit liabilities: For deposit liabilities that are on demand and whose contractual maturity / interest rate change cycle is less than three months, book amount is considered to be the fair value. Fair value of a deposit liabilities is calculated using the future cash flows by interest rate where market risk and other risks are reflected.
- Debts: For borrowings that are on demand and whose contractual maturity / interest rate change cycle is less than three months, book amount is considered to be the fair value. Fair value of a borrowing is calculated by discounting the future cash flows by the interest rate where market risk and other risks are reflected.
- Debentures: Fair value of debentures is fair value provided by external credit rating companies less accrued interest payables. For debentures whose fair value cannot be provided by external credit rating companies, the fair value is calculated by discounting the future cash flows by the interest rate where market risk and other risks are reflected.

**26.2 Fair Value Hierarchy**

Fair value hierarchy classifications of the financial assets and financial liabilities that are measured at fair value as at September 30, 2018 and December 31, 2017, are as follows:

*(In millions of Korean won)*

|   | <b>September 30, 2018</b> |                   |                  |                   |
|---|---------------------------|-------------------|------------------|-------------------|
|   | <b>Level 1</b>            | <b>Level 2</b>    | <b>Level 3</b>   | <b>Total</b>      |
| <b>Financial assets</b>   |                           |                   |                  |                   |
| Financial assets at fair value through profit or loss             | 1,937,059                 | 6,153,905         | 3,538,156        | 11,629,120        |
| Financial assets at fair value through other comprehensive income | 3,040,049                 | 9,271,205         | 569,813          | 12,881,067        |
| Derivative financial assets for hedge accounting                  | -                         | 42,308            | -                | 42,308            |
|   | <u>4,977,108</u>          | <u>15,467,418</u> | <u>4,107,969</u> | <u>24,552,495</u> |
| <b>Financial liabilities</b>                                      |                           |                   |                  |                   |
| Financial liabilities at fair value through profit or loss        | 335,420                   | 1,240,084         | 235,503          | 1,811,007         |
| Financial liabilities designated at                               | -                         | 436,444           | 1,237,294        | 1,673,738         |

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|                                      |                |                  |                  |                  |
|--------------------------------------|----------------|------------------|------------------|------------------|
| fair value through profit or loss    |                |                  |                  |                  |
| Derivative financial liabilities for |                |                  |                  |                  |
| hedge accounting                     | -              | 290,030          | -                | 290,030          |
|                                      | <u>335,420</u> | <u>1,966,558</u> | <u>1,472,797</u> | <u>3,774,775</u> |

(In millions of Korean won)

|   | <b>December 31, 2017</b> |                   |                  |                   |
|---|--------------------------|-------------------|------------------|-------------------|
|   | <b>Level 1</b>           | <b>Level 2</b>    | <b>Level 3</b>   | <b>Total</b>      |
| <b>Financial assets</b>   |                          |                   |                  |                   |
| Financial assets at fair value through profit or loss                 | 1,673,471                | 7,008,216         | 145,262          | 8,826,949         |
| Financial assets designated at fair value through profit or loss      | -                        | 230,754           | 281,291          | 512,045           |
| Available-for-sale financial assets                                   | 3,908,424                | 7,836,923         | 3,370,023        | 15,115,370        |
| Derivative financial assets for hedge accounting                      | -                        | 40,708            | -                | 40,708            |
|   | <u>5,581,895</u>         | <u>15,116,601</u> | <u>3,796,576</u> | <u>24,495,072</u> |
| <b>Financial liabilities</b>  |                          |                   |                  |                   |
| Financial liabilities at fair value through profit or loss            | 38,073                   | 2,070,312         | 189,198          | 2,297,583         |
| Financial liabilities designated at fair value through profit or loss | -                        | 359,197           | 1,068,038        | 1,427,235         |
| Derivative financial liabilities for hedge accounting                 | -                        | 251,107           | 32,477           | 283,584           |
|   | <u>38,073</u>            | <u>2,680,616</u>  | <u>1,289,713</u> | <u>4,008,402</u>  |

Fair value hierarchy classifications of the financial assets and financial liabilities whose fair values are disclosed as at September 30, 2018 and December 31, 2017, are as follows:

(In millions of Korean won)

|                                    | <b>September 30, 2018</b> |                   |                    |                    |
|------------------------------------|---------------------------|-------------------|--------------------|--------------------|
|                                    | <b>Level 1</b>            | <b>Level 2</b>    | <b>Level 3</b>     | <b>Total</b>       |
| <b>Financial assets</b>            |                           |                   |                    |                    |
| Cash and due from banks            | 1,163,568                 | 10,555,434        | 378,541            | 12,097,543         |
| Securities at amortized cost       | 4,914,503                 | 20,795,230        | -                  | 25,709,733         |
| Loan receivables at amortized cost | -                         | -                 | 212,585,601        | 212,585,601        |
| Other financial assets             | -                         | -                 | 6,435,257          | 6,435,257          |
|                                    | <u>6,078,071</u>          | <u>31,350,664</u> | <u>219,399,399</u> | <u>256,828,134</u> |
| <b>Financial liabilities</b>       |                           |                   |                    |                    |
| Deposit liabilities                | -                         | 47,438,079        | 58,699,834         | 106,137,913        |
| Debts                              | -                         | -                 | 29,449,097         | 29,449,097         |
| Debentures                         | -                         | 33,140,008        | 72,285,650         | 105,425,658        |
| Other financial liabilities        | -                         | -                 | 12,815,844         | 12,815,844         |
|                                    | -                         | <u>80,578,087</u> | <u>173,250,425</u> | <u>253,828,512</u> |

(In millions of Korean won)

|                                   | <b>December 31, 2017</b> |                |                |              |
|-----------------------------------|--------------------------|----------------|----------------|--------------|
|                                   | <b>Level 1</b>           | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
| <b>Financial assets</b>           |                          |                |                |              |
| Cash and due from banks           | 1,093,233                | 11,210,520     | 602,382        | 12,906,135   |
| Held-to-maturity financial assets | 5,458,196                | 18,002,901     | -              | 23,461,097   |
| Loan receivables                  | -                        | -              | 202,682,372    | 202,682,372  |

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|                              |                  |                   |                    |                    |
|------------------------------|------------------|-------------------|--------------------|--------------------|
| Other financial assets       | -                | -                 | 6,099,888          | 6,099,888          |
|                              | <u>6,551,429</u> | <u>29,213,421</u> | <u>209,384,642</u> | <u>245,149,492</u> |
| <b>Financial liabilities</b> |                  |                   |                    |                    |
| Deposit liabilities          | -                | 48,042,084        | 64,543,539         | 112,585,623        |
| Debts                        | -                | -                 | 27,339,662         | 27,339,662         |
| Debentures                   | -                | 24,759,443        | 69,494,246         | 94,253,689         |
| Other financial liabilities  | -                | -                 | 9,537,816          | 9,537,816          |
|                              | <u>-</u>         | <u>72,801,527</u> | <u>170,915,263</u> | <u>243,716,790</u> |

Items that are measured at fair value or for which the fair value is disclosed are categorized by the fair value hierarchy levels, and the defined levels are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

Fair value hierarchy disclosure is applicable to assets and liabilities that are measured or disclosed at fair value.

**26.3 Transfers between Fair Value Hierarchy Levels of Recurring Fair Value measurements**

The Group's policy is to recognize transfers between levels of the fair value at the date of the event or change in circumstances that caused the transfer.

Changes in Level 3 of the fair value hierarchy for the nine-month periods ended September 30, 2018 and 2017, are as follows:

**September 30, 2018**

| <i>(In millions of Korean won)</i>           | <b>Financial assets at fair value through profit or loss</b> | <b>Financial assets designated at fair value through profit or loss</b> | <b>Financial assets at fair value through other comprehensive income</b> | <b>Total financial assets</b> |
|--|--|---|--|-------------------------------|
| Beginning balance                            | 145,262  | 281,291   | 3,370,023  | 3,796,576                     |
| Changes in accounting policies               | 3,050,973  | (281,291)   | (2,782,043)  | (12,361)                      |
| Purchases                                    | 644,364  | -   | 1,842  | 646,206                       |
| Sales  | (385,393)  | -   | (5,439)  | (390,832)                     |
| Issuance                                     | -  | -   | -  | -                             |
| Settlements                                  | 123  | -   | -  | 123                           |
| Transfer from Level 3 to others <sup>1</sup> | (21,614)   | -   | -  | (21,614)                      |
| Profit or loss                               | 104,441  | -   | -  | 104,441                       |
| Other comprehensive income                   | -  | -   | (14,570)   | (14,570)                      |
| Ending balance                               | <u>3,538,156</u>   | <u>-</u>  | <u>569,813</u>   | <u>4,107,969</u>              |

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| <i>(In millions of Korean won)</i>           | <b>Financial liabilities at fair value through profit or loss</b> | <b>Financial liabilities designated at fair value through profit or loss</b> | <b>Derivative financial liabilities for hedge accounting</b> | <b>Total financial liabilities</b> |
|--|---|--|--|------------------------------------|
| Beginning balance                            | 189,198   | 1,068,038  | 32,477   | 1,289,713                          |
| Changes in accounting policies               | (23)  | 201  | -  | 178                                |
| Purchases                                    | 13,266  | -  | -  | 13,266                             |
| Sales  | (70,450)  | -  | -  | (70,450)                           |
| Issuance                                     | -   | 610,612  | -  | 610,612                            |
| Settlements                                  | 129   | (403,258)  | (32,477)   | (435,606)                          |
| Transfer from Level 3 to others <sup>1</sup> | -   | -  | -  | -                                  |
| Profit or loss                               | 103,383   | (38,299)   | -  | 65,084                             |
| Other comprehensive income                   | -   | -  | -  | -                                  |
| Ending balance                               | <u>235,503</u>  | <u>1,237,294</u>   | <u>-</u>   | <u>1,472,797</u>                   |

**September 30, 2017**

| <i>(In millions of Korean won)</i>           | <b>Financial assets at fair value through profit or loss</b> | <b>Financial assets designated at fair value through profit or loss</b> | <b>Available-for-sale financial assets</b> | <b>Total financial assets</b> |
|--|--|---|--|-------------------------------|
| Beginning balance                            | 171,058  | 250,975   | 2,597,508                                  | 3,019,541                     |
| Purchases                                    | 9,372  | 109,303   | 481,027                                    | 599,702                       |
| Sales  | (44,473)   | (40,839)  | (133,739)                                  | (219,051)                     |
| Settlements                                  | 3,269  | -   | -  | 3,269                         |
| Transfer from Level 3 to others <sup>1</sup> | -  | -   | (11,998)                                   | (11,998)                      |
| Profit or loss                               | 179  | 6,102   | (12,599)                                   | (6,318)                       |
| Other comprehensive income                   | -  | -   | 37,654                                     | 37,654                        |
| Ending balance                               | <u>139,405</u>   | <u>325,541</u>  | <u>2,957,853</u>                           | <u>3,422,799</u>              |

| <i>(In millions of Korean won)</i>           | <b>Financial liabilities at fair value through profit or loss</b> | <b>Financial liabilities designated at fair value through profit or loss</b> | <b>Derivative financial liabilities for hedge accounting</b> | <b>Total financial liabilities</b> |
|--|---|--|--|------------------------------------|
| Beginning balance                            | 194,127   | 993,815  | 33,253   | 1,221,195                          |
| Purchases                                    | 31,764  | 480,039  | -  | 511,803                            |
| Sales  | (21,294)  | (397,689)  | -  | (418,983)                          |
| Settlements                                  | 171   | -  | -  | 171                                |
| Transfer from Level 3 to others <sup>1</sup> | -   | -  | -  | -                                  |
| Profit or loss                               | (23,795)  | 29,608   | (808)  | 5,005                              |
| Other comprehensive income                   | -   | -  | -  | -                                  |
| Ending balance                               | <u>180,973</u>  | <u>1,105,773</u>   | <u>32,445</u>  | <u>1,319,191</u>                   |

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<sup>1</sup> In the case where inputs become observable, it has been transferred from Level 3 to level 2 and in the case where inputs become unobservable, it has been transferred from Level 2 to level 3. The Group recognizes transfers between levels on the date of the event or change in circumstances that caused the transfer.

**26.4 Profit or Loss in Level 3 of the Fair Value Hierarchy**

Profit or loss in Level 3 of the fair value hierarchy for the nine-month periods ended September 30, 2018 and 2017, are as follows:

*(In millions of Korean won)*

|   | 2018                 |  | 2017                 |  |
|---|----------------------|--|----------------------|--|
|   | Total profit or loss | Profit or loss related to instruments held | Total profit or loss | Profit or loss related to instruments held |
| <b>Financial assets</b>   |                      |  |                      |  |
| Financial assets at fair value through profit or loss                 | 104,441              | 112,112                                    | 179                  | 10,737                                     |
| Financial assets designated at fair value through profit or loss      | -                    | -  | 6,102                | 2,833                                      |
| Available-for-sale financial assets                                   | -                    | -  | (12,599)             | (17,058)                                   |
|   | 104,441              | 112,112                                    | (6,318)              | (3,488)                                    |
| <b>Financial liabilities</b>  |                      |  |                      |  |
| Financial liabilities at fair value through profit or loss            | (103,383)            | 93,739                                     | 23,795               | 14,041                                     |
| Financial liabilities designated at fair value through profit or loss | 38,299               | (14,184)                                   | (29,608)             | (22,287)                                   |
| Derivative financial liabilities for hedge accounting                 | -                    | -  | 808                  | 808  |
|   | (65,084)             | 79,555                                     | (5,005)              | (7,438)                                    |

Profit or loss incurred in Level 3 of the fair value hierarchy is recognized as 'net gains (losses) on financial assets/liabilities at fair value through profit or loss, 'net gains (losses) on financial assets/liabilities designated at fair value through profit or loss', 'net gains (losses) on derivative financial instruments for hedging accounting' and 'other gains (losses) from financial instruments' in the consolidated statements of comprehensive income.

**26.5 Sensitivity Analysis for Recurring Fair Value Measurements Categorized within Level 3**

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by the unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or most unfavorable. Financial instruments within Level 3 that are subject to the sensitivity analysis are derivative instruments related to interest rates and stocks whose changes in fair value are recognized in the profit or loss for the period, and equity and beneficiary securities whose changes in fair value are recognized in the profit or loss for the period or other comprehensive income.

The results of the sensitivity analysis for the effect on profit or loss from changes in inputs for each financial instrument for the nine-month periods ended September 30, 2018 and 2017, are as follows:

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(In millions of Korean won)

|  | September 30, 2018 |                            |                 |                            |
|--|--------------------|----------------------------|-----------------|----------------------------|
|  | Favorable          |                            | Unfavorable     |                            |
|  | Profit or loss     | Other comprehensive income | Profit or loss  | Other comprehensive income |
| <b>Financial assets</b>  |                    |                            |                 |                            |
| Derivative financial assets <sup>1</sup>   | 1,217              | -                          | (923)           | -                          |
| Financial assets at fair value through profit or loss <sup>2</sup>                 | 56,171             | -                          | (52,466)        | -                          |
| Financial assets at fair value through other comprehensive income <sup>2</sup>     | -                  | 363,805                    | -               | (86,477)                   |
|  | <u>57,388</u>      | <u>363,805</u>             | <u>(53,389)</u> | <u>(86,477)</u>            |
| <b>Financial liabilities</b>   |                    |                            |                 |                            |
| Derivative financial liabilities <sup>1</sup>                                      | 3,675              | -                          | (4,035)         | -                          |
| Financial liabilities designated at fair value through profit or loss <sup>1</sup> | 771                | -                          | (741)           | -                          |
|  | <u>4,446</u>       | <u>-</u>                   | <u>(4,776)</u>  | <u>-</u>                   |

(In millions of Korean won)

|  | September 30, 2017 |                            |                |                            |
|--|--------------------|----------------------------|----------------|----------------------------|
|  | Favorable          |                            | Unfavorable    |                            |
|  | Profit or loss     | Other comprehensive income | Profit or loss | Other comprehensive income |
| <b>Financial assets</b>  |                    |                            |                |                            |
| Derivative financial assets <sup>1</sup>   | 2,391              | -                          | (2,388)        | -                          |
| Financial assets designated at fair value through profit or loss <sup>1</sup>      | 1,599              | -                          | (1,599)        | -                          |
| Available-for-sale financial assets <sup>2</sup>                                   | -                  | 31,913                     | -              | (31,913)                   |
|  | <u>3,990</u>       | <u>31,913</u>              | <u>(3,987)</u> | <u>(31,913)</u>            |
| <b>Financial liabilities</b>   |                    |                            |                |                            |
| Derivative financial liabilities <sup>1</sup>                                      | 3,205              | -                          | (3,208)        | -                          |
| Financial liabilities designated at fair value through profit or loss <sup>1</sup> | 1,252              | -                          | (1,252)        | -                          |
|  | <u>4,457</u>       | <u>-</u>                   | <u>(4,460)</u> | <u>-</u>                   |

<sup>1</sup> For derivative instruments related to interest rates, changes in fair value are calculated by increasing or decreasing the correlation coefficient between interests or volatility of the underlying assets, which are significant unobservable inputs, by 10%.

<sup>2</sup> Among equity securities, changes in fair value of redeemable convertible preferred shares are calculated by increasing or decreasing the value of common shares and its volatilities by 10%. And for other equity securities, changes in their fair value are calculated by increasing or decreasing the correlation between growth ratio (0~1%) and discount rate (1%) or liquidation value (1%) and discount rate, which are significant unobservable inputs. For beneficiary certificates, their sensitivity from changes in inputs cannot be analyzed as a practical expedient. However, in case that it consists only of physical real estate, the sensitivity is calculated by changes from the correlation between discount rate on cash flows from rent (1%) and change rate in real estate sale price (1%).

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**26.6 Valuation Techniques and Inputs**

The Group uses the following valuation techniques and inputs used to develop the fair value measurements for assets and liabilities that are measured at fair value on a recurring or nonrecurring basis and categorized within Level 2 and Level 3 of the fair value hierarchy.

| (In millions of Korean won)<br>Financial assets                   | September 30, 2018 |       |  |  |  |   |  |
|---|--------------------|-------|--|--|--|---|--|
|   | Fair value         | Level | Valuation technique  | Level 3 inputs   | Unobservable inputs  | Range of unobservable inputs (%)                              | Relationship of unobservable inputs to fair value  |
| Cash and due from banks   | 10,555,434         | 2     | DCF Model  | N/A  | N/A  | N/A   | N/A  |
|   | 378,541            | 3     | DCF Model  | Other spreads  | Other spreads  | (*)   | The higher the other spreads, the lower the fair value   |
|   | 6,153,905          | 2     | DCF Model, Implied forward rates, Black-Scholes Model  | N/A  | N/A  | N/A   | N/A  |
| Financial assets at fair value through profit or loss             | 3,538,156          | 3     | DCF Model, Black-Scholes Model, Binomial trees, Hull-White model, FCFE Model, Net Asset Value, Asset-based Approach, Discount Dividend Model | Price of underlying asset, Interest rate, Exchange rate, Volatility of individual stock, Volatility of underlying asset, Interest rates correlation coefficient, Dividend yield, Growth rate, Discount rate and others | Index volatility<br>Volatility of individual stock<br>Volatility of underlying asset<br>Growth rate<br>Discount rate | 16.27 ~ 19.51<br>6.20 ~ 83.93<br>0.47<br>0.00<br>1.09 ~ 26.77 | The higher the index volatility, the higher the fair value fluctuation<br>The higher the volatility of individual stock, the higher the fair value fluctuation<br>The higher the volatility of underlying asset, the higher the fair value fluctuation<br>Fair value increases as growth rate increases<br>Fair value increases as growth rate decreases |
| Financial assets at fair value through other comprehensive income | 9,271,205          | 2     | DCF Model  | N/A  | N/A  | N/A   | N/A  |
|   | 569,813            | 3     | DCF Model, FCFE Model, Net Asset Value, Asset-based approach, Discount Dividend Model  | Growth rate, Discount rate and others  | Growth rate<br>Discount rate   | 0.00<br>4.33 ~ 15.77  | The higher the growth rate, the higher the fair value<br>The lower the discount rate, the higher the fair value  |
| Securities at amortized cost                                      | 20,795,230         | 2     | DCF Model  | N/A  | N/A  | N/A   | N/A  |
| Loan and receivables at amortized cost                            | 212,585,601        | 3     | DCF Model  | Counterparty Credit risk, Other spreads and others   | Counterparty Credit risk<br>Other spreads  | (*)<br>(*)  | The higher the counterparty credit risk, the lower the fair value<br>The higher the other spreads, the lower the fair value  |
| Derivative financial assets                                       | 42,308             | 2     | DCF Model, Implied forward   | N/A  | N/A  | N/A   | N/A  |

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| September 30, 2018   |                    |       |  |  |                                |                                  |  |
|--|--------------------|-------|--|--|--------------------------------|----------------------------------|--|
| <i>(In millions of Korean won) for hedge accounting</i>                | Fair value         | Level | Valuation technique rates  | Level 3 inputs   | Unobservable inputs            | Range of unobservable inputs (%) | Relationship of unobservable inputs to fair value                                    |
| Other financial assets   | 6,435,257          | 3     | DCF Model  | Other spreads  | Other spreads                  | (*)                              | The higher the other spreads, the lower the fair value                               |
|  | <u>270,325,450</u> |       |  |  |                                |                                  |  |
| <b>Financial liabilities</b>   |                    |       |  |  |                                |                                  |  |
|  | 1,240,084          | 2     | DCF Model, Implied forward rates, Black-Scholes Model            | N/A  | N/A                            | N/A                              | N/A  |
| Financial liabilities at fair value through profit or loss             | 235,503            | 3     | DCF Model, Black-Scholes Model, Binomial trees, Hull-White Model | Price of underlying asset, Interest rate, Exchange rate, Volatility of individual stock, Volatility of underlying asset, Mean Reversion, Interest rates correlation coefficient, Dividend yield and others | Index volatility               | 16.27 ~ 19.51                    | The higher the index volatility, the higher the fair value fluctuation               |
|  |                    |       |  |  | Volatility of individual stock | 9.83 ~ 83.93                     | The higher the volatility of individual stock, the higher the fair value fluctuation |
|  |                    |       |  |  | Volatility of underlying asset | 0.47                             | The higher the volatility of underlying asset, the higher the fair value fluctuation |
| Financial liabilities designated at fair value through profit and loss | 436,444            | 2     | DCF Model, Implied forward rates                                 | N/A  | N/A                            | N/A                              | N/A  |
|  | 1,237,294          | 3     | Monte Carlo simulation   | Index volatility and others  | Index volatility               | 15.14 ~ 43.86                    | The higher the index volatility, the higher the fair value fluctuation               |
| Deposit liabilities  | 47,438,079         | 2     | DCF Model  | N/A  | N/A                            | N/A                              | N/A  |
|  | 58,699,834         | 3     | DCF Model  | Other spreads  | Other spreads                  | (*)                              | The higher the other spreads, the lower the fair value                               |
| Debts  | 29,449,097         | 3     | DCF Model  | Other spreads  | Other spreads                  | (*)                              | The higher the other spreads, the lower the fair value                               |
|  | 33,140,008         | 2     | DCF Model  | N/A  | N/A                            | N/A                              | N/A  |
| Debentures   | 72,285,650         | 3     | DCF Model  | Other spreads  | Other spreads                  | (*)                              | The higher the other spreads, the lower the fair value                               |
| Derivative financial liabilities for hedge accounting                  | 290,030            | 2     | DCF Model, Implied forward rates                                 | N/A  | N/A                            | N/A                              | N/A  |
| Other financial liabilities  | 12,815,844         | 3     | DCF Model  | Other spreads  | Other spreads                  | (*)                              | The higher the other spreads, the lower the fair value                               |
|  | <u>257,267,867</u> |       |  |  |                                |                                  |  |

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| <i>(In millions of Korean won)</i><br><b>Financial assets</b>     | <b>December 31, 2017</b> |              |   |  |                                |   |  |
|---|--------------------------|--------------|---|--|--------------------------------|---|--|
|   | <b>Fair value</b>        | <b>Level</b> | <b>Valuation technique</b>  | <b>Level 3 inputs</b>  | <b>Unobservable inputs</b>     | <b>Range of unobservable inputs (%)</b> | <b>Relationship of unobservable inputs to fair value</b>                             |
| Cash and due from banks   | 11,210,520               | 2            | DCF Model   | N/A  | N/A                            | N/A                                     | N/A  |
|   | 602,382                  | 3            | DCF Model   | Other spreads  | Other spreads                  | (*)                                     | The higher the other spreads, the lower the fair value                               |
|   | 7,008,216                | 2            | DCF Model, Implied forward rates, Black-Scholes Model   | N/A  | N/A                            | N/A                                     | N/A  |
| Financial assets at fair value through profit or loss             |                          |              |   | Price of underlying asset, Interest rate, Exchange rate, Volatility of individual stock, Volatility of underlying asset, Interest rates correlation coefficient, Dividend yield and others | Index volatility               | 16.27 ~ 19.51                           | The higher the index volatility, the higher the fair value fluctuation               |
|   | 145,262                  | 3            | DCF Model, Black-Scholes Model, Binomial trees, Hull-White Model                                      |  | Volatility of individual stock | 9.83 ~ 83.93                            | The higher the volatility of individual stock, the higher the fair value fluctuation |
|   | 230,754                  | 2            | DCF Model, Implied forward rates  | N/A  | N/A                            | N/A                                     | The higher the volatility of underlying asset, the higher the fair value fluctuation |
| Financial assets designated at fair value through profit and loss |                          |              |   |  | Index volatility               | 16.27 ~ 19.51                           | The higher the index volatility, the higher the fair value fluctuation               |
|   | 281,291                  | 3            | DCF Model, Binomial trees, Monte Carlo simulation   | Index volatility, Volatility of individual stock, Discount rate and others   | Volatility of individual stock | 6.20 ~ 34.32                            | The higher the volatility of individual stock, the higher the fair value fluctuation |
|   | 7,836,923                | 2            | DCF Model   | N/A  | N/A                            | N/A                                     | The lower the discount rate, the higher the fair value                               |
| Available-for-sale financial assets                               |                          |              |   |  | Growth rate                    | 0.00 ~ 6.24                             | The higher the growth rate, the higher the fair value                                |
|   | 3,370,023                | 3            | DCF Model, FCFE Model, Net Asset Value, Binomial trees, Asset-based approach, Discount Dividend Model | Growth rate, Discount rate and others  | Discount rate                  | 3.35 ~ 24.18                            | The lower the discount rate, the higher the fair value                               |
| Held-to-maturity financial assets                                 | 18,002,901               | 2            | DCF Model   | N/A  | N/A                            | N/A                                     | N/A  |
| Loan receivables  | 202,682,372              | 3            | DCF Model   | Counterparty Credit risk, Other spreads and others   | Counterparty Credit risk       | (*)                                     | The higher the counterparty credit risk, the lower the fair value                    |
|   |                          |              |   |  | Other spreads                  | (*)                                     | The higher the other spreads, the lower the fair value                               |
| Derivative financial assets                                       | 40,708                   | 2            | DCF Model, Implied forward  | N/A  | N/A                            | N/A                                     | N/A  |

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| (In millions of Korean won) for hedge accounting                       | December 31, 2017  |       |  |  |  |   |  |
|--|--------------------|-------|--|--|--|---|--|
|  | Fair value         | Level | Valuation technique rates  | Level 3 inputs   | Unobservable inputs  | Range of unobservable inputs (%)              | Relationship of unobservable inputs to fair value  |
| Other financial assets   | 6,099,888          | 3     | DCF Model  | Other spreads  | Other spreads  | (*)   | The higher the other spreads, the lower the fair value   |
|  | <u>257,511,240</u> |       |  |  |  |   |  |
| <b>Financial liabilities</b>   |                    |       |  |  |  |   |  |
|  | 2,070,312          | 2     | DCF Model, Implied forward rates, Black-Scholes Model            | N/A  | N/A  | N/A   | N/A  |
| Financial liabilities held for trading                                 | 189,198            | 3     | DCF Model, Black-Scholes Model, Binomial trees, Hull-White Model | Price of underlying asset, Interest rate, Exchange rate, Volatility of individual stock, Volatility of underlying asset, Interest rates correlation coefficient, Dividend yield and others | Index volatility<br><br>Volatility of individual stock<br><br>Volatility of underlying asset | 16.27 ~ 19.51<br><br>9.83 ~ 83.93<br><br>0.50 | The higher the index volatility, the higher the fair value fluctuation<br>The higher the volatility of individual stock, the higher the fair value fluctuation<br>The higher the volatility of underlying asset, the higher the fair value fluctuation |
| Financial liabilities designated at fair value through profit and loss | 359,197            | 2     | DCF Model, Implied forward rates                                 | N/A  | N/A  | N/A   | N/A  |
|  | 1,068,038          | 3     | Monte Carlo simulation   | Index volatility and others  | Index volatility   | 16.27 ~ 19.51                                 | The higher the index volatility, the higher the fair value fluctuation   |
| Deposit liabilities  | 48,042,084         | 2     | DCF Model  | N/A  | N/A  | N/A   | N/A  |
|  | 64,543,539         | 3     | DCF Model  | Other spreads  | Other spreads  | (*)   | The higher the other spreads, the lower the fair value   |
| Debts  | 27,339,662         | 3     | DCF Model  | Other spreads  | Other spreads  | (*)   | The higher the other spreads, the lower the fair value   |
|  | 24,759,443         | 2     | DCF Model  | N/A  | N/A  | N/A   | N/A  |
| Debentures   | 69,494,246         | 3     | DCF Model  | Other spreads  | Other spreads  | (*)   | The higher the other spreads, the lower the fair value   |
|  | 251,107            | 2     | DCF Model, Implied forward rates                                 | N/A  | N/A  | N/A   | N/A  |
| Derivative financial liabilities for hedge accounting                  | 32,477             | 3     | Hull-White Model   | Underlying asset price, Interest rate, Volatility of underlying asset and others   | Volatility of underlying asset   | 0.50  | The higher the volatility of underlying asset, the higher the fair value fluctuation   |
| Other financial liabilities  | 9,537,816          | 3     | DCF Model  | Other spreads  | Other spreads  | (*)   | The higher the other spreads, the lower the fair value   |
|  | <u>247,687,119</u> |       |  |  |  |   |  |

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(\*) In respect to financial assets and liabilities with fair value disclosures, disclosure of the range of Level 3 inputs was omitted.

**26.7 Valuation Process of Fair Value Measurement Categorized Within Level 3**

The Bank organized a Valuation Committee consisting of Risk Management, Trading, and Accounting Departments in order to review the accuracy and appropriateness of valuation techniques. The Committee also discusses and approves other relevant matters such as selecting external professionals or changing the expertise. The Bank maintains a separate team designated to measure the fair value and review the financial instruments measured by the internal valuation model on a regular basis. Results of the regular reviews are reported to the head of Risk Management. As for subsidiaries, valuation techniques and the results are reported to the Director of Finance of each subsidiary and communicated to the Accounting Department of the Bank on a regular basis.

**26.8 Carrying amount of Financial Instruments by Class**

Financial assets and liabilities are measured at fair value or amortized cost. The carrying amounts of financial assets and liabilities as at September 30, 2018 and December 31, 2017, are as follows:

**September 30, 2018**

| <i>(In millions of Korean won)</i> | <b>Financial assets at fair value through profit or loss</b> | <b>Financial assets at fair value through other comprehensive income</b> | <b>Financial assets at amortized cost</b> | <b>Derivatives for hedge accounting</b> | <b>Total</b>       |
|------------------------------------|--|--|---|---|--------------------|
| <b>Financial assets</b>            |  |  |   |   |                    |
| Cash and due from banks            | 247,952  | -  | 12,097,534                                | -                                       | 12,345,486         |
| Marketable securities              | 9,421,664  | 12,881,067   | 25,632,517                                | -                                       | 47,935,248         |
| Loan receivables                   | 541,756  | -  | 212,659,924                               | -                                       | 213,201,680        |
| Derivatives                        | 1,417,748  | -  | -   | 42,308                                  | 1,460,056          |
| Other financial assets             | -  | -  | 6,433,660                                 | -                                       | 6,433,660          |
|                                    | <u>11,629,120</u>  | <u>12,881,067</u>  | <u>256,823,635</u>                        | <u>42,308</u>                           | <u>281,376,130</u> |

| <i>(In millions of Korean won)</i>                         | <b>Financial liabilities at fair value through profit or loss</b> | <b>Financial liabilities designated at fair value through profit or loss</b> | <b>Financial liability at amortized cost</b> | <b>Derivatives for hedge accounting</b> | <b>Total</b>       |
|--|---|--|--|---|--------------------|
| <b>Financial liabilities</b>                               |   |  |  |   |                    |
| Financial liabilities at fair value through profit or loss | 330,205   | 1,673,738  | -  | -                                       | 2,003,943          |
| Deposit liabilities  | -   | -  | 106,135,089                                  | -                                       | 106,135,089        |
| Debts  | -   | -  | 29,459,683                                   | -                                       | 29,459,683         |
| Debentures   | -   | -  | 105,311,117                                  | -                                       | 105,311,117        |
| Derivatives  | 1,480,802   | -  | -  | 290,030                                 | 1,770,832          |
| Other financial liabilities                                | -   | -  | 12,812,571                                   | -                                       | 12,812,571         |
|  | <u>1,811,007</u>  | <u>1,673,738</u>   | <u>253,718,460</u>                           | <u>290,030</u>                          | <u>257,493,235</u> |

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December 31, 2017

| <i>(In millions of Korean won)</i> | <b>Financial assets at fair value through profit or loss</b> | <b>Financial assets designated at fair value through profit or loss</b> | <b>Loans and receivables</b> | <b>Available-for-sale financial assets</b> |
|------------------------------------|--|---|------------------------------|--|
| <b>Financial assets</b>            |  |   |                              |  |
| Cash and due from banks            | -  | -   | 12,906,137                   | -  |
| Marketable securities              | 6,676,477  | 512,045   | -                            | 15,115,370                                 |
| Loan receivables                   | -  | -   | 202,916,215                  | -  |
| Derivatives                        | 2,150,472  | -   | -                            | -  |
| Other financial assets             | -  | -   | 6,100,386                    | -  |
|                                    | <u>8,826,949</u>   | <u>512,045</u>  | <u>221,922,738</u>           | <u>15,115,370</u>                          |

| <i>(In millions of Korean won)</i> | <b>Held-to-maturity financial assets</b> | <b>Derivatives for hedge accounting</b> | <b>Total</b>       |
|------------------------------------|--|---|--------------------|
| <b>Financial assets</b>            |  |   |                    |
| Cash and due from banks            | -  | -                                       | 12,906,137         |
| Marketable securities              | 23,528,889                               | -                                       | 45,832,781         |
| Loan receivables                   | -  | -                                       | 202,916,215        |
| Derivatives                        | -  | 40,708                                  | 2,191,180          |
| Other financial assets             | -  | -                                       | 6,100,386          |
|                                    | <u>23,528,889</u>                        | <u>40,708</u>                           | <u>269,946,699</u> |

| <i>(In millions of Korean won)</i>                         | <b>Financial liabilities at fair value through profit or loss</b> | <b>Financial liabilities designated at fair value through profit or loss</b> | <b>Financial liability at amortized cost</b> | <b>Derivatives for hedge accounting</b> | <b>Total</b>       |
|--|---|--|--|---|--------------------|
| <b>Financial liabilities</b>                               |   |  |  |   |                    |
| Financial liabilities at fair value through profit or loss | 26,216  | 1,427,235  | -  | -                                       | 1,453,451          |
| Deposit liabilities  | -   | -  | 112,590,632                                  | -                                       | 112,590,632        |
| Debts  | -   | -  | 27,339,704                                   | -                                       | 27,339,704         |
| Debentures   | -   | -  | 94,200,567                                   | -                                       | 94,200,567         |
| Derivatives  | 2,271,367   | -  | -  | 283,584                                 | 2,554,951          |
| Other financial liabilities                                | -   | -  | 9,545,691                                    | -                                       | 9,545,691          |
|  | <u>2,297,583</u>  | <u>1,427,235</u>   | <u>243,676,594</u>                           | <u>283,584</u>                          | <u>247,684,996</u> |

## 27. Equity

### Share capital

The Bank is authorized to issue two billion shares with a par value of ₩ 5,000 per share, and the details of outstanding shares as at September 30, 2018 and December 31, 2017, are as follows:

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**September 30, 2018**

(In millions of Korean won and number of shares)

|                  | Ordinary share | Convertible preferred share <sup>1</sup> | Preferred share | Total       |
|------------------|----------------|--|-----------------|-------------|
| Number of shares | 559,978,815    | 53,125,282                               | 44,847,038      | 657,951,135 |
| Book amount      | 2,799,895      | 265,626                                  | 224,235         | 3,289,756   |

**December 31, 2017**

(In millions of Korean won and number of shares)

|                  | Ordinary share | Convertible preferred share <sup>1</sup> | Preferred share | Total       |
|------------------|----------------|--|-----------------|-------------|
| Number of shares | 559,978,815    | 53,125,282                               | 44,847,038      | 657,951,135 |
| Book amount      | 2,799,895      | 265,626                                  | 224,235         | 3,289,756   |

<sup>1</sup> Convertible preferred share can be converted into ordinary share by 1:1 ratio and is non-participating and non-cumulative preferred share.

**Hybrid capital instruments**

Details of hybrid capital instruments as at September 30, 2018 and December 31, 2017, are as follows:

(In millions of Korean won)

|  | Issuance date  | Maturity date | Annual Interest rate (%) | September 30, 2018 | December 31, 2017 |
|--|----------------|---------------|--------------------------|--------------------|-------------------|
| Hybrid capital instruments in Korean won         | 2013.10.23     | 2043.10.23    | 5.25                     | 200,000            | 200,000           |
|  | 2015.03.10     | 2045.03.10    | 3.84                     | 70,000             | 70,000            |
|  | 2015.03.10     | 2045.03.10    | 4.33                     | 330,000            | 330,000           |
|  | 2015.09.14     | 2045.09.14    | 3.77                     | 200,000            | 200,000           |
|  | 2016.09.20     | -             | 3.16                     | 290,000            | 290,000           |
|  | 2016.09.20     | -             | 2.80                     | 10,000             | 10,000            |
|  | 2016.11.04     | -             | 3.27                     | 250,000            | 250,000           |
|  | 2016.11.04     | -             | 2.88                     | 50,000             | 50,000            |
|  | 2017.03.10     | -             | 3.87                     | 150,000            | 150,000           |
|  | 2017.03.10     | -             | 3.36                     | 150,000            | 150,000           |
|  | 2018.03.09     | -             | 4.21                     | 70,000             | -                 |
|  | 2018.03.09     | -             | 3.82                     | 280,000            | -                 |
|  | Issuance costs |               |                          |                    | <u>(2,765)</u>    |
|  |                |               |                          | <u>2,047,235</u>   | <u>1,697,760</u>  |
| Hybrid capital instruments in foreign currencies | 2017.07.31     | -             | 3.90                     | 335,730            | 335,730           |

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|                |                  |                  |
|----------------|------------------|------------------|
| Issuance costs | (1,947)          | (1,947)          |
|                | <u>333,783</u>   | <u>333,783</u>   |
|                | <u>2,381,018</u> | <u>2,031,543</u> |

The Bank is entitled to exercise call options five or ten years after the date of issuance and if not exercised, the interest rate is to be adjusted. The Bank has the option to renew the maturity without changing any conditions.

**Capital surplus**

Details of capital surplus as at September 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i> | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|------------------------------------|---------------------------|--------------------------|
| Share premium                      | 532,766                   | 532,766                  |
| Gain on sale of treasury share     | 12,262                    | 12,262                   |
| Other capital surplus              | <u>16,277</u>             | <u>14,287</u>            |
|                                    | <u>561,305</u>            | <u>559,315</u>           |

**Accumulated other comprehensive income**

Changes in accumulated other comprehensive income for the nine-month periods ended September 30, 2018 and 2017, are as follows:

**September 30, 2018**

| <i>(In millions of Korean won)</i>  | Valuation<br>gain (loss)<br>of debt<br>securities<br>through<br>other<br>comprehen-<br>sive income | Share of<br>other<br>comprehen-<br>sive income<br>of associates | Exchange<br>differences | Valuation<br>gain (loss)<br>of cash flow<br>hedge | Valuation<br>gain (loss)<br>of hedge of<br>a net<br>investment<br>in a foreign<br>operation | Overlay<br>adjustment |
|---|--|---|-------------------------|---|---|-----------------------|
| Beginning   | (41,804)   | 5,000   | (73,323)                | 10  | 14,923  | -                     |
| Changes in accounting<br>policies   | (7,365)  | -   | -                       | -   | -   | (1,934)               |
| Valuation gain (loss) of debt<br>securities at fair value<br>through other<br>comprehensive income                                |  |   |                         |   |   |                       |
| - Reclassification of<br>valuation of debt securities<br>at fair value through other<br>comprehensive income to<br>profit or loss | 8,412  | -   | -                       | -   | -   | -                     |
| - Fair value changes of debt<br>securities at fair value<br>through other<br>comprehensive income                                 | 38,182   | -   | -                       | -   | -   | -                     |
| - Tax effect  | (12,814)   | -   | -                       | -   | -   | -                     |
|   | <u>33,780</u>  | <u>-</u>  | <u>-</u>                | <u>-</u>  | <u>-</u>  | <u>-</u>              |
| Share of other<br>comprehensive income of   |  |   |                         |   |   |                       |

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| <i>(In millions of Korean won)</i>  | Valuation<br>gain (loss)<br>of debt<br>securities<br>through<br>other<br>comprehen-<br>sive income | Share of<br>other<br>comprehen-<br>sive income<br>of associates | Exchange<br>differences | Valuation<br>gain (loss)<br>of cash flow<br>hedge | Valuation<br>gain (loss)<br>of hedge of<br>a net<br>investment<br>in a foreign<br>operation | Overlay<br>adjustment |
|---|--|---|-------------------------|---|---|-----------------------|
| associates  |  |   |                         |   |   |                       |
| - Share of other<br>comprehensive income of<br>associates   | -  | (4,931)   | -                       | -   | -   | -                     |
| - Tax effect  | -  | 1,356   | -                       | -   | -   | -                     |
|   | -  | (3,575)   | -                       | -   | -   | -                     |
| Exchange difference   | -  | -   | 4,862                   | -   | -   | -                     |
| Cash flow hedge   |  |   |                         |   |   |                       |
| - Changes in cash flow<br>hedge   | -  | -   | -                       | 654   | -   | -                     |
| - Tax effect  | -  | -   | -                       | (180)   | -   | -                     |
|   | -  | -   | -                       | 474   | -   | -                     |
| Hedge of a net investment<br>in a foreign operation   |  |   |                         |   |   |                       |
| - Gain or loss of valuation   | -  | -   | -                       | -   | (9,718)   | -                     |
| - Tax effect  | -  | -   | -                       | -   | 2,672   | -                     |
|   | -  | -   | -                       | -   | (7,046)   | -                     |
| Reclassification between<br>profit or loss and other<br>comprehensive income<br>applying the overlay<br>approach                          |  |   |                         |   |   |                       |
| - Overlay adjustment  | -  | -   | -                       | -   | -   | (6,170)               |
| - Tax effect  | -  | -   | -                       | -   | -   | 1,697                 |
|   | -  | -   | -                       | -   | -   | (4,473)               |
| Valuation gain (loss) of<br>financial liabilities<br>designated at fair value<br>through profit or loss                                   |  |   |                         |   |   |                       |
| - Gain or loss of valuation   | -  | -   | -                       | -   | -   | -                     |
| - Tax effect  | -  | -   | -                       | -   | -   | -                     |
|   | -  | -   | -                       | -   | -   | -                     |
| Valuation gain (loss) of<br>equity securities at fair<br>value through other<br>comprehensive income                                      |  |   |                         |   |   |                       |
| - Reclassification of<br>valuation of equity<br>securities at fair value<br>through other<br>comprehensive income to<br>retained earnings | -  | -   | -                       | -   | -   | -                     |

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| <i>(In millions of Korean won)</i>   | Valuation gain (loss) of debt securities through other comprehensive income | Share of other comprehensive income of associates | Exchange differences | Valuation gain (loss) of cash flow hedge | Valuation gain (loss) of hedge of a net investment in a foreign operation | Overlay adjustment |
|--|---|---|----------------------|--|---|--------------------|
| - Fair value changes of equity securities at fair value through other comprehensive income                       | -   | -   | -                    | -  | -   | -                  |
| - Tax effect   | -   | -   | -                    | -  | -   | -                  |
| Valuation gain (loss) of equity securities at fair value through other comprehensive income for hedge accounting | -   | -   | -                    | -  | -   | -                  |
| - Gain or loss of valuation  | -   | -   | -                    | -  | -   | -                  |
| - Tax effect   | -   | -   | -                    | -  | -   | -                  |
| Net defined benefit liabilities  | -   | -   | -                    | -  | -   | -                  |
| - Remeasurements   | -   | -   | -                    | -  | -   | -                  |
| - Tax effect   | -   | -   | -                    | -  | -   | -                  |
| Ending   | (15,389)  | 1,425   | (68,461)             | 484                                      | 7,877   | (6,407)            |

| <i>(In millions of Korean won)</i>  | Valuation gain (loss) of financial liabilities designated at fair value through profit or loss | Valuation gain (loss) of equity securities at fair value through other comprehensive income | Valuation gain (loss) of equity securities at fair value through other comprehensive income for hedge accounting | Remeasurements of net defined benefit liabilities | Total     |
|---|--|---|--|---|-----------|
| Beginning   | -  | 848,838   | -  | (92,698)  | 660,946   |
| Changes in accounting policies  | 3  | (67,723)  | (23,546)   | -   | (100,565) |
| Valuation gain (loss) of debt securities at fair value through other comprehensive income                             | -  | -   | -  | -   | -         |
| - Reclassification of valuation of debt securities at fair value through other comprehensive income to profit or loss | -  | -   | -  | -   | 8,412     |
| - Fair value changes of debt securities at fair value through other comprehensive income                              | -  | -   | -  | -   | 38,182    |
| - Tax effect  | -  | -   | -  | -   | (12,814)  |

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| <i>(In millions of Korean won)</i>   | Valuation gain<br>(loss) of<br>financial<br>liabilities<br>designated at<br>fair value<br>through profit<br>or loss | Valuation gain<br>(loss) of equity<br>securities at<br>fair value<br>through other<br>comprehensive<br>income | Valuation gain<br>(loss) of equity<br>securities<br>at fair value<br>through other<br>comprehensive<br>income for<br>hedge<br>accounting | Remeasure-<br>ments<br>of net defined<br>benefit<br>liabilities | Total    |
|--|---|---|--|---|----------|
|  | -   | -   | -  | -   | 33,780   |
| Share of other comprehensive<br>income of associates   |   |   |  |   |          |
| - Share of other<br>comprehensive income of<br>associates  | -   | -   | -  | -   | (4,931)  |
| - Tax effect   | -   | -   | -  | -   | 1,356    |
|  | -   | -   | -  | -   | (3,575)  |
| Exchange difference  | -   | -   | -  | -   | 4,862    |
| Cash flow hedge  |   |   |  |   |          |
| - Changes in cash flow hedge   | -   | -   | -  | -   | 654      |
| - Tax effect   | -   | -   | -  | -   | (180)    |
|  | -   | -   | -  | -   | 474      |
| Hedge of a net investment<br>in a foreign operation  |   |   |  |   |          |
| - Gain or loss of valuation  | -   | -   | -  | -   | (9,718)  |
| - Tax effect   | -   | -   | -  | -   | 2,672    |
|  | -   | -   | -  | -   | (7,046)  |
| Reclassification between profit<br>or loss and other<br>comprehensive income<br>applying the overlay approach                          |   |   |  |   |          |
| - Overlay adjustment   | -   | -   | -  | -   | (6,170)  |
| - Tax effect   | -   | -   | -  | -   | 1,697    |
|  | -   | -   | -  | -   | (4,473)  |
| Valuation gain (loss) of financial<br>liabilities designated at fair<br>value through profit or loss                                   |   |   |  |   |          |
| - Gain or loss of valuation  | (4)   | -   | -  | -   | (4)      |
| - Tax effect   | 1   | -   | -  | -   | 1        |
|  | (3)   | -   | -  | -   | (3)      |
| Valuation gain (loss) of equity<br>securities at fair value<br>through other comprehensive<br>income                                   |   |   |  |   |          |
| - Reclassification of valuation<br>of equity securities at fair<br>value through other<br>comprehensive income to<br>retained earnings | -   | (32,938)  | -  | -   | (32,938) |
| - Fair value changes of equity   | -   | (78,929)  | -  | -   | (78,929) |

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| <i>(In millions of Korean won)</i>  | Valuation gain<br>(loss) of<br>financial<br>liabilities<br>designated at<br>fair value<br>through profit<br>or loss | Valuation gain<br>(loss) of equity<br>securities at<br>fair value<br>through other<br>comprehensive<br>income | Valuation gain<br>(loss) of equity<br>securities<br>at fair value<br>through other<br>comprehensive<br>income for<br>hedge<br>accounting | Remeasure-<br>ments<br>of net defined<br>benefit<br>liabilities | Total    |
|---|---|---|--|---|----------|
| securities at fair value<br>through other comprehensive<br>income   |   |   |  |   |          |
| - Tax effect  | -   | 30,763  | -  | -   | 30,763   |
|   | -   | (81,104)  | -  | -   | (81,104) |
| Valuation gain (loss) of equity<br>securities at fair value through<br>other comprehensive income<br>for hedge accounting |   |   |  |   |          |
| - Gain or loss of valuation   | -   | -   | 32,477   | -   | 32,477   |
| - Tax effect  | -   | -   | (8,931)  | -   | (8,931)  |
|   | -   | -   | 23,546   | -   | 23,546   |
| Net defined benefit liabilities   |   |   |  |   |          |
| - Remeasurements  | -   | -   | -  | (9,698)   | (9,698)  |
| - Tax effect  | -   | -   | -  | 2,667   | 2,667    |
|   | -   | -   | -  | (7,031)   | (7,031)  |
| Ending  | -   | 700,011   | -  | (99,729)  | 519,811  |

**September 30, 2017**

| <i>(In millions of Korean won)</i>                        | Valuation<br>gain (loss)<br>of available-<br>for-sale<br>financial<br>assets | Share of<br>other<br>comprehen-<br>sive income<br>of associates | Exchange<br>differences | Valuation<br>gain (loss)<br>of cash flow<br>hedge | Valuation<br>gain (loss)<br>of hedge of<br>a net<br>investment<br>in a foreign<br>operation | Remeasure-<br>ments<br>of net<br>defined<br>benefit<br>liabilities | Total    |
|---|--|---|-------------------------|---|---|--|----------|
| Beginning   | 756,058  | 7,183   | (5,343)                 | -   | (8,400)   | (82,902)   | 666,596  |
| Available-for-sale financial<br>assets                    |  |   |                         |   |   |  |          |
| - Reclassification of AFS<br>to profit or loss            | (53,326)   | -   | -                       | -   | -   | -  | (53,326) |
| - Fair value changes of<br>AFS                            | 102,870  | -   | -                       | -   | -   | -  | 102,870  |
| - Tax effect  | (11,990)   | -   | -                       | -   | -   | -  | (11,990) |
|   | 37,554   | -   | -                       | -   | -   | -  | 37,554   |
| Share of other<br>comprehensive income of<br>associates   |  |   |                         |   |   |  |          |
| - Share of other<br>comprehensive income<br>of associates | -  | (792)   | -                       | -   | -   | -  | (792)    |
| - Tax effect  | -  | 191   | -                       | -   | -   | -  | 223      |

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|  |         |       |          |     |         |          |          |
|--|---------|-------|----------|-----|---------|----------|----------|
|  | -       | (601) | -        | -   | -       | -        | (601)    |
| Exchange difference                              | -       | -     | (21,022) | -   | -       | -        | (21,022) |
| Cash flow hedge                                  |         |       |          |     |         |          |          |
| - Changes in cash flow hedge                     | -       | -     | -        | 10  | -       | -        | 10       |
| - Tax effect                                     | -       | -     | -        | (2) | -       | -        | (2)      |
|  | -       | -     | -        | 8   | -       | -        | 8        |
| Hedge of a net investment in a foreign operation |         |       |          |     |         |          |          |
| - Gain or loss of valuation                      | -       | -     | -        | -   | 13,574  | -        | 13,574   |
| - Tax effect                                     | -       | -     | -        | -   | (3,285) | -        | (3,285)  |
|  | -       | -     | -        | -   | 10,289  | -        | 10,289   |
| Net defined benefit liabilities                  |         |       |          |     |         |          |          |
| - Remeasurements                                 | -       | -     | -        | -   | -       | (5,326)  | (5,326)  |
| - Tax effect                                     | -       | -     | -        | -   | -       | 1,289    | 1,289    |
|  | -       | -     | -        | -   | -       | (4,037)  | (4,037)  |
| Ending   | 793,612 | 6,582 | (26,365) | 8   | 1,889   | (86,939) | 688,787  |

**Gain (loss) on valuation of financial assets at fair value through other comprehensive income**

The Group recognizes the changes in fair value of financial assets at fair value through other comprehensive income of debt and equity securities as other comprehensive income.

**Changes in other comprehensive income of investee**

The Group recognizes its proportionate share of changes in other comprehensive income of the investee as share of other comprehensive income of associates.

**Exchange differences**

The Group recognizes the exchange difference caused by translating the financial statements of overseas branches into the presentation currency in other comprehensive income.

**Cash flow hedge**

For cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized directly in equity as the other comprehensive income.

**Changes in valuation of hedge of a net investment in a foreign operation**

The Group has non-derivatives designated as hedging instruments to hedge an investment in foreign operation and the effective portion of hedging investments is recognized in other comprehensive income.

**Reclassification between profit or loss and other comprehensive income applying the overlay approach**

Until Korean IFRS 1117 *Insurance Contract* is applied by the Group, which will be January 1, 2021, any profit or loss incurring from application of Korean IFRS 1109 *Financial Instruments*, will be recognized as other comprehensive income.

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**Changes in valuation of financial liabilities designated at fair value through profit or loss**

The Group recognizes the changes in own credit risk of financial liabilities designated at fair value through profit or loss as other comprehensive income.

**Changes in valuation of equity securities at fair value through other comprehensive income for hedge accounting**

The Group recognizes the changes in fair value of hedging instruments where hedged items are the equity securities at fair value through other comprehensive income for as other comprehensive income.

**Remeasurements of net defined benefit liabilities**

The Group recognizes the remeasurements of net defined benefit liabilities as other comprehensive income.

**28. Retained Earnings**

Retained earnings as at September 30, 2018 and December 31, 2017, consist of:

| <i>(In millions of Korean won)</i>            | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|---|---------------------------|--------------------------|
| Legal reserves <sup>1</sup>                   | 3,369,260                 | 3,364,142                |
| Reserve for credit losses                     | 2,494,095                 | 2,219,478                |
| Voluntary reserve other than recapitalization | 6,363,974                 | 5,776,299                |
| Retained earnings before appropriation        | <u>1,746,324</u>          | <u>1,795,895</u>         |
|   | <u>13,973,653</u>         | <u>13,155,814</u>        |

<sup>1</sup> Pursuant to Article 42 of the Medium and Small Sized Entity Banking Act, the Bank appropriates no less than 25% of net income until the reserve reaches the total amount of the share capital. Also, in accordance with Commercial Code of the Republic of Korea, the Group's subsidiaries appropriate, as a legal reserve, an amount equal to a minimum of 10% of cash dividends paid until such reserve equals 50% of its issued share capital. The reserves can only be transferred to share capital or used to reduce deficit. Other reserves reserved by the Bank's Tokyo, and Ho Chi Minh City, Hanoi and New Delhi branches in accordance with the local banking laws, respectively, are included. When the accumulated legal reserves are greater than 1.5 times the paid-in capital amount, the excess legal reserves may be distributed.

**Reserve for Credit Losses**

The reserve for credit losses is calculated in accordance with the Supervisory Regulations on Banking Business Article 29 (1) and (2), and is disclosed in the notes to the consolidated financial statements.

Details of reserve for credit losses as at September 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i> | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|------------------------------------|---------------------------|--------------------------|
| Beginning                          | 2,494,095                 | 2,219,478                |
| Estimated                          |                           |                          |
| Changes in accounting policies     | (298,490)                 | -                        |
| Estimated amount of reserve        | <u>222,679</u>            | <u>274,617</u>           |
|                                    | <u>(75,811)</u>           | <u>274,617</u>           |

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|        |           |           |
|--------|-----------|-----------|
| Ending | 2,418,284 | 2,494,095 |
|--------|-----------|-----------|

Details of provision of reserve for credit losses and adjusted profit after reserve for credit losses for the three-month and nine-month periods ended September 30, 2018 and 2017, are as follows:

*(in millions of Korean won)*

|   | 2018         |             | 2017         |             |
|---|--------------|-------------|--------------|-------------|
|   | Three months | Nine months | Three months | Nine months |
| Provision of reserve for credit losses                                    | (22,203)     | 222,679     | 124,017      | 328,592     |
| Adjusted profit after provision of reserve for credit losses <sup>1</sup> | 545,249      | 1,237,586   | 327,107      | 922,021     |
| Adjusted profit attributable to owners of the Bank <sup>1</sup>           | 542,497      | 1,229,418   | 325,694      | 917,026     |
| Adjusted earnings per share <i>(in Korean won)</i>                        | 789          | 1,768       | 467          | 1,320       |

<sup>1</sup> Adjusted profit after provision of reserve for credit losses and adjusted profit attributable to owners of the Group are not in accordance with Korean IFRS, and calculated with the assumption that provision (reversal) of reserve for credit losses before income tax is adjusted to the profit and profit attributable to owners.

## 29. Net Interest Income and Expenses

Interest income and expenses for the three-month and nine-month periods ended September 30, 2018 and 2017, are as follows:

*(In millions of Korean won)*

|   | 2018         |             | 2017         |             |
|---|--------------|-------------|--------------|-------------|
|   | Three months | Nine months | Three months | Nine months |
| Interest income   |              |             |              |             |
| Cash and due from banks   | 17,849       | 57,630      | 22,366       | 54,344      |
| Financial assets at fair value through profit or loss                 | 35,767       | 115,454     | 30,715       | 89,593      |
| Financial assets designated at fair value through profit or loss      | -            | -           | 913          | 2,745       |
| Financial assets at fair value through other comprehensive income     | 51,821       | 150,705     | -            | -           |
| Available-for-sale financial assets                                   | -            | -           | 43,458       | 138,258     |
| Securities at amortized cost  | 136,175      | 379,531     | -            | -           |
| Held-to-maturity financial assets                                     | -            | -           | 106,913      | 284,057     |
| Loan and receivables at amortized cost                                | 2,029,902    | 5,863,754   | -            | -           |
| Loan and receivables  | -            | -           | 1,827,290    | 5,324,831   |
| Others  | 44,266       | 107,307     | 30,242       | 89,357      |
|   | 2,315,780    | 6,674,381   | 2,061,897    | 5,983,185   |
| Interest expenses   |              |             |              |             |
| Financial liabilities at fair value through profit or loss            | -            | -           | 1,446        | 5,575       |
| Financial liabilities designated at fair value through profit or loss | 21           | 49          | -            | -           |
| Deposit liabilities   | 210,235      | 628,111     | 193,250      | 568,344     |

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|                     |           |           |           |           |
|---------------------|-----------|-----------|-----------|-----------|
| Debts               | 107,710   | 307,024   | 86,791    | 1,227,484 |
| Debentures          | 552,954   | 1,509,557 | 416,985   | 254,698   |
| Others              | 15,518    | 45,969    | 10,744    | 30,111    |
|                     | 886,438   | 2,490,710 | 709,216   | 2,086,212 |
| Net interest income | 1,429,342 | 4,183,671 | 1,352,681 | 3,896,973 |

Interest income for impaired financial assets for the nine-month periods ended September 30, 2018 and 2017, amounts to ₩ 36,355 million and ₩ 24,631 million, respectively.

### 30. Net Fee and Commission Income and Expenses

Details of fee and commission income and expenses for the three-month and nine-month periods ended September 30, 2018 and 2017, are as follows:

(In millions of Korean won)

|   | 2018         |             | 2017         |             |
|---|--------------|-------------|--------------|-------------|
|   | Three months | Nine months | Three months | Nine months |
| Fees and commission income                |              |             |              |             |
| Commission income in Korean won           | 115,681      | 384,047     | 124,542      | 375,870     |
| Commission income in foreign currency     | 35,918       | 105,839     | 36,937       | 111,340     |
| Commissions income related to credit card | 47,763       | 153,981     | 44,869       | 134,733     |
| Guarantee fees                            | 11,538       | 34,877      | 11,983       | 35,279      |
|   | 210,900      | 678,744     | 218,331      | 657,222     |
| Fees and commission expenses              |              |             |              |             |
| Commissions paid in Korean won            | 16,718       | 65,101      | 19,183       | 68,838      |
| Commissions paid in foreign currency      | 3,558        | 10,902      | 5,444        | 12,050      |
| Commissions paid related to credit card   | 94,447       | 269,345     | 83,908       | 246,262     |
|   | 114,723      | 345,348     | 108,535      | 327,150     |
| Net fees and commission income            | 96,177       | 333,396     | 109,796      | 330,072     |

### 31. Net Gain or Loss from Financial Instruments through profit and loss

Net gain or loss from financial instruments through profit and loss for the nine-month periods ended September 30, 2018 and 2017, are as follows:

#### September 30, 2018

| (In millions of Korean won)       | Dividend income | Other gains | Valuation gain | Valuation loss | Gain on sale | Loss on sale | Net gain |
|-----------------------------------|-----------------|-------------|----------------|----------------|--------------|--------------|----------|
| Securities                        |                 |             |                |                |              |              |          |
| Equity securities                 | 24,449          | -           | 68,395         | 34,058         | 78,472       | 69,965       | 67,293   |
| Beneficiary securities and others | -               | 77,427      | 77,886         | 27,348         | 25,916       | 8,740        | 145,141  |
| Debt securities                   | -               | -           | 33,382         | 36,320         | 41,123       | 25,094       | 13,091   |
|                                   | 24,449          | 77,427      | 179,663        | 97,726         | 145,511      | 103,799      | 225,525  |

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|                  |        |        |           |           |           |           |         |
|------------------|--------|--------|-----------|-----------|-----------|-----------|---------|
| Derivatives      | -      | -      | 1,393,966 | 1,369,551 | 1,824,014 | 1,725,219 | 123,210 |
| Loan receivables | -      | -      | 32,139    | 24,352    | 27,219    | 10,420    | 24,586  |
| Due from banks   | -      | -      | 554       | -         | 2,035     | -         | 2,589   |
| Securities sold  | -      | -      | 1,291     | 477       | 627       | 239       | 1,202   |
|                  | 24,449 | 77,427 | 1,607,613 | 1,492,106 | 1,999,406 | 1,839,677 | 377,112 |

**September 30, 2017**

| <i>(In millions of Korean won)</i> | Dividend income | Other gains | Valuation gain | Valuation loss | Gain on sale | Loss on sale | Net gain (loss) |
|------------------------------------|-----------------|-------------|----------------|----------------|--------------|--------------|-----------------|
| Equity securities                  | 4,595           | -           | 1,722          | 754            | 10,717       | 2,638        | 13,642          |
| Debt securities                    | -               | -           | 5,687          | 12,014         | 33,889       | 36,184       | (8,622)         |
| Derivatives                        | -               | -           | 1,450,998      | 1,455,369      | 3,120,919    | 3,142,344    | (25,796)        |
| Securities sold                    | -               | -           | 765            | 47             | 1,188        | 314          | 1,592           |
| Others                             | -               | -           | 3,540          | 1,441          | 7,772        | 3,543        | 6,328           |
|                                    | 4,595           | -           | 1,462,712      | 1,469,625      | 3,174,485    | 3,185,023    | (12,856)        |

Net gain or loss from financial instruments designated at fair value through profit or loss for the nine-month periods ended September 30, 2018 and 2017, are as follows:

**September 30, 2018**

| <i>(In millions of Korean won)</i>                               | Dividend income | Valuation gain | Valuation loss | Gain on sale | Loss on sale | Net loss |
|--|-----------------|----------------|----------------|--------------|--------------|----------|
| Financial assets designated at fair value through profit or loss | -               | 51,865         | 27,613         | 1,066        | 45,599       | (20,281) |

**September 30, 2017**

| <i>(In millions of Korean won)</i>                               | Dividend income | Valuation gain | Valuation loss | Gain on sale | Loss on sale | Net loss |
|--|-----------------|----------------|----------------|--------------|--------------|----------|
| Financial assets designated at fair value through profit or loss | 69              | 30,107         | 40,598         | 10,982       | 42,068       | (41,508) |

**32. Gain or Loss from Financial Assets at Fair Value through Other Comprehensive Income**

Gain or loss from financial assets at fair value through other comprehensive income for the three-month and nine-month period ended September 30, 2018, are as follows:

*(In millions of Korean won)*

|                 | September 30, 2018 |             |
|-----------------|--------------------|-------------|
|                 | Three months       | Nine months |
| Dividend income | 1,078              | 54,551      |
| Gain on sale    | 4,453              | 6,669       |
| Loss on sale    | (417)              | (2,232)     |
|                 | 5,114              | 58,988      |

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**33. Other Gain or Loss from Financial Instruments**

Other gain or loss from financial instruments for the three-month and nine-month period ended September 30, 2017, are as follows:

(In millions of Korean won)

|                                     | <b>September 30, 2017</b> |                    |
|-------------------------------------|---------------------------|--------------------|
|                                     | <b>Three months</b>       | <b>Nine months</b> |
| Available-for-sale financial assets |                           |                    |
| Dividend income                     | 17,698                    | 100,435            |
| Gain on sale                        | 45,605                    | 156,882            |
| Loss on sale                        | (4,079)                   | (10,297)           |
| Loan receivables                    |                           |                    |
| Gain on sale                        | 13,910                    | 48,655             |
| Loss on sale                        | (1,040)                   | (48,171)           |
| Others                              | 3,852                     | 10,118             |
|                                     | <u>75,946</u>             | <u>257,622</u>     |

**34. General Administrative Expenses**

General administrative expenses for the three-month and nine-month periods ended September 30, 2018 and 2017, are as follows:

(In millions of Korean won)

|  | <b>2018</b>         |                    | <b>2017</b>         |                    |
|--|---------------------|--------------------|---------------------|--------------------|
|  | <b>Three months</b> | <b>Nine months</b> | <b>Three months</b> | <b>Nine months</b> |
| Employee-related expenses                        |                     |                    |                     |                    |
| Salaries   | 272,769             | 897,105            | 264,100             | 837,290            |
| Employee benefits                                | 3,541               | 7,088              | 3,579               | 6,888              |
| Post-employment benefits(defined benefits)       | 29,695              | 88,766             | 29,223              | 87,826             |
| Post-employment benefits (defined contributions) | 2,123               | 4,060              | 732                 | 1,855              |
| Special post-employment benefits                 | 1,283               | 3,148              | 1,437               | 2,613              |
|  | <u>309,411</u>      | <u>1,000,167</u>   | <u>299,071</u>      | <u>936,472</u>     |
| Other general administrative expenses            |                     |                    |                     |                    |
| Rental expenses                                  | 24,128              | 72,188             | 25,318              | 75,486             |
| Taxes and dues                                   | 26,485              | 89,941             | 28,832              | 84,745             |
| Advertising expenses                             | 16,064              | 49,765             | 16,645              | 49,304             |
| Depreciation on investment properties            | 244                 | 713                | 268                 | 649                |
| Depreciation on property and equipment           | 19,760              | 55,588             | 22,419              | 63,477             |
| Amortization                                     | 20,901              | 61,695             | 20,814              | 62,068             |
| Payment commissions                              | 34,138              | 95,315             | 36,407              | 91,255             |
| Awards expense                                   | 319                 | 985                | 365                 | 1,401              |
| Others   | 78,296              | 267,415            | 77,312              | 256,247            |
|  | <u>220,335</u>      | <u>693,605</u>     | <u>228,380</u>      | <u>684,632</u>     |
|  | <u>529,746</u>      | <u>1,693,772</u>   | <u>527,451</u>      | <u>1,621,104</u>   |

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**35. Other Operating Income**

Other operating income for the three-month and nine-month periods ended September 30, 2018 and 2017, are as follows:

*(In millions of Korean won)*

|  | 2018          |                | 2017          |                |
|--|---------------|----------------|---------------|----------------|
|  | Three months  | Nine months    | Three months  | Nine months    |
| Reversal of provision for payment guarantee  | -             | 9,792          | -             | -              |
| Reversal of provision for unused commitments | 3,660         | 6,785          | 3,130         | 14,810         |
| Reversal of provision for restoration costs  | -             | -              | -             | -              |
| Reversal of provision for litigation         | 742           | 1,479          | -             | -              |
| Reversal of provision for award credits      | -             | -              | -             | 354            |
| Reversal of other provisions                 | -             | -              | -             | 28             |
| Others                                       | 48,010        | 155,994        | 39,034        | 109,671        |
|  | <u>52,412</u> | <u>174,050</u> | <u>42,164</u> | <u>124,863</u> |

**36. Other Operating Expenses**

Other operating expenses for the three-month and nine-month periods ended September 30, 2018 and 2017, are as follows:

*(In millions of Korean won)*

|  | 2018           |                | 2017           |                |
|--|----------------|----------------|----------------|----------------|
|  | Three months   | Nine months    | Three months   | Nine months    |
| Contribution expenses                              | 85,382         | 250,363        | 76,317         | 237,706        |
| Contribution to provision for payment guarantees   | 680            | -              | 6,470          | 506            |
| Contribution to provision for financial guarantees | 436            | 1,738          | 858            | 4,962          |
| Contribution to provision for restoration costs    | 2              | 9              | 2              | -              |
| Contribution to provision for litigation           | -              | -              | 746            | 10,546         |
| Contribution to provision for award credits        | 78             | 217            | 2              | -              |
| Contribution to other provisions                   | 9,246          | 16,275         | 2,698          | 19,354         |
| Others   | 88,823         | 274,957        | 82,835         | 229,968        |
|  | <u>184,647</u> | <u>543,559</u> | <u>169,928</u> | <u>503,042</u> |

**37. Non-operating Income and Expenses**

Non-operating income and expenses for the three-month and nine-month periods ended September 30, 2018 and 2017, are as follows:

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(In millions of Korean won)

|  | 2018           |                | 2017           |                 |
|--|----------------|----------------|----------------|-----------------|
|  | Three months   | Nine months    | Three months   | Nine months     |
| Non-operating income                           |                |                |                |                 |
| Gain on valuation of investments in associates | 20             | 2,847          | (2,009)        | 1,291           |
| Gain on disposal of investments in associates  | 112            | 278            | 44             | 661             |
| Gain on disposal of investment properties      | 8,806          | 8,806          | -              | -               |
| Gain on disposal of property and equipment     | 6              | 317            | 21             | 512             |
| Gain on disposal of intangible assets          | 417            | 776            | 415            | 497             |
| Rental income                                  | 1,291          | 4,198          | 829            | 1,713           |
| Other gains                                    | 11,798         | 32,817         | 7,961          | 24,834          |
|  | <u>22,450</u>  | <u>50,039</u>  | <u>7,261</u>   | <u>29,508</u>   |
| Non-operating expenses                         |                |                |                |                 |
| Loss on valuation of investments in associates | 142            | 3,151          | 394            | 3,954           |
| Loss on disposal of investments in associates  | 53             | 1,236          | (1)            | 267             |
| Impairment loss on investments in associates   | -              | -              | -              | 4,288           |
| Loss on disposal of property and equipment     | 28             | 273            | 144            | 287             |
| Loss on obsolescence of property and equipment | 9              | 36             | 321            | 374             |
| Loss on disposal of intangible assets          | -              | 22             | -              | 3               |
| Loss on disposal of investment properties      | 657            | 657            | -              | -               |
| Return on dormant deposits                     | 162            | 609            | 1,442          | 7,828           |
| Donation                                       | 3,930          | 15,333         | 3,675          | 11,209          |
| Other loss                                     | 18,719         | 32,078         | 3,646          | 14,545          |
|  | <u>23,700</u>  | <u>53,395</u>  | <u>9,621</u>   | <u>42,755</u>   |
|  | <u>(1,250)</u> | <u>(3,356)</u> | <u>(2,360)</u> | <u>(13,247)</u> |

**38. Transferable or Transferred Financial Assets**

Transferable or transferred financial assets that are not completely derecognized as at September 30, 2018 and December 31, 2017, are as follows:

**September 30, 2018**

(In millions of Korean won)

|             | Financial assets sold under repurchase agreement <sup>1</sup> |   |                              | Loaned securities   |                              |
|-------------|---|---|------------------------------|---|------------------------------|
|             | Financial assets at fair value through profit or loss         | Financial assets at fair value through other comprehensive income | Securities at amortized cost | Financial assets at fair value through other comprehensive income | Securities at amortized cost |
| Book amount | 1,375,126   | 828,699   | 50,422                       | -   | 200,517                      |

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**December 31, 2017**

(In millions of Korean won)

|                    | Financial assets sold under repurchase agreement <sup>1</sup> |                                   | Loaned securities                   |                                   | Asset-backed securitization <sup>2</sup>                          |
|--------------------|---|-----------------------------------|-------------------------------------|-----------------------------------|---|
|                    | Financial assets at fair value through profit or loss         | Held-to-maturity financial assets | Available-for-sale financial assets | Held-to-maturity financial assets | Financial assets designated at fair value through profit and loss |
| <b>Book amount</b> | 1,356,491   | 105,028                           | 79,920                              | 136,748                           | 10,149  |

<sup>1</sup> Assets that were not derecognized are restricted, and ₩ 2,333,850 million and ₩ 1,456,760 million were reported as borrowings related to bonds sold under repurchase agreements as at September 30, 2018 and December 31, 2017, respectively.

<sup>2</sup> The Group transferred the Group's holding hybrid capital instruments via contract with a securitization company in 2017. This transaction is accounted for as direct holding hybrid capital instruments since the Group assumes obligations when the securitization company issues asset-backed securities based on the hybrid capital instruments. Assets that were not derecognized are restricted on the use such as disposals and others, and ₩ 10,149 million were reported as other liabilities related to hybrid capital instruments as at December 31, 2017.

### 39. Offsetting of Financial Assets and Liabilities

The Group's financial instruments including derivatives, repurchase agreements, securities lending transactions and others are subject to a viable master netting agreement or similar agreements including derivative clearing agreements, global master repurchase agreements, global master securities lending agreements, and financial collateral.

Details of the Group's recognized financial assets subject to enforceable master netting arrangements or similar agreements as at September 30, 2018 and December 31, 2017, are as follows:

**September 30, 2018**

(In millions of Korean won)

|   | Total assets      | Offset liabilities | Net book amount  | Amounts not offset    |                 | Net amount     |
|---|-------------------|--------------------|------------------|-----------------------|-----------------|----------------|
|   |                   |                    |                  | Financial instruments | Cash collateral |                |
| Derivative financial assets                 | 1,494,639         | -                  | 1,494,639        | 1,181,808             | 65,645          | 247,186        |
| Bonds purchased under repurchase agreements | 170,000           | -                  | 170,000          | 170,000               | -               | -              |
| Loaned securities                           | 200,517           | -                  | 200,517          | 200,517               | -               | -              |
| Unsettled spot exchange receivable          | 3,393,754         | -                  | 3,393,754        | 3,392,964             | -               | 790            |
| Other financial assets                      | 12,085,172        | 11,540,672         | 544,500          | -                     | -               | 544,500        |
|   | <u>17,344,082</u> | <u>11,540,672</u>  | <u>5,803,410</u> | <u>4,945,289</u>      | <u>65,645</u>   | <u>792,476</u> |

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(In millions of Korean won)

|   | Total assets      | Offset liabilities | Net book amount  | Amounts not offset    |                 | Net amount       |
|---|-------------------|--------------------|------------------|-----------------------|-----------------|------------------|
|   |                   |                    |                  | Financial instruments | Cash collateral |                  |
| Derivative financial assets                 | 2,280,859         | -                  | 2,280,859        | 1,459,065             | 180,175         | 641,619          |
| Bonds purchased under repurchase agreements | 2,840,000         | -                  | 2,840,000        | 2,840,000             | -               | -                |
| Loaned securities                           | 216,668           | -                  | 216,668          | 216,668               | -               | -                |
| Unsettled spot exchange receivable          | 2,477,598         | -                  | 2,477,598        | 2,476,508             | -               | 1,090            |
| Other financial assets                      | 16,676,153        | 15,029,685         | 1,646,468        | -                     | -               | 1,646,468        |
|   | <u>24,491,278</u> | <u>15,029,685</u>  | <u>9,461,593</u> | <u>6,992,241</u>      | <u>180,175</u>  | <u>2,289,177</u> |

Financial liabilities that are subject to legally enforceable master netting or similar agreements as at September 30, 2018 and December 31, 2017, are as follows:

**September 30, 2018**

(In millions of Korean won)

|                                  | Total liabilities | Offset assets     | Net book amount  | Amount not offset     |                 | Net amount     |
|----------------------------------|-------------------|-------------------|------------------|-----------------------|-----------------|----------------|
|                                  |                   |                   |                  | Financial instruments | Cash collateral |                |
| Derivative liabilities           | 2,522,797         | -                 | 2,522,797        | 1,883,611             | 275,595         | 363,591        |
| Repurchase agreements sold       | 836,104           | -                 | 836,104          | 836,104               | -               | -              |
| Securities sold                  | 330,205           | -                 | 330,205          | 330,205               | -               | -              |
| Unsettled spot exchange payables | 3,395,240         | -                 | 3,395,240        | 3,392,964             | -               | 2,276          |
| Other                            | 13,807,521        | 11,540,672        | 2,266,849        | 2,186,446             | -               | 80,403         |
|                                  | <u>20,891,867</u> | <u>11,540,672</u> | <u>9,351,195</u> | <u>8,629,330</u>      | <u>275,595</u>  | <u>446,270</u> |

**December 31, 2017**

(In millions of Korean won)

|                                  | Total liabilities | Offset assets     | Net book amount  | Amount not offset     |                 | Net amount       |
|----------------------------------|-------------------|-------------------|------------------|-----------------------|-----------------|------------------|
|                                  |                   |                   |                  | Financial instruments | Cash collateral |                  |
| Derivative liabilities           | 3,335,875         | -                 | 3,335,875        | 2,294,326             | 24,332          | 1,017,217        |
| Repurchase agreements sold       | 394,604           | -                 | 394,604          | 394,604               | -               | -                |
| Securities sold                  | 14,440            | -                 | 14,440           | 14,440                | -               | -                |
| Unsettled spot exchange payables | 2,477,061         | -                 | 2,477,061        | 2,476,508             | -               | 553              |
| Other                            | 17,614,193        | 15,029,685        | 2,584,508        | 1,842,597             | -               | 741,911          |
|                                  | <u>23,836,173</u> | <u>15,029,685</u> | <u>8,806,488</u> | <u>7,022,475</u>      | <u>24,332</u>   | <u>1,759,681</u> |

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**40. Insurance Contracts**

**40.1 Insurance Liabilities**

Details of insurance liabilities that are included in other liabilities as at September 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i> |   | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|------------------------------------|---|---------------------------|--------------------------|
| Pension                            | Premium reserve                                   | 3,953,673                 | 3,371,628                |
|                                    | Reserve for outstanding claims                    | 29,755                    | 25,080                   |
|                                    | Guarantee reserve                                 | 406                       | 419                      |
|                                    | Reserve for policyholders' profit dividends       | 3,879                     | 2,811                    |
|                                    | Reserve for policyholders' dividends              | 585                       | 599                      |
|                                    | Reserve for losses on dividend insurance contract | 1,666                     | 1,208                    |
|                                    |   | <u>3,989,964</u>          | <u>3,401,745</u>         |

Changes in insurance liabilities for the nine-month periods ended September 30, 2018 and 2017, are as follows:

**September 30, 2018**

| <i>(In millions of Korean won)</i> | <b>Premium reserve</b> | <b>Reserve for outstanding claims</b> | <b>Guarantee reserve</b> | <b>Reserve for policyholders' profit dividends</b> | <b>Reserve for policyholders' dividends</b> | <b>Reserve for losses on dividend insurance contract</b> | <b>Total</b>     |
|------------------------------------|------------------------|---------------------------------------|--------------------------|--|---|--|------------------|
| Beginning                          | 3,371,628              | 25,080                                | 419                      | 2,811  | 599   | 1,208  | 3,401,745        |
| Increase (Decrease)                | <u>582,045</u>         | <u>4,675</u>                          | <u>(13)</u>              | <u>1,068</u>                                       | <u>(14)</u>                                 | <u>458</u>   | <u>588,219</u>   |
| Ending                             | <u>3,953,673</u>       | <u>29,755</u>                         | <u>406</u>               | <u>3,879</u>                                       | <u>585</u>                                  | <u>1,666</u>   | <u>3,989,964</u> |

**September 30, 2017**

| <i>(In millions of Korean won)</i> | <b>Premium reserve</b> | <b>Reserve for outstanding claims</b> | <b>Guarantee reserve</b> | <b>Reserve for policyholders' profit dividends</b> | <b>Reserve for policyholders' dividends</b> | <b>Reserve for losses on dividend insurance contract</b> | <b>Total</b>     |
|------------------------------------|------------------------|---------------------------------------|--------------------------|--|---|--|------------------|
| Beginning                          | 2,566,755              | 20,945                                | 1,882                    | 1,700  | 360   | 726  | 2,592,368        |
| Increase (Decrease)                | <u>602,546</u>         | <u>1,510</u>                          | <u>(666)</u>             | <u>834</u>   | <u>(4)</u>                                  | <u>357</u>   | <u>604,577</u>   |
| Ending                             | <u>3,169,301</u>       | <u>22,455</u>                         | <u>1,216</u>             | <u>2,534</u>                                       | <u>356</u>                                  | <u>1,083</u>   | <u>3,196,945</u> |

**40.2 Insurance Related Assets**

Details of insurance related assets that are included in other assets as at September 30, 2018 and December 31, 2017, are as follows:

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| <i>(In millions of Korean won)</i> | <b>September 30, 2018</b> | <b>December 31, 2017</b> |
|------------------------------------|---------------------------|--------------------------|
| Unamortized acquisition cost       | 50,996                    | 52,080                   |

Changes in unamortized acquisition cost for the nine-month periods ended September 30, 2018 and 2017, are as follows:

| <i>(In millions of Korean won)</i> | <b>September 30, 2018</b> | <b>September 30, 2017</b> |
|------------------------------------|---------------------------|---------------------------|
| Beginning                          | 52,080                    | 49,603                    |
| Increase                           | 13,884                    | 16,126                    |
| Amortization                       | <u>(14,968)</u>           | <u>(13,603)</u>           |
| Ending                             | <u>50,996</u>             | <u>52,126</u>             |

Details of insurance revenues for the nine-month periods ended September 30, 2018 and 2017, are as follows:

| <i>(In millions of Korean won)</i> | <b>September 30, 2018</b> | <b>September 30, 2017</b> |
|------------------------------------|---------------------------|---------------------------|
| Insurance fee                      | 829,315                   | 797,555                   |
| Pension fee                        | <u>8</u>                  | <u>8</u>                  |
|                                    | <u>829,323</u>            | <u>797,563</u>            |

Details of insurance expenses for the nine-month periods ended September 30, 2018 and 2017, are as follows:

| <i>(In millions of Korean won)</i> | <b>September 30, 2018</b> | <b>September 30, 2017</b> |
|------------------------------------|---------------------------|---------------------------|
| Refunds                            | 264,167                   | 196,399                   |
| Reserves                           | <u>587,941</u>            | <u>604,318</u>            |
|                                    | <u>852,108</u>            | <u>800,717</u>            |

Business expenses related to insurance expenses for the nine-month periods ended September 30, 2018 and 2017, are ₩ 38,902 million and ₩ 37,188 million, respectively.

### **40.3 Insurance Risk**

#### 40.3.1 Overview of insurance risk

Insurance risk is the risk of loss arising from the actual risk at the time of claims exceeding the estimated risk at the time of underwriting. Insurance risk is classified by insurance price risk and policy reserve risk.

#### 40.3.2 Characteristic and exposure of insurance price risk

Insurance price risk is the risk of loss arising from differences between premiums from policyholders and actual claims paid. As the Group sells annuity products, there is no insurance price risk for the Group.

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40.3.3 Characteristic and exposure of policy reserve risk

Policy reserve risk is the risk of loss arising from differences between policy reserves the Group holds and actual claims to be paid. As the Group sells annuity products, there is no policy reserve risk for the Group.

40.3.4 Overview of interest rate risk

The interest rate risk is the risk that arises due to the difference in value changes between assets and liabilities when market interest rate changes, and is referred to as ALM (Asset Liability Management) risk.

As the risk for the price of endowment such as refunds of annuity is closely related to the difference between expected interest rate and the yield, it is measured in the interest rate risk.

**40.4 Overlay Approach**

40.4.1 Reclassification between profit or loss and other comprehensive income applying the overlay approach

The Group recognized a gain on valuation of financial assets amounting to ₩ 6,509 million and gains and losses on disposal of financial assets of ₩ 1,415 million which are reclassified between profit or loss and other comprehensive income applying overlay approach, due to the difference between Korean IFRS 1109 and Korean IFRS 1039 for the nine-month period ended September 30, 2018.

40.4.2 Details of book amount by classification and change of other comprehensive income applying the overlay approach for the nine-month period ended September 30, 2018, are as follows:

(In millions of Korean won)

|                                   | Book amount      | Effect on accumulated other comprehensive income |                                |                                       |              |                    |
|-----------------------------------|------------------|--|--------------------------------|---------------------------------------|--------------|--------------------|
|                                   |                  | Beginning  | Changes in accounting policies | Changes in other comprehensive income | Tax effect   | September 30, 2018 |
| Equity securities                 | 743,169          | -  | 3,923                          | 6,277                                 | (1,726)      | 8,474              |
| Receivables in Korean won         | 21,324           | -  | (1,073)                        | (192)                                 | 53           | (1,212)            |
| Receivables in foreign currencies | 197,112          | -  | (3,041)                        | (10,196)                              | 2,804        | (10,433)           |
| Loan receivables                  | 76,708           | -  | (1,743)                        | (2,059)                               | 566          | (3,236)            |
|                                   | <u>1,038,313</u> | <u>-</u>   | <u>(1,934)</u>                 | <u>(6,170)</u>                        | <u>1,697</u> | <u>(6,407)</u>     |

**41. Earnings per Share Attributable to Owners of the Parent Company**

Details of earnings per share attributable to owners of the Bank for the three-month and nine-month periods ended September 30, 2018 and 2017, are as follows:

(In millions of Korean won)

|   | September 30, 2018 |             | September 30, 2017 |             |
|---|--------------------|-------------|--------------------|-------------|
|   | Three months       | Nine months | Three months       | Nine months |
| Profit attributable to the owners of the Bank | 520,294            | 1,452,097   | 449,711            | 1,245,618   |

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|  |                |                  |                |                  |
|--|----------------|------------------|----------------|------------------|
| Profit attributable to preferred shares                                | 94,225         | 272,343          | 82,728         | 226,973          |
| Profit attributable to the ordinary equity holders of the Bank         | 426,069        | 1,179,754        | 366,983        | 1,018,645        |
| Profit attributable to convertible preferred share                     | 40,421         | 111,923          | 34,815         | 96,639           |
| Diluted profit attributable to the ordinary equity holders of the Bank | <u>466,490</u> | <u>1,291,677</u> | <u>401,798</u> | <u>1,115,284</u> |

The weighted average number of ordinary shares outstanding for the three-month and nine-month periods ended September 30, 2018 and 2017, is as follows:

| <i>(In thousands of number of shares)</i>                                      | <b>September 30, 2018</b> |                    | <b>September 30, 2017</b> |                    |
|--|---------------------------|--------------------|---------------------------|--------------------|
|  | <b>Three months</b>       | <b>Nine months</b> | <b>Three months</b>       | <b>Nine months</b> |
| Weighted average number of ordinary shares (excluding treasury share)          | 559,979                   | 559,979            | 559,979                   | 559,979            |
| Dilutive effect of convertible preferred share                                 | <u>53,125</u>             | <u>53,125</u>      | <u>53,125</u>             | <u>53,125</u>      |
| Adjusted weighted average number of ordinary shares (excluding treasury share) | <u>613,104</u>            | <u>613,104</u>     | <u>613,104</u>            | <u>613,104</u>     |

Basic earnings per share and diluted earnings per share attributable to owners of the Bank for the three-month and nine-month periods ended September 30, 2018 and 2017, are as follows:

| <i>(In Korean won)</i>     | <b>September 30, 2018</b> |                    | <b>September 30, 2017</b> |                    |
|----------------------------|---------------------------|--------------------|---------------------------|--------------------|
|                            | <b>Three months</b>       | <b>Nine months</b> | <b>Three months</b>       | <b>Nine months</b> |
| Basic earnings per share   | 756                       | 2,107              | 655                       | 1,819              |
| Diluted earnings per share | 756                       | 2,107              | 655                       | 1,819              |

## 42. Dividends

Details of dividends for the years ended December 31, 2017 and 2016, are as follows:

| <i>(In millions of Korean won)</i> | <b>Dividends</b> |                        |                         |              |
|------------------------------------|------------------|------------------------|-------------------------|--------------|
|                                    | <b>approved</b>  | <b>Ordinary shares</b> | <b>Preferred shares</b> | <b>Total</b> |
| December 31, 2017                  | ₩ 617 per share  | 345,507                | 60,449                  | 405,956      |
| December 31, 2016                  | ₩ 480 per share  | 268,790                | 47,027                  | 315,817      |

Dividends for hybrid capital instruments for the nine-month period ended September 30, 2018 and 2017, are ₩ 65,936 million and ₩ 48,753 million, respectively.

## 43. Restricted and Pledged Assets

Details of restricted and pledged assets as at September 30, 2018 and December 31, 2017, are as follows:

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(In millions of Korean won)

| <b>Assets<br/>(book amount)</b>            | <b>Lender</b>                                       | <b>September<br/>30, 2018</b> | <b>December 31,<br/>2017</b> | <b>Remarks</b>  |
|--|---|-------------------------------|------------------------------|---|
| Restricted assets                          |   |                               |                              |   |
| Reserve deposits in Korean won             | Bank of Korea                                       | 6,624,211                     | 7,308,596                    | Act of Bank of Korea                                    |
| Reserve deposits in Korean won             | Korea Federation of Savings Banks                   | 20,000                        | 15,000                       | Act of Savings Banks                                    |
| Due from banks in Korean won               | Korea Federation of Savings Banks                   | 15,000                        | 10,000                       | Checking deposits                                       |
| Reserve deposits in foreign currencies     | PeCe's Bank of China                                | 260,774                       | 229,763                      | Act of People's Bank of China                           |
| Due from banks in foreign currencies       | SG NEWEDGE UK LIMITED and others                    | 156,896                       | 52,803                       | Derivative instruments                                  |
| Due from other banks in foreign currencies | Bank of Korea and others                            | 874,957                       | 1,014,732                    | Act of Bank of Korea and others                         |
| Due from banks in foreign currencies       | JP Morgan Chase                                     | 2,225                         | 2,142                        | Asset collateral  |
| Deposit                                    | The Korea Securities Finance Corporation and others | 77,671                        | 106,846                      | Deposits for beneficiary securities and others          |
| Government and public bonds, others        | The Korea Securities Finance Corporation and others | 200,000                       | 217,000                      | Loaned securities                                       |
|  |   | <u>8,231,734</u>              | <u>8,956,882</u>             |   |
| Pledged assets <sup>1</sup>                |   |                               |                              |   |
| Government and public bonds, and others    | Bank of Korea                                       | 5,816,624                     | 6,218,710                    | Collateral pledged for borrowings                       |
| Government and public bonds, and others    | Customers   | 1,095,499                     | 1,535,613                    | Bonds sold under repurchase agreement                   |
| Government and public bonds, and others    | Korea Exchange                                      | 861,343                       | 14,100                       | Bonds sold under repurchase agreement of Korea Exchange |
| Government and public bonds, and others    | Bank of Korea                                       | 1,702,000                     | 1,692,000                    | Overnight sweep accounts of BOK                         |
| Government and public bonds, and others    | Bank of Korea                                       | 2,842,800                     | 1,840,800                    | Settlement risk of Bank of Korea                        |
| Government and public bonds, and others    | NH Futures Co., Ltd. and others                     | 95,000                        | 55,300                       | Substitute securities                                   |
| Government and public bonds, and others    | Korea Securities Depository and others              | 1,410,801                     | 1,502,538                    | Derivatives transactions                                |
| Government and public bonds, and others    | Korea Securities Finance Corporation and others     | 597,111                       | 325,424                      | Deposits for stock lending transactions                 |
| Government and public bonds, and           | Korea Federation of Savings Banks                   | -                             | 3,865                        | Act of Savings Banks                                    |

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| Assets<br>(book amount)<br>others | Lender | September<br>30, 2018 | December 31,<br>2017 | Remarks |
|-----------------------------------|--------|-----------------------|----------------------|---------|
|                                   |        | 14,421,178            | 13,188,350           |         |

<sup>1</sup> The assets are pledged as collateral. As at September 30, 2018, the total amount of pledged assets amounts to ₩ 14,394,651 million (December 31, 2017: ₩ 13,188,934 million).

Information of collateral received that can be sold without consent of the owner or provided as collateral even if the owner is not in default as at September 30, 2018 and December 31, 2017, is as follows:

(In millions of Korean won)

| Collaterals obtained                | Provided to   | September 30,<br>2018 | December 31,<br>2017 | Remarks                                     |
|-------------------------------------|---------------|-----------------------|----------------------|---|
| Government and public bonds, others | Bank of Korea | 170,258               | 2,965,922            | Bonds purchased under repurchase agreements |

#### 44. Related Party Transactions

Related parties of the Group as at September 30, 2018 and December 31, 2017, are as follows:

|                                    | September 30, 2018  | December 31, 2017   |
|------------------------------------|---|---|
| <b>The ultimate parent company</b> | The Government of the Republic of Korea   | The Government of the Republic of Korea   |
| <b>Associates</b>                  | Korea Machinery Auction & Exchange<br>Joong-ang Special Industry Co., Ltd.<br>Shin Kwang Co., Ltd.<br>Changwoo Textile Co., Ltd.<br>SEONGNAM THE HOUSE CO., Ltd.<br>Mirae Asset AGRO Project Fund<br>Private Investment Special Company for Global SW Firm Fostering<br>IBK-OCTUS Green Industry Growth Private Equity Fund<br>KoFC-QCP-IBKC Frontier Champ 2010-2 Private Equity Fund<br>KoFC IBK Hi Investment Hyundai Heavy Industries Shared Growth No.1 PEF<br>J&W Hidden Champion PEF<br>-<br>Korea Global Infra Recovery Private Equity Fund<br>IBK-Daesung Contents Small Giant Fund<br>IBKC-IDV IP Private Equity Fund No.1<br>KT Music Contents Fund No.1 | Korea Machinery Auction & Exchange<br>Joong-ang Special Industry Co., Ltd.<br>Shin Kwang Co., Ltd.<br>Changwoo Textile Co., Ltd.<br>SEONGNAM THE HOUSE CO., Ltd.<br>Mirae Asset AGRO Project Fund<br>Private Investment Special Company for Global SW Firm Fostering<br>IBK-OCTUS Green Industry Growth Private Equity Fund<br>KoFC-QCP-IBKC Frontier Champ 2010-2 Private Equity Fund<br>KoFC IBK Hi Investment Hyundai Heavy Industries Shared Growth No.1 PEF<br>-<br>KoFC IBKS KEISTONE Corporate Recovery Private Equity Fund<br>Korea Global Infra Recovery Private Equity Fund<br>IBK-Daesung Contents Small Giant Fund<br>IBKC-IDV IP Private Equity Fund No.1<br>KT Music Contents Fund No.1 |

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| September 30, 2018   | December 31, 2017  |
|--|--|
| IBK-KTB Contents IP Fund   | IBK-KTB Contents IP Fund   |
| IBK-GNTECH Secondary Fund  | IBK-GNTECH Secondary Fund  |
| EN Growth Investment No.5  | EN Growth Investment No.5  |
| KT-IBKC Future Investment Fund No.1  | KT-IBKC Future Investment Fund No.1  |
| IBK-DAEKYO Contents Fund   | IBK-DAEKYO Contents Fund   |
| SM New Technology Fund No.1  | SM New Technology Fund No.1  |
| CCVC Culture-ICT Convergence Fund  | CCVC Culture-ICT Convergence Fund  |
| IBK-Daesung Contents Small Giant Fund  | IBK-Daesung Contents Small Giant Fund  |
| IBK-ISU Contents Fund  | IBK-ISU Contents Fund  |
| KTBN Media Contents Fund   | KTBN Media Contents Fund   |
| The Value-up SME Specialized Solution<br>New Technology Business Investment<br>Fund No.1 | The Value-up SME Specialized Solution<br>New Technology Business Investment<br>Fund No.1 |
| KAI-KSM Crowd Seeding Fund   | KAI-KSM Crowd Seeding Fund   |
| Korea Omega Display Tech Fund  | -  |
| Presto Private Equity Fund No.4  | Presto Private Equity Fund No.4  |
| Presto Private Equity Fund No.7  | Presto Private Equity Fund No.7  |
| Presto Private Equity Fund No.8  | Presto Private Equity Fund No.8  |
| Platformpartners Active Mezzanine PEF  | Platformpartners Active Mezzanine PEF  |
| NH-Amundi Maturity Bond Private<br>Securities Investment Trust 1 [Bond]                  | -  |
| Find value Pre IPO No.1  | Find value Pre IPO No.1  |
| KDB Infra IP Capital Fund  | KDB Infra IP Capital Fund  |
| Miraeasset Smart Q-Income Plus Private<br>Fund No.1                                      | -  |
| Deoksong-Naegak Expressway Co., Ltd.   | Deoksong-Naegak Expressway Co., Ltd.   |
| IBK Davos Global High-Dividends Master<br>Fund [shares]                                  | IBK Davos Global High-Dividends Master<br>Fund [shares]                                  |
| KDBC-EUM Corporate's Financial<br>Stabilization Private Equity Fund No.4                 | KDBC-EUM Corporate's Financial<br>Stabilization Private Equity Fund No.4                 |
| KEPS Calista Private Equity Fund   | KEPS Calista Private Equity Fund   |
| Credian Healthcare Private Equity Fund II  | Credian Healthcare Private Equity Fund II  |
| -  | E&F Moorim Birdie New Technology<br>Business Investment Fund                             |
| PoscoPlutus Project Fund   | PoscoPlutus Project Fund   |
| YG-IBKC Lifestyle ValueUp Fund   | YG-IBKC Lifestyle ValueUp Fund   |
| QCP-IBKC Contents Investment Fund  | QCP-IBKC Contents Investment Fund  |
| Smart Private Equity Fund No.2   | Smart Private Equity Fund No.2   |
| Shinyoung Private Equity Fund No.2   | Shinyoung Private Equity Fund No.2   |
| AION ASTER Private Trust Fund For<br>Specialized Investment                              | AION ASTER Private Trust Fund For<br>Specialized Investment                              |
| NAU 1st Corporate Recovery Private Equity<br>Fund  | NAU 1st Corporate Recovery Private Equity<br>Fund  |
| Centroid 1st China Private Equity Fund   | Centroid 1st China Private Equity Fund   |
| YG-IBKC Edu-Contents Value-up Fund   | -  |
| IBKC-History 2018 Digital Contents Fund  | -  |
| IBKC-History 2018-2 Bio Fund   | -  |

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| September 30, 2018                                | December 31, 2017  |
|---|--|
| 2018-4 Entertainment Fund                         | -  |
| IBKC-History 2018-6 Bio Fund                      | -  |
| Gaia Bio Investment Fund #1                       | -  |
| KLAVIS Meister Fund No.40                         | -  |
| -   | The IBKS SSI New Technology Business<br>Investment Fund No.1 |
| IBK PSEP Private Equity Fund                      | IBK PSEP Private Equity Fund                                 |
| IBKS Green Private Equity Fund                    | -  |
| IBKS SME Accelerating Private Equity Fund         | -  |
| -   | IBKS Special Purpose Acquisition Company<br>No.3             |
| IBKS Special Purpose Acquisition Company<br>No.5  | IBKS Special Purpose Acquisition Company<br>No.5             |
| IBKS Special Purpose Acquisition Company<br>No.6  | IBKS Special Purpose Acquisition Company<br>No.6             |
| IBKS Special Purpose Acquisition Company<br>No.7  | IBKS Special Purpose Acquisition Company<br>No.7             |
| -   | IBKS Special Purpose Acquisition Company<br>No.8             |
| IBKS Special Purpose Acquisition Company<br>No.9  | -  |
| IBKS Special Purpose Acquisition Company<br>No.10 | -  |

Additional related parties are as follows:

**44.1 Controlling Party of the Group**

Controlling party of the Group is the Government of the Republic of Korea which holds 50.91% of the shares (including convertible preferred share) of the Bank as at September 30, 2018.

**44.2 Government-associated Organizations Under the Same Control**

The Group has borrowings from government-associated organizations, such as Small & Medium Business Corporation and others, for policy purposes.

**44.3 Key Management**

The Group defines members of the Board of Directors, auditors and executives of the Bank as key management.

Details of transactions by each related party for the nine-month periods ended September 30, 2018 and 2017, are as follows:

| <i>(In millions of Korean won)</i> |                                       | <b>September<br/>30, 2018</b> | <b>September<br/>30, 2017</b> |
|------------------------------------|---------------------------------------|-------------------------------|-------------------------------|
| <b>Associates</b>                  | Korea Machinery Auction &<br>Exchange | Interest income               | 16                            |
|                                    |                                       | Other income                  | 3                             |
|                                    |                                       |                               | -                             |
|                                    |                                       |                               | -                             |

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| <i>(In millions of Korean won)</i>   |                  | <b>September<br/>30, 2018</b> | <b>September<br/>30, 2017</b> |
|--|------------------|-------------------------------|-------------------------------|
|  | Interest expense | -                             | 1                             |
| Joong-ang Special Industry Co., Ltd.   | Interest income  | 201                           | 209                           |
|  | Other income     | -                             | 2                             |
| Shin Kwang Co., Ltd.   | Interest income  | 205                           | 116                           |
|  | Other income     | 3                             | 1                             |
| Changwoo Textile Co., Ltd.   | Interest income  | 102                           | 94                            |
|  | Other income     | 4                             | 25                            |
|  | Interest expense | 5                             | 1                             |
| SEONGNAM THE HOUSE CO., Ltd.   | Interest income  | 288                           | -                             |
|  | Other income     | 800                           | -                             |
| Mirae Asset AGRO Project Fund  | Interest expense | 15                            | 11                            |
| IBK-OCTUS Green Industry Growth Private Equity Fund                                | Interest expense | 70                            | 51                            |
| KoFC-QCP-IBKC Frontier Champ 2010-2 Private Equity Fund                            | Interest expense | 13                            | 14                            |
| KoFC IBK Hi Investment Hyundai Heavy Industries Shared Growth No. 1 PEF            | Interest expense | 6                             | 44                            |
| J&W Hidden Champion PEF  | Interest expense | 1                             | -                             |
| IBKC-IDV IP Private Equity Fund No. 1  | Interest expense | 14                            | 2                             |
| KT Music Contents Fund No.1  | Interest expense | 8                             | 4                             |
| KT-IBKC Future Investment Fund No.1  | Interest expense | 4                             | 4                             |
|  | Other income     | -                             | 2                             |
| IBK-ISU Contents Fund  | Interest expense | 8                             | 4                             |
| KTBN Media Contents Fund   | Interest expense | 9                             | 7                             |
| The Value-up SME Specialized Solution New Technology Business Investment Fund No.1 | Interest expense | 10                            | 1                             |
| KAI-KSM Crowd Seeding Fund   | Interest expense | 9                             | 5                             |
| Korea Omega Display Tech Fund  | Interest expense | 1                             | -                             |
| Presto Private Equity Fund No.4  | Interest expense | 1                             | -                             |
| Presto Private Equity Fund No.7  | Interest expense | 2                             | -                             |
| Presto Private Equity Fund No.8  | Interest expense | 2                             | -                             |
| Deoksong-Naegak Expressway Co., Ltd.   | Interest income  | 39                            | 738                           |
|  | Interest expense | 51                            | 48                            |
|  | Other income     | 1,798                         | 792                           |
| YG-IBKC Lifestyle ValueUp Fund   | Interest expense | 1                             | -                             |
| QCP-IBKC Contents Investment Fund  | Interest expense | 3                             | -                             |
| Smart Private Equity Fund No.2   | Interest expense | 1                             | 1                             |
| YG-IBKC Edu-Contents Value-up Fund   | Interest expense | 1                             | -                             |
| IBK-History 2018 Digital Contents Fund   | Interest expense | 1                             | -                             |
| IBKS Green Private Equity Fund   | Interest expense | 3                             | -                             |

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| <i>(In millions of Korean won)</i> |                  | <b>September<br/>30, 2018</b> | <b>September<br/>30, 2017</b> |
|------------------------------------|------------------|-------------------------------|-------------------------------|
| 2018-4 Entertainment Fund          | Interest expense | 1                             | -                             |
| IBKC-History 2018-6 Bio Fund       | Interest expense | 1                             | -                             |

Due to the nature of the industry, fund transactions including loan and borrowing transactions with related parties take place frequently. Details of significant receivables and payables arising from transactions with the related parties as at September 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i> |  | <b>September<br/>30, 2018</b> | <b>December 31,<br/>2017</b> |       |
|------------------------------------|--|-------------------------------|------------------------------|-------|
| <b>Associates</b>                  | Korea Machinery Auction & Exchange   | Deposit liabilities           | 14                           | 53    |
|                                    | Joong-ang Special Industry Co., Ltd.   | Loans                         | 6,211                        | 6,214 |
|                                    | Shin Kwang Co., Ltd.   | Loans                         | 5,001                        | 4,625 |
|                                    |  | Deposit liabilities           | 1                            | 271   |
|                                    |  | Other liabilities             | -                            | 1     |
|                                    | Changwoo Textile Co., Ltd.   | Loans                         | 4,277                        | 4,420 |
|                                    |  | Deposit liabilities           | 1,229                        | 809   |
|                                    |  | Other liabilities             | -                            | 2     |
|                                    | SEONGNAM THE HOUSE CO., Ltd.   | Loans                         | 14,534                       | 180   |
|                                    |  | Deposit liabilities           | 4                            | -     |
|                                    | Mirae Asset AGRO Project Fund  | Deposit liabilities           | 3,131                        | 1,306 |
|                                    |  | Other liabilities             | 2                            | 4     |
|                                    | IBK-OCTUS Green Industry Growth Private Equity Fund                                | Deposit liabilities           | 11,497                       | 9,876 |
|                                    |  | Other liabilities             | 4                            | 3     |
|                                    | KoFC-QCP-IBKC Frontier Champ 2010-2 Private Equity Fund                            | Deposit liabilities           | 128                          | 230   |
|                                    | KoFC IBK Hi Investment Hyundai Heavy Industries Shared Growth No. 1 PEF            | Deposit liabilities           | 973                          | 795   |
|                                    |  | Other liabilities             | 1                            | -     |
|                                    | J&W Hidden Champion PEF  | Deposit liabilities           | 281                          | -     |
|                                    | IBKC-IDV IP Private Equity Fund No.1   | Deposit liabilities           | 3,276                        | 2,479 |
|                                    |  | Other liabilities             | 1                            | 1     |
|                                    | KT Music Contents Fund No.1  | Deposit liabilities           | 981                          | 750   |
|                                    |  | Other liabilities             | 5                            | 6     |
|                                    | KT-IBKC Future Investment Fund No.1  | Deposit liabilities           | 4,172                        | 5,498 |
|                                    | SM New Technology Fund   | Deposit liabilities           | 54                           | 36    |
|                                    | IBK-ISU Contents Fund  | Deposit liabilities           | 1,555                        | 1,048 |
|                                    | KTBN Media Contents Fund   | Deposit liabilities           | 2,002                        | 443   |
|                                    | The Value-up SME Specialized Solution New Technology Business Investment Fund No.1 | Deposit liabilities           | 1,458                        | 4,000 |
|                                    | KAI-KSM Crowd Seeding Fund   | Deposit liabilities           | 1,919                        | 3,080 |
|                                    |  | Other liabilities             | -                            | 1     |
|                                    | Korea Omega Display Tech Fund  | Deposit liabilities           | 464                          | -     |
|                                    | Presto Private Equity Fund No.4  | Deposit liabilities           | 68                           | 6,789 |

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(In millions of Korean won)

|  |                     | September<br>30, 2018 | December 31,<br>2017 |
|--|---------------------|-----------------------|----------------------|
|  | Other liabilities   | -                     | 1                    |
| Presto Private Equity Fund No.7            | Deposit liabilities | 744                   | 909                  |
| Presto Private Equity Fund No.8            | Deposit liabilities | 641                   | 803                  |
| Deoksong-Naegak Expressway Co.,<br>Ltd.    | Loans               | 2,676                 | 3                    |
|  | Deposit liabilities | 3,576                 | 8,430                |
|  | Other liabilities   | 9                     | 45                   |
| YG-IBKC Lifestyle ValueUp Fund             | Deposit liabilities | 307                   | 429                  |
| QCP-IBKC Contents Investment<br>Fund       | Deposit liabilities | 742                   | 787                  |
| Smart Private Equity Fund No.2             | Deposit liabilities | 1,006                 | 1,163                |
| Centroid 1st China Private Equity<br>Fund  | Deposit liabilities | 3                     | 18                   |
| YG-IBKC Edu-Contents Value-up<br>Fund      | Deposit liabilities | 430                   | -                    |
| IBKC-History 2018 Digital Contents<br>Fund | Deposit liabilities | 272                   | -                    |
| IBKC-History 2018-2 Bio Fund               | Deposit liabilities | 201                   | -                    |
| IBKC-History 2018-6 Bio Fund               | Deposit liabilities | 599                   | -                    |
| Gaia Bio Investment Fund #1                | Deposit liabilities | 599                   | -                    |
| 2018-4 Entertainment Fund                  | Deposit liabilities | 486                   | -                    |
| IBKS Green Private Equity Fund             | Deposit liabilities | 800                   | -                    |
|  | Other liabilities   | 3                     | -                    |

Major loan transactions<sup>1</sup> with related parties for the nine-month period ended September 30, 2018, are as follows:

(In millions of Korean won)

|                   |   | September 30, 2018 |        |            |        |
|-------------------|---|--------------------|--------|------------|--------|
|                   |   | Beginning          | Loans  | Collection | Ending |
| <b>Associates</b> | Joong-ang Special Industry Co.,<br>Ltd. | 6,214              | 4,066  | (4,069)    | 6,211  |
|                   | Shin Kwang Co., Ltd.                    | 4,625              | 540    | (164)      | 5,001  |
|                   | Changwoo Textile Co., Ltd.              | 4,420              | 85     | (228)      | 4,277  |
|                   | SEONGNAM THE HOUSE CO.,<br>Ltd.         | -                  | 14,534 | -          | 14,534 |
|                   | Deoksong-Naegak Expressway Co.,<br>Ltd. | 3                  | 2,700  | (27)       | 2,676  |

<sup>1</sup>Transactions including settlements and daylight overdrafts occurred in the normal course of business among related parties are excluded.

There are no borrowing transactions with related parties for the nine-month period ended September 30, 2018.

Details of unused agreements provided by the Group as at September 30, 2018 and December 31, 2017, are as follows:

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| <i>(In millions of Korean won)</i> |                                      | <b>September 30,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|------------------------------------|--------------------------------------|-------------------------------|------------------------------|
| <b>Associates</b>                  | Korea Machinery Auction & Exchange   | 18                            | -                            |
|                                    | Joong-ang Special Industry Co., Ltd. | 24                            | 22                           |
|                                    | Shin Kwang Co., Ltd.                 | 119                           | 210                          |
|                                    | Changwoo Textile Co., Ltd.           | 44                            | 38                           |
|                                    | Deoksong-Naegak Expressway Co., Ltd. | 2,349                         | 22                           |
|                                    | SEONGNAM THE HOUSE CO., Ltd.         | 13,666                        | -                            |

Provision for impairment on receivables of related party and impairment loss (reversals) for the nine-month periods ended September 30, 2018 and 2017, and as at September 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i> | <b>September 30, 2018</b>           |                            | <b>December 31,<br/>2017</b>        | <b>September<br/>30, 2017</b>              |
|------------------------------------|-------------------------------------|----------------------------|-------------------------------------|--|
|                                    | <b>Provision for<br/>impairment</b> | <b>Impairment<br/>loss</b> | <b>Provision for<br/>impairment</b> | <b>Reversal of<br/>impairment<br/>loss</b> |
| <b>Associates</b>                  | 2,231                               | 1,727                      | 504                                 | (5,065)                                    |

No payment guarantees are provided by the Group for the funding sources of the related parties, and no collaterals and payment guarantees are provided by the related parties as at September 30, 2018 and December 31, 2017.

Compensation paid to the management<sup>1</sup> for the three-month and nine-month periods ended September 30, 2018 and 2017, are as follows:

| <i>(In millions of Korean won)</i>        | <b>September 30, 2018</b> |                        | <b>September 30, 2017</b> |                        |
|---|---------------------------|------------------------|---------------------------|------------------------|
|   | <b>Three<br/>months</b>   | <b>Nine<br/>months</b> | <b>Three<br/>months</b>   | <b>Nine<br/>months</b> |
| Short-term employee benefits <sup>2</sup> | 678                       | 2,013                  | 633                       | 1,851                  |
| Post-employment benefits                  | 28                        | 194                    | 32                        | 204                    |
|   | <u>706</u>                | <u>2,207</u>           | <u>665</u>                | <u>2,055</u>           |

<sup>1</sup> The Group defines members of the Board of Directors, auditors and executives of the Bank and its subsidiaries as key management.

<sup>2</sup> Other than short-term employee benefits above, performance bonuses paid pursuant to the result of management assessment of national bank for the nine-month periods ended September 30, 2018 and 2017, are ₩ 2,125 million and ₩ 2,078 million, respectively.

#### **45. Segment Information**

Each segment is a strategic business unit that offers different products and services, and is managed separately because each business has different risks and opportunities requiring different technology and marketing strategies.

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The Group consists of the following five operating segments:

- Retail banking: The retail banking segment's assets and liabilities are mainly with individuals and households. This segment handles private customer current accounts, savings, deposits, retail loans and mortgage loans.
- Corporate banking: The corporate banking segment's assets and liabilities are mainly with private and public enterprises. The activities within this segment include loans, overdrafts, other credit facilities, and import/exports.
- Money market: The activities within this segment include treasury management of local/foreign currency and investments.
- IB: The activities within this segment include overseas business and investments.
- Others: This refers to the segments not listed above.

The Group monitors the performance of the operating segments for the purpose of resource allocation and performance review. Performance of each operating segment is measured by operating gain or loss that differs from that recognized in financial statements. Financing of the Group and corporate income tax are managed at the Group level and are not allocated to segments. Besides, the transfer price among segments is determined at fair price based upon the arm's length transaction that is similar in form to a transaction with a third party.

Assets and other accounts by segment as at September 30, 2018 and December 31, 2017, and for the nine-month periods ended September 30, 2018 and 2017, are as follows:

**September 30, 2018**

| <i>(In millions of Korean won)</i>                | <b>Retail</b> | <b>Corporate</b> | <b>Money market</b> | <b>IB</b> | <b>Others</b> | <b>Adjustments</b> | <b>Total</b> |
|---|---------------|------------------|---------------------|-----------|---------------|--------------------|--------------|
| Assets  | 34,737,633    | 160,886,186      | 52,482,161          | 9,942,386 | 27,118,131    | 448,515            | 285,615,012  |
| Interest income                                   | 406,474       | 138,080          | 713,494             | 561,285   | (653,632)     | 5,508,680          | 6,674,381    |
| Interest expenses                                 | 546,349       | 1,755,250        | 703,334             | 538,981   | (1,053,204)   | -                  | 2,490,710    |
| Net interest income (expense)                     | (139,875)     | (1,617,170)      | 10,160              | 22,304    | 399,572       | 5,508,680          | 4,183,671    |
| Fees and commission income                        | 200,230       | 227,400          | 17,702              | 51,445    | 163,444       | 18,523             | 678,744      |
| Fees and commission expenses                      | 170,126       | 113,230          | 6,941               | 6,014     | 54,325        | (5,288)            | 345,348      |
| Net fees and commission income                    | 30,104        | 114,170          | 10,761              | 45,431    | 109,119       | 23,811             | 333,396      |
| (Reversal of) Impairment loss on financial assets | 63,864        | 963,037          | (497)               | (6,615)   | (987,756)     | 1,009,154          | 1,041,187    |
| Profit (loss) for the period                      | 69,375        | 793,302          | 137,429             | 292,176   | 226,191       | (58,208)           | 1,460,265    |

**September 30, 2017 / December 31, 2017<sup>1</sup>**

| <i>(In millions of Korean won)</i> | <b>Retail</b> | <b>Corporate</b> | <b>Money market</b> | <b>IB</b> | <b>Others</b> | <b>Adjustments</b> | <b>Total</b> |
|------------------------------------|---------------|------------------|---------------------|-----------|---------------|--------------------|--------------|
| Assets                             | 33,665,716    | 151,520,314      | 54,382,685          | 7,729,586 | 26,794,712    | (23,282)           | 274,069,731  |
| Interest income                    | 1,174,364     | 3,979,748        | 687,754             | 167,223   | 272           | (26,176)           | 5,983,185    |
| Interest expenses                  | 484,640       | 1,489,878        | 555,283             | 114,772   | (558,361)     | -                  | 2,086,212    |
| Net interest income                | 689,724       | 2,489,870        | 132,471             | 52,451    | 558,633       | (26,176)           | 3,896,973    |
| Fees and commission income         | 207,090       | 215,162          | 19,607              | 38,020    | 177,378       | (35)               | 657,222      |

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|   |         |           |         |          |         |           |           |
|---|---------|-----------|---------|----------|---------|-----------|-----------|
| Fees and commission expenses                      | 168,751 | 100,664   | 7,674   | 68       | 54,984  | (4,991)   | 327,150   |
| Net fees and commission income                    | 38,339  | 114,498   | 11,933  | 37,952   | 122,394 | 4,956     | 330,072   |
| (Reversal of) Impairment loss on financial assets | 53,534  | 1,028,501 | (1,275) | (16,934) | 64,404  | (150,288) | 977,942   |
| Profit (loss) for the period                      | (5,806) | 585,038   | 249,741 | 127,214  | 328,196 | (33,770)  | 1,250,613 |

<sup>1</sup> Total assets are amounts as at December 31, 2017, and interest income and others are amounts for the nine-month period ended September 30, 2017. Also, intercompany transactions between operating segments are eliminated during consolidation.

Non-current assets and income from external customers by location as at September 30, 2018 and December 31, 2017, and for the nine-month periods ended September 30, 2018 and 2017, are as follows:

(In millions of Korean won)

|                            | September 30, 2018 |                  |           |
|----------------------------|--------------------|------------------|-----------|
|                            | Korea              | Overseas offices | Total     |
| Non-current assets         | 2,061,812          | 11,031           | 2,072,843 |
| Interest income            | 6,442,919          | 231,462          | 6,674,381 |
| Fees and commission income | 656,029            | 22,715           | 678,744   |

(In millions of Korean won)

|                            | September 30, 2017 / December 31, 2017 <sup>1</sup> |                  |           |
|----------------------------|---|------------------|-----------|
|                            | Korea   | Overseas offices | Total     |
| Non-current assets         | 2,172,218   | 11,760           | 2,183,978 |
| Interest income            | 5,786,983   | 196,202          | 5,983,185 |
| Fees and commission income | 632,248   | 24,974           | 657,222   |

<sup>1</sup> Non-current assets are amounts as at December 31, 2017, and interest income and others are amounts for the nine-month periods ended September 30, 2017.

#### 46. Information about Non-controlling Interests

The profit or loss allocated to non-controlling interests and accumulated non-controlling interests of subsidiaries that are material to the Group for the nine-month periods ended September 30, 2018 and 2017, are as follows:

(In millions of Korean won)

|                          | September 30, 2018 |  |   |   |        |  |
|--------------------------|--------------------|--|---|---|--------|--|
|                          | Ownership (%)      | Accumulated non-controlling interests at the beginning of the period | Profit or loss allocated to non-controlling interests | Dividends paid to non-controlling interests | Others | Accumulated non-controlling interests at the end of the period |
| IBK Securities Co., Ltd. | 16.14              | 95,082   | 7,787   | (1,540)                                     | (410)  | 100,919  |
| IBK System Co., Ltd.     | 44.37              | 9,282  | 582   | (206)                                       | (201)  | 9,457  |

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|         |       |         |       |         |
|---------|-------|---------|-------|---------|
| 104,364 | 8,369 | (1,746) | (611) | 110,376 |
|---------|-------|---------|-------|---------|

(In millions of  
Korean won)

| <b>September 30, 2017</b> |               |  |   |   |        |  |
|---------------------------|---------------|--|---|---|--------|--|
|                           | Ownership (%) | Accumulated non-controlling interests at the beginning of the period | Profit or loss allocated to non-controlling interests | Dividends paid to non-controlling interests | Others | Accumulated non-controlling interests at the end of the period |
| IBK Securities Co., Ltd.  | 16.14         | 89,217   | 4,656   | -   | (14)   | 93,859   |
| IBK System Co., Ltd.      | 44.37         | 8,223  | 491   | (206)                                       | (151)  | 8,357  |
|                           |               | 97,440   | 5,147   | (206)                                       | (165)  | 102,216  |

The summarized financial information for each subsidiary with non-controlling interests that are material to the Group before inter-company eliminations is described in Note 2.2.1. There is no effect on equity attributable to the Group due to the transaction with non-controlling interests.

#### 47. Supplemental Cash Flow Information

Adjustments in expenses and revenues for the nine-month periods ended September 30, 2018 and 2017, are as follows:

| <i>(In millions of Korean won)</i>  | <b>September 30, 2018</b> | <b>September 30, 2017</b> |
|---|---------------------------|---------------------------|
| Loss on valuation of financial instruments at fair value through profit or loss       | 1,492,106                 | 1,469,625                 |
| Loss on valuation of financial assets designated at fair value through profit or loss | 27,613                    | 40,598                    |
| Loss on disposal of financial assets at fair value through profit or loss             | 80,527                    | -                         |
| Loss on disposal of available-for-sale financial assets                               | -                         | 10,297                    |
| Loss on disposal of financial assets at fair value through other comprehensive income | 2,232                     | -                         |
| Loss on repayment of securities at amortized cost                                     | 12                        | -                         |
| Impairment loss on available-for-sale financial assets                                | -                         | 23,500                    |
| Impairment loss on financial assets at fair value through other comprehensive income  | 2,450                     | -                         |
| Impairment loss on securities at amortized cost                                       | 567                       | -                         |
| Contribution to provision for impairment of loan receivables                          | 1,013,694                 | 966,345                   |
| Loss on valuation of derivatives for hedge accounting                                 | 107,013                   | 70,956                    |
| Impairment loss on investments in associates  | -                         | 4,288                     |
| Loss on disposal of investments in associates   | 1,236                     | 267                       |
| Interest expense  | 2,490,710                 | 2,086,212                 |
| Income tax expense  | 526,189                   | 377,391                   |
| Depreciation of property and equipment & investment property                          | 56,951                    | 64,798                    |
| Loss on disposal of property and equipment  | 273                       | 287                       |

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| <i>(In millions of Korean won)</i>  | <b>September 30,<br/>2018</b> | <b>September 30,<br/>2017</b> |
|---|-------------------------------|-------------------------------|
| Loss on disposal of investment properties   | 657                           | -                             |
| Loss on obsolescence of property and equipment  | 36                            | 374                           |
| Amortization  | 61,738                        | 62,131                        |
| Loss on disposal of intangible assets   | 22                            | 3                             |
| Post-employment benefits  | 90,707                        | 89,602                        |
| Contribution to provision for impairment of other financial assets                    | 24,477                        | -                             |
| Contribution to provisions  | 16,502                        | 30,407                        |
| Contribution to provision for financial guarantee liabilities                         | 1,738                         | 4,962                         |
| Loss on valuation of investments in associates  | 304                           | 2,663                         |
| Gain on translation of cash and cash equivalents in foreign currencies                | (64,319)                      | (8,663)                       |
| Gain on valuation of financial instruments at fair value through profit or loss       | (1,607,613)                   | (1,462,712)                   |
| Gain on valuation of financial assets designated at fair value through profit or loss | (51,865)                      | (30,107)                      |
| Gain on disposal of financial instruments at fair value through profit or loss        | (129,706)                     | -                             |
| Gain on disposal of financial assets at fair value through other comprehensive income | (6,669)                       | -                             |
| Gain on disposal of available-for-sale financial assets                               | -                             | (156,882)                     |
| Gain on valuation of derivatives for hedge accounting                                 | (56,122)                      | (192,147)                     |
| Gain on disposal of investments in associates   | (278)                         | (661)                         |
| Interest income   | (6,674,381)                   | (5,983,185)                   |
| Dividend income   | (156,427)                     | (105,099)                     |
| Gain on disposal of property and equipment  | (317)                         | (512)                         |
| Gain on disposal of investment properties   | (8,806)                       | -                             |
| Gain on disposal of intangible assets   | (776)                         | (497)                         |
| Reversal of impairment loss on other financial assets                                 | -                             | (11,904)                      |
| Reversal of provisions  | (18,057)                      | (15,192)                      |
| Other loss due to financing activities  | 99,654                        | -                             |
|   | <u>(2,677,928)</u>            | <u>(2,662,855)</u>            |

Changes in operating assets and liabilities for the nine-month periods ended September 30, 2018 and 2017, are as follows:

| <i>(In millions of Korean won)</i>  | <b>September 30,<br/>2018</b> | <b>September 30,<br/>2017</b> |
|---|-------------------------------|-------------------------------|
| Changes in financial instruments at fair value through profit or loss       | 1,415,622                     | 145,931                       |
| Changes in financial assets designated at fair value through profit or loss | 270,502                       | 182,701                       |
| Changes in loan receivables   | (11,447,344)                  | (12,768,672)                  |
| Changes in due from banks   | 946,316                       | (281,263)                     |
| Changes in derivatives held for hedging                                     | (9,032)                       | 80,463                        |
| Changes in other assets   | (330,300)                     | 284,848                       |
| Changes in deposit liabilities  | (6,455,543)                   | 5,593,010                     |
| Changes in provisions   | 96                            | (1,316)                       |

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|                               |                     |                    |
|-------------------------------|---------------------|--------------------|
| Payment of severance benefits | (125)               | (760)              |
| Changes in plan assets        | (105,178)           | (41,944)           |
| Changes in other liabilities  | 3,833,021           | 4,135,445          |
|                               | <u>(11,881,965)</u> | <u>(2,671,557)</u> |

Details of cash and cash equivalents at September 30, 2018 and December 31, 2017, are as follows:

| <i>(In millions of Korean won)</i>                        | <b>September 30,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|---|-------------------------------|------------------------------|
| Currency in Korean won                                    | 829,400                       | 777,749                      |
| Foreign currencies  | 250,346                       | 237,457                      |
| Due from banks  | 11,265,740                    | 11,890,931                   |
|   | <u>12,345,486</u>             | <u>12,906,137</u>            |
| Less : Restricted due from banks and others               | (9,473,291)                   | (10,261,655)                 |
| Cash and cash equivalents in the statements of cash flows | <u>2,872,195</u>              | <u>2,644,482</u>             |

Significant non-cash activities for the nine-month periods ended September 30, 2018 and 2017, are as follows:

| <i>(In millions of Korean won)</i>  | <b>September 30,<br/>2018</b> | <b>September 30,<br/>2017</b> |
|---|-------------------------------|-------------------------------|
| Reclassification from property and equipment to investment properties   | 1,121                         | (23,884)                      |
| Write-offs of loans   | 785,882                       | 792,856                       |
| Changes in the fair value of debt securities at fair value through other comprehensive income   | 46,594                        | -                             |
| Tax effects on changes in the fair value of debt securities at fair value through other comprehensive income                            | (12,814)                      | -                             |
| Changes in the fair value of available-for-sale financial assets  | -                             | 49,544                        |
| Tax effects on changes in the fair value of available-for-sale financial assets   | -                             | (11,990)                      |
| Exchange differences  | 4,862                         | (21,022)                      |
| Changes in hedges of a net investments in a foreign operations  | (9,718)                       | 13,574                        |
| Tax effect on changes in hedges of a net investments in a foreign operations  | 2,672                         | (3,285)                       |
| Reclassification of realized gains or losses on equity instrument at fair value through other comprehensive income to retained earnings | (32,938)                      | -                             |
| Tax effects on realized gains or losses on equity instrument at fair value through other comprehensive income                           | 9,058                         | -                             |
| Changes in the fair value of equity securities at fair value through other comprehensive income   | (78,929)                      | -                             |
| Tax effects on changes in the fair value of equity securities at fair value through other comprehensive income                          | 21,705                        | -                             |
| Reclassification of realized gains or losses on hedges of equity securities at fair value through other                                 | 32,477                        | -                             |

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| <i>(In millions of Korean won)</i>  | September 30,<br>2018 | September 30,<br>2017 |
|---|-----------------------|-----------------------|
| comprehensive income to retained earnings   |                       |                       |
| Tax effects on realized gains or losses on hedges of equity securities at fair value through other comprehensive income | (8,931)               | -                     |
| Overlay adjustment  | (6,170)               | -                     |
| Tax effects on overlay adjustment   | 1,697                 | -                     |
| Changes in financial liabilities designated at fair value through profit and loss                                       | (4)                   | -                     |
| Tax effects on changes in financial liabilities designated at fair value through profit and loss                        | 1                     | -                     |
| Share of other comprehensive income of associates   | (4,931)               | (792)                 |
| Income tax effects on share of other comprehensive income of associates   | 1,356                 | 191                   |
| Cash flow hedge   | 654                   | 10                    |
| Tax effects on cash flow hedge  | (180)                 | (2)                   |
| Remeasurements of net defined benefit liabilities   | (9,698)               | (5,326)               |
| Tax effects on remeasurements of net defined benefit liabilities  | 2,667                 | 1,289                 |

Changes in liabilities arising from financial activities for the nine-month period ended September 30, 2018, are as follows

| <i>(In millions of Korean won)</i> | September 30, 2018 |                         |   |   |               |                       |
|------------------------------------|--------------------|-------------------------|---|---|---------------|-----------------------|
|                                    | January 1,<br>2018 | Financing<br>activities | Non-cash changes  |   |               | September<br>30, 2018 |
|                                    |                    |                         | Hedges of a<br>net<br>investments<br>in a foreign<br>operations | Loss on<br>valuation of<br>derivatives<br>held for<br>hedge | Others        |                       |
| Debts                              | 27,339,704         | 2,063,246               | -   | -   | 56,733        | 29,459,683            |
| Debentures                         | 94,200,567         | 11,086,358              | 9,718   | (4,670)   | 19,144        | 105,311,117           |
|                                    | <u>121,540,271</u> | <u>13,149,604</u>       | <u>9,718</u>  | <u>(4,670)</u>  | <u>75,877</u> | <u>134,770,800</u>    |