

WOORI FINANCE HOLDINGS CO LTD

Form 6-K

March 31, 2005

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of March 2005

Woori Finance Holdings Co., Ltd.

(Translation of Registrant's name into English)

203, Hoehyon-dong, 1-ga, Chung-gu, Seoul, Korea 100-792

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

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Form 20-F X Form 40-F _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submission to furnish a report or other document that the registration foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes _____ No X

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Acquisition/ownership of shares in companies, which are engaged in financial services or are closely related to financial services and the governance and/or management of such companies

(1) Corporate Management

1. Setting management targets for subsidiaries and approving subsidiary business plans of subsidiaries
2. Evaluation of subsidiary business performance and establishment of compensation levels
3. Formulation of corporate governance structures of subsidiaries
4. Inspection of operational and asset status of subsidiaries
5. Activities complementary to aforementioned business activities from number 1 to 4

(2) Corporate Management Support Activities

1. Funding of Affiliates (in this provision and hereinafter, includes direct and indirect subsidiaries)
2. Capital investment in subsidiaries or procurement of funds for funding of Affiliates
3. Development and sale of products jointly with Affiliates and administrative support for joint use of facilities and computer systems with Affiliates
4. Activities ancillary to the activities in the above items, for which the authorization, permission or approval is not required under the relevant laws and regulations

(3) All businesses or activities directly or indirectly related to the businesses listed above

b. Scope of Business of Subsidiaries

(1) **Woori Bank**

1. Primary Businesses

- Banking business activities

- Ancillary business activities

2. Supplementary Businesses

- Trust business activities

- Credit card business activities

- Other authorized business activities

(2) **Kyongnam Bank**

1. Primary Businesses

- Banking business activities

- Ancillary business activities

2. Supplementary Businesses

- Trust business activities

- Credit card business activities

- Other authorized business activities

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(3) **Kwangju Bank**

1. Primary Businesses
 - Banking business activities
 - Ancillary business activities
2. Supplementary Businesses
 - Trust business activities
 - Credit card business activities
 - Other authorized business activities

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- 4) Brokering of securities in domestic securities markets and overseas markets
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- 7) Conscription for securities sales
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- 6) All businesses or activities directly or indirectly related to businesses 1 to 5 mentioned above

(6) Woori Finance Information System

- 1) Development, distribution and management of computer systems
- 2) Consulting services in computer implementation and usage
- 3) Distribution, mediation and lease of computer systems
- 4) Maintenance of computer related equipment
- 5) Publish and distribution of IT-related reports and books
- 6) Educational services related to computer usage
- 7) Information communication, telecommunications and information distribution services
- 8) Manufacturing and distribution of audio-visual media
- 9) Information processing and outsourcing services
- 10) All businesses or activities directly or indirectly related to the businesses listed above

(7) Woori F&I

- 1) Undertaking and disposition of ABS, issued primarily to securitize distressed assets through asset securitization, under the Asset Securitization Law
- 2) Undertaking and disposition of asset management companies that were initially set up to manage distressed assets, under the Asset securitization Law
- 3) All businesses or activities directly or indirectly related to the businesses listed above

(8) **Woori LB Second Asset Securitization Specialty Co., Ltd.**

- 1) Transfer, management and disposition of all rights related to securities and other assets (hereinafter securitized assets) of Woori Bank (formerly known as Hanvit Bank) and Kwangju Bank under the Asset Securitization Law
- 2) Issue and redemption of securitized assets
- 3) Preparing and registering of the asset securitization plan to the Financial Supervisory Service
- 4) Consummation of contracts required to execute the asset securitization plan
- 5) Provisional borrowing and other similar procedures for ABS redemption
- 6) Investment of surplus funds
- 7) Other businesses and activities related to the businesses listed above

(9) **Woori LB Third Asset Securitization Specialty Co., Ltd.**

- 1) Transfer, management and disposition of all rights related to securitized assets of Woori Bank, Kyongnam Bank and Woori Credit Card under the Asset Securitization Law
- 2) Issue and redemption of securitized assets
- 3) Preparing and registering of the asset securitization plan to the Financial Supervisory Service
- 4) Consummation of contracts required to execute the asset securitization plan
- 5) Provisional borrowing and other similar procedures for ABS redemption
- 6) Investment of surplus funds
- 7) Other businesses and activities related to the businesses listed above

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(10) LG Investment & Securities

<The company's purpose is as follows>

- 1) Securities dealing
- 2) Consignment sales of securities
- 3) Brokering of securities transactions and/or proxy transactions
- 4) Underwriting securities
- 5) Offering of securities
- 6) Conscription for securities sales
- 7) Brokering of securities in domestic securities markets and overseas markets
- 8) Credit services related to securities trading
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- 15) Trading and brokering of marketable certificate of deposits
- 16) Lottery and ticket sales
- 17) Real estate leasing

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- 18) Lending of securities, brokeraging, arranging and agent service
- 19) Trading, brokering and agent service for loans
- 20) Safeguard deposit of securities
- 21) Asset management and trustee services for securitization specialty companies under asset securitization regulations
- 22) Securities dealing in the ECN market
- 23) Underwriting, brokering and agent service for securities issued on a private placement basis
- 24) Leasing and sales of IT systems and software related to securities
- 25) Advertisement in the form of electronic document through communication network
- 26) Other businesses and activities related to the businesses listed above

<The company received additional permission to run the following operations>

- 1) Issuance, discount, trading, brokerage, underwriting and guarantee the notes and debt guarantee issued by the government.
- 2) CMA sales
- 3) Investment and loan of equipment and working capital
- 4) Inducement of foreign capital, foreign investment, international financing and borrowing foreign capital
- 5) Credit research and offering related services
- 6) Trading securities, consignment sales, brokerage, underwriting in the overseas market
- 7) Brokerage and intermediaries activities in the overseas securities market
- 8) Beneficiary certificate sales
- 9) Investment advisory and investment trust

- 10) Foreign exchange services
- 11) Agency services
- 12) Safety deposit services
- 13) Establishment of overseas subsidiaries
- 14) Advisory relating to corporate to management, restructuring, and financing

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- 15) Info-communication intermediary services
- 16) Money market brokerage activities
- 17) Bond management accounts services
- 18) Trading, brokerage, and consignment of futures, options, and derivatives
- 19) Publication services
- 20) M&A advisory, intermediary services
- 21) Factoring services
- 22) Property leasing services
- 23) Information exchange and call center services
- 24) Securities and finance related vocational services
- 25) Business related alliances with credit card companies, insurance companies, and banks and
- 26) IT related services
- 27) Investment information sales
- 28) REITs and related services
- 29) Venture capital services
- 30) OTC derivatives trading and mediating such transactions
- 31) Insurance sales channel and other insurance related services permitted by the law
- 32) Other businesses and activities related to the businesses listed above

<The company can operate other businesses with the approval from relevant regulatory agencies>

Table of Contents**2. History of the Company****a. Company History****(1) Background to establishment and major changes**

| | |
|--------------------|---|
| December 23, 2000 | Establishment of Financial Holding Company Act |
| December 30, 2000 | KDIC invested public funds of 8.5 trillion won in Hanvit Bank, Peace Bank, Kwangju Bank, Kyongnam Bank and Hanaro Merchant Bank |
| March 14, 2001 | Filed for establishment approval of Woori Finance Holdings |
| March 24, 2001 | Official approval from the Financial Supervisory Service for Woori Finance Holdings |
| March 27, 2001 | Incorporated as Woori Finance Holdings, Co. Ltd (Total Capital: 3.6 trillion won) |
| April 2, 2001 | Official launch of Woori Finance Holdings |
| July 16, 2001 | Issued bond with warrants |
| September 29, 2001 | Woori Finance Information System incorporated as a subsidiary |
| December 3, 2001 | Woori Asset Management incorporated as a subsidiary |
| December 3, 2001 | Woori First Asset Securitization Specialty Co., Ltd. incorporated as a subsidiary |
| December 26, 2001 | Woori Second Asset Securitization Specialty Co., Ltd. incorporated as a subsidiary |
| December 31, 2001 | Spin-off and merger of Peace Bank; Launch of Woori Credit Card |
| March 15, 2002 | Woori Third Asset Securitization Specialty Co., Ltd. incorporated as a subsidiary |
| March 29, 2002 | Woori Investment Trust Management incorporated as subsidiary |
| June 11, 2002 | Capital increase through public offering (Total capital: 3.8 trillion won) |
| June 24, 2002 | Listed on the Korea Stock Exchange |
| July 29, 2002 | Woori Securities incorporated as subsidiary |
| September 5, 2002 | Consummated strategic investment agreement with Lehman Brothers with respect to managing distressed assets |
| December 23, 2002 | Purchase and Acquisition contract with credit card division of Kwangju Bank |
| December 31, 2002 | IT outsourcing contract with Kwangju Bank and Kyongnam Bank |
| March 10, 2003 | Integrated IT platform with Kyongnam Bank |
| August 1, 2003 | Woori Merchant Bank merged into Woori Bank |
| August 15, 2003 | Integration of Kwangju Bank IT platform |
| September 3, 2003 | Launching of bancassurance business |
| September 29, 2003 | Listing on New York Stock Exchange |
| December 11, 2003 | Liquidation of Woori LB First Asset Securitization Specialty Co., Ltd. |
| December 12, 2003 | Announcement of merger between Woori Card and Woori Bank |
| March 30, 2004 | Appointment of new management |
| June 18, 2004 | Woori Securities becomes a wholly owned subsidiary |
| December 21, 2004 | Capital increase through conversion of CB (Total capital after conversion: 3.9 trillion won) |
| December 24, 2004 | Acquired LG Investment & Securities and incorporated as subsidiary |

Table of Contents**b. Associated Business Group****(1) Overview of Business Group**

1) **Name of business group** : Woori Financial Group

2) **History**

| | |
|--------------------|---|
| December 23, 2000 | Establishment of Financial Holding Company Act |
| December 30, 2000 | KDIC invested public funds of 8.5 trillion won in Hanvit Bank, Peace Bank, Kwangju Bank, Kyongnam Bank and Hanaro Merchant Bank |
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December 21, 2004 Capital increase through conversion of CB (Total capital after conversion: 3.9 trillion won)

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December 24, 2004 Acquired LG Investment & Securities and incorporated as subsidiary

(2) Related companies within Business Group

| <u>Type</u> | <u>Name of Company</u> | <u>Controlling Company</u> | <u>Notes</u> |
|-----------------------------------|---|---|--------------|
| Holding Company | Woori Finance Holdings | KDIC | |
| 1 st Tier Subsidiaries | Woori Bank Kwangju Bank Kyongnam Bank Woori Finance Information System Woori F & I Woori Second Asset Securitization Specialty Woori Third Asset Securitization Specialty Woori Investment Trust Management, Co. Woori Securities (*1) LG Investment & Securities | Woori Finance Holdings | 10 companies |
| 2 nd Tier Subsidiaries | Woori Credit Information Woori America Bank P.T. Bank Woori Indonesia Shinwoo Corporate Restructuring Company Woori First Private Equity Fund Nexbi Tech Woori CA Asset Management LG Investment Trust Management LG Futures LG Securities International Ltd. LG Securities (HK) Ltd. LG Securities America Inc. | Woori Bank Woori Finance Information System Woori F&I LG Investment & Securities | 12 companies |

(*1) Listing was cancelled on June 24, 2004 following exchange of stocks between Woori Securities and Woori Finance Holdings, and will be merged with LG Investment & Securities on March 31, 2005
Mars First Private Hoesa was included as 2nd tier subsidiary on March 8, 2005.

Table of Contents**3. Capital Structure****a. Change in Capital**

(units: won)

| Date | Category | Type | Stock Decrease/Increase | | | Note |
|------------|--------------------------------------|--------|-------------------------|-----------|---------------------|--|
| | | | Quantity | Par Value | Issue price | |
| 2001.3.27 | Establishment | Common | 727,458,609 | 5,000 | 5,000 | |
| 2002.5.31 | Exercise B/W | Common | 165,782 | 5,000 | 5,000 | |
| 2002.6.12 | Capital increase w/ consideration | Common | 36,000,000 | 5,000 | 6,800 | 0.0494 |
| 2002.6.30 | Exercise B/W | Common | 1,416,457 | 5,000 | 5,000 | |
| 2002.9.30 | Exercise B/W | Common | 2,769,413 | 5,000 | 5,000 | |
| 2002.12.31 | Exercise B/W | Common | 4,536 | 5,000 | 5,000 | |
| 2003.3.31 | Exercise B/W | Common | 1,122 | 5,000 | 5,000 | |
| 2003.6.30 | Exercise B/W | Common | 7,688,991 | 5,000 | 5,000 | |
| 2004.6.18 | Stock Exchange | Common | 8,571,262 | 5,000 | 8,902 ¹⁾ | Exchange with WooriSec shares on a 1-to-0.55 basis |
| 2004.11.4 | Exercise CB | Common | 666,301 | 5,000 | 5,380 | |
| 2004.12.2 | Exercise CB | Common | 7,995,613 | 5,000 | 5,380 | |
| 2004.12.21 | Exercise CB | Common | 3,717,472 | 5,000 | 5,380 | |

1) Applied share price when deriving the exchange ratio

b. Expected Changes in Capital

Unsecured Convertible Bonds can be converted a year after their issuance and, therefore, can bring about changes in capital.

On February 17, 2005 there was a request for conversion of Unsecured C/B Series 6-2 (USD 16,000,000), and therefore increase in capital of 17,405,865,000 won (3,481,173 shares) had taken place.

On March 11, 2005 there was a request for conversion of Unsecured C/B Series 6-1 and 6-5 (USD 37,000,000), and therefore increase in capital of 30,393,045,000 won (6,078,609 shares) had taken place.

Table of Contents**c. Convertible Bonds**

(units: won, USD, shares)

| Item | Unsecured | Unsecured | Unsecured | Total |
|------------------------------|----------------------------|-------------------------------|----------------------------|----------------|
| | C/B | C/B | C/B | |
| | Series 6-1 | Series 6-2 | Series 6-5 | |
| Date of Issue | 2002.9.27 | 2002.12.20 | 2003.7.10 | |
| Maturity | 2005.9.27 | 2005.12.20 | 2003.7.10 | |
| Total Amount | USD 36,000,000 | USD 16,000,000 | USD 1,000,000 | USD 53,000,000 |
| Allotment Method | Private | Private | Private | |
| Conversion Period | 2003.9.28 ~ 2005.8.27 | 2003.12.21 ~ 2005.11.20 | 2004.7.11 ~ 2006.6.10 | |
| Conditions | | | | |
| ratio | 100% | 100% | 100% | |
| price | 7,313 | 5,588 | 7,228 | |
| Type of Stock when converted | Common | Common | Common | |
| Converted Bonds | | | | |
| amount | | | | |
| shares | | | | |
| Unconverted Stock | | | | |
| amount | USD 36,000,000 | USD 16,000,000 | USD 1,000,000 | USD 53,000,000 |
| shares | 5,914,180 | 3,481,173 | 164,429 | 9,559,782 |
| Notes | Converted in March 2005 | Converted in February 2005 | Converted in March 2005 | All converted |

* Units in USD.

Conversion value is stated in won; the currency rate used in series 6-1 was 1,201.40 won/\$, 6-2 was 1,215.80 won/\$, 6-5 was 1,188.50won/\$, respectively.

Table of Contents**4. Total Number of Authorized Shares****a. Total Number of Authorized Shares**

[as of 2004.12.31]

| <u>Total Number of shares authorized</u> | <u>Total Number of Issued Stock</u> | <u>Total Number of Unissued Stock</u> |
|--|-------------------------------------|---------------------------------------|
| 2,400,000,000 | 796,455,558 | 1,603,544,442 |

b. Information of Issued Shares

[as of 2004.12.31]

[Par Value : 5,000 won]

(units: 1,000 won, shares)

| <u>Type</u> | <u>Number of Stock Issued</u> | <u>Face Value</u> | <u>Notes</u> |
|-------------|-------------------------------|-------------------|--------------|
| Registered | 796,455,558 | 3,982,277,790 | |
| Total | 796,455,558 | 3,982,277,790 | |

c. Treasury Stock

[as of 2004.12.31]

(units: shares)

Acquisition

| <u>Method</u> | <u>Type of Stock</u> | <u>Beg.</u> | <u>Acquired</u> | <u>Disposal</u> | <u>Canceled</u> | <u>End</u> | <u>Remarks</u> |
|--|----------------------|-------------|-----------------|-----------------|-----------------|------------|----------------|
| Direct purchase under Sub-section 1, section 189-2 | Common | | | | | | |
| | Preferred | | | | | | |
| Direct purchase other than the conditions under Sub-section 1, section 189-2 | Common | | 2,547 | | | 2,547 | |
| | Preferred | | | | | | |
| Subtotal | Common | | 2,547 | | | 2,547 | |
| | Preferred | | | | | | |
| Indirect acquisition from trust agreement | Common | | | | | | |
| | Preferred | | | | | | |
| Total | Common | | 2,547 | | | 2,547 | |
| | Preferred | | | | | | |

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d. Status of Employee Stock Option Program

[as of 2004.12.31]

(units: won, shares)

| <u>Type of stock</u> | <u>Type of Stock</u> | <u>Initial</u> <u>Balance</u> | <u>Ending</u> <u>Balance</u> |
|------------------------|----------------------|----------------------------------|---------------------------------|
| Employee Account | | | |
| Employee Union Account | Common stock | 3,187,103 | 2,073,551 |

5. Voting Rights

[as of 2004.12.31]

(units: shares)

| <u>Items</u> | <u>Number of stock</u> | <u>Notes</u> |
|---|------------------------|------------------|
| Total number of shares | 796,455,558 | |
| | | Common Shares |
| | | Preferred Shares |
| Stocks without voting rights | | Common Shares |
| | | Preferred Shares |
| Stocks with limited voting rights under the Securities & Exchange Law | - | 1,322,467 |
| Stocks with voting rights restored | - | |
| Stocks with voting rights | | Common Shares |
| | 795,133,091 | Preferred Shares |

Table of Contents**6. Dividend Information****a. Dividend information for the past 3 years**

(units: won)

| Items | 2004 | 2003 | 2002 |
|--|-----------|-----------|-----------|
| Par value per share (Won) | 5,000 | 5,000 | 5,000 |
| Net profit (Won in Millions) | 1,292,493 | 202,565 | 589,214 |
| Earnings per share (Won) | 1,655 | 262 | 786 |
| Profit available for dividend distribution (Won in Millions) | 2,150,995 | 1,203,688 | 1,086,596 |
| Total cash payout (Won in Millions) | 119,468 | 77,550 | 57,262 |
| Total stock dividends (Won in Millions) | | | |
| Propensity to cash dividends (%) | 9.24 | 38.28 | 9.72 |
| Cash dividend yield (%) | | | |
| Common Shares | 1.81 | 1.53 | 5.22 |
| Preferred Shares | | | |
| Stock dividend yield (%) | | | |
| Common Shares | | | |
| Preferred Shares | | | |
| Cash dividend per share (Won) | | | |
| Common Shares | 150 | 100 | 250 |
| Preferred Shares | | | |
| Stock dividend per share (Won) | | | |
| Common Shares | | | |
| Preferred Shares | | | |

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II. Description of Business

1. Business Overview

a. Current Trend of Industry

Fierce competition in the banking sector

Restructuring of the 2nd tier financial industry

Convergence of products/services in the financial industry

Expansion of financial services due to the development of the capital market and technology

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b. Organization Chart

Table of Contents**2. Overview of Operations****a. Performance of Operations**

As a financial holdings corporation under the Financial Holding Corporation Act, our main income consists of dividend payments of our subsidiaries. We are not involved in any other operations.

b. Financing of operations**(1) Source of Funds**

(units: millions of won)

| Items | 2004 | 2003 | 2002 |
|---------------------|-----------|-----------|-----------|
| Shareholders Equity | 7,436,457 | 5,597,895 | 5,064,129 |
| Capital | 3,982,278 | 3,877,525 | 3,839,074 |
| Capital Surplus | 84,356 | 61,324 | 58,645 |
| Retained Earnings | 2,359,422 | 1,282,866 | 1,145,518 |
| Capital Adjustments | 1,010,402 | 376,180 | 20,892 |
| Borrowings | 2,299,992 | 2,649,920 | 2,325,021 |
| Debtentures | 2,154,637 | 2,621,182 | 1,999,250 |
| Bank Borrowings | 120,000 | | 300,000 |
| Commercial Paper | | | |
| Other Borrowings | | | |
| Other Liabilities | 25,354 | 28,738 | 25,771 |
| Total | 9,736,449 | 8,247,815 | 7,389,150 |

Table of Contents**(2) Use of Funds**

(units: millions of won)

| Items | 2004 | 2003 | 2002 |
|--|-----------|-----------|-----------|
| Subsidiary Stock | 9,425,381 | 7,007,222 | 6,062,119 |
| Woori Bank | 7,578,363 | 5,869,558 | 4,500,143 |
| Kyongnam Bank | 608,802 | 504,629 | 424,060 |
| Kwangju Bank | 420,595 | 364,955 | 290,003 |
| Woori Credit Card | | | 379,126 |
| Woori Merchant Bank | | | 222,936 |
| Woori Financial Information System | 7,613 | 7,284 | 3,364 |
| Woori F&I | 58,231 | 35,896 | 17,016 |
| Woori 2 nd Asset Securitization Specialty | | 20,016 | 31,666 |
| Woori 3 rd Asset Securitization Specialty | | 1,266 | |
| Woori Investment Trust Management | 35,076 | 34,978 | 39,646 |
| Woori Securities | 361,500 | 168,639 | 154,159 |
| LG Investment & Securities | 355,201 | | |
| Loan Obligations | 218,641 | 830,566 | 1,231,207 |
| Tangible Assets | 228 | 242 | 324 |
| Intangible Assets | 54 | 51 | 50 |
| Cash | 56,099 | 349,585 | 73,256 |
| Other Assets | 36,047 | 60,148 | 22,195 |
| Total | 9,736,449 | 8,247,815 | 7,389,151 |

c. Transactions related to Commission Fees

(units: millions of won)

| Category | Items | 2004 | 2003 | 2002 |
|-------------------------|-------|--------|--------|--------|
| Commission Revenue (A) | | 0 | 0 | 0 |
| Commission Expense (B) | | 8,037 | 6,704 | 5,611 |
| Commission Profit (A-B) | | -8,037 | -6,704 | -5,611 |

Table of Contents**3. Other Details Relevant to Investment Decisions**

Instead of following the format of exhibiting BIS equity capital ratio and status of non-performing loans to indicate capital adequacy and asset quality, we exhibit the current ratio and debt ratio as similar indicators under the Finance Holding Company Act

a. Won-denominated Current Ratio

(units: millions of won)

| Items | 2004 | 2003 | 2002 | 2001 |
|-------------------------|---------|----------|--------|---------|
| Current Assets (A) | 57,346 | 203,202 | 78,357 | 185,154 |
| Current Liabilities (B) | 11,385 | 9,711 | 9,317 | 316,615 |
| Current Ratio (A/B) | 503.70% | 2,092.5% | 841.0% | 58.5% |

*** Current ratio of won**

= $\frac{\text{assets with maturity less than 3 months}}{\text{liabilities with maturity less than 3 months}}$

b. Foreign Currency-denominated Current Ratio

(units: millions of won)

| Items | 2004 | 2003 | 2002 | 2001 |
|-------------------------|------|---------|------|------|
| Current Assets (A) | | 147,754 | | |
| Current Liabilities (B) | | 148,598 | | |
| Current Ratio (A/B) | | 99.4% | | |

*** Current ratio of foreign currency**

= $\frac{\text{assets with maturity less than 3 months}}{\text{liabilities with maturity less than 3 months}}$

c. Debt Ratio

(units: millions of won)

| Items | 2004 | 2003 | 2002 | 2001 |
|-----------------|-----------|-----------|-----------|-----------|
| Liabilities (A) | 2,299,992 | 2,649,920 | 2,325,022 | 1,616,466 |

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| | | | | |
|------------------|-----------|-----------|-----------|-----------|
| Equity (B) | 7,436,457 | 5,597,895 | 5,064,129 | 4,077,347 |
| Debt Ratio (A/B) | 30.9% | 47.3% | 45.9% | 39.7% |

Table of Contents**d. Credit Ratings for the Past 3 years**

| Date of Rating | Evaluated Securities | Credit Rating | Company (Ratings Range) | Evaluation Category |
|-----------------------|-----------------------------|----------------------|--------------------------------|----------------------------|
| 2001.6.27 | Debentures | AA+ | Korea Ratings (AAA~D) | Case evaluation |
| 2001.6.28 | Debentures | AA+ | KIS Ratings (AAA~D) | Case evaluation |
| 2001.9.26 | Debentures | AA+ | KIS Ratings (AAA~D) | Case evaluation |
| 2001.9.26 | Debentures | AA+ | Korea Ratings (AAA~D) | Case evaluation |
| 2001.11.29 | | BBB- | R&I (AAA~C) | Case evaluation |
| 2002.10.17 | Debentures | AA+ | Korea Ratings (AAA~D) | Case evaluation |
| 2002.10.22 | Debentures | AA+ | KIS Ratings (AAA~D) | Case evaluation |
| 2002.11.8 | | BBB | R&I (AAA~C) | Periodic evaluation |
| 2002.12.13 | Debentures | AA+ | Korea Ratings (AAA~D) | Case evaluation |
| 2002.12.16 | Debentures | AA+ | KIS Ratings (AAA~D) | Case evaluation |
| 2003.6.30 | Debentures | AA+ | KIS Ratings (AAA~D) | Periodic evaluation |
| 2003.9.8 | Debentures | AAA | Korea Ratings (AAA~D) | Case evaluation |
| 2003.9.8 | Debentures | AAA | KIS Ratings (AAA~D)) | Case evaluation |
| 2003.11.13 | | BBB | R&I (AAA~C) | Periodic evaluation |
| 2003.12.04 | Debentures | AAA | NICE (AAA~D) | Case evaluation |
| 2003.12.04 | Debentures | AAA | KIS Ratings (AAA~D)) | Case evaluation |
| 2004.2.6 | | BBB | Fitch Rating (AAA~D) | Case evaluation |
| 2004.3.11 | | BBB- | S&P (AAA~D) | Case evaluation |
| 2004.5.27 | | Baa3 | Moody s (Aaa~C) | Case evaluation |
| 2004.6.9 | Debentures | AAA | KIS Ratings (AAA~D)) | Case evaluation |
| 2004.6.9 | Debentures | AAA | NICE (AAA~D) | Case evaluation |
| 2004.7.16 | Debentures | AAA | NICE (AAA~D) | Case evaluation |
| 2004.7.16 | Debentures | AAA | Korea Ratings (AAA~D) | Case evaluation |
| 2004.11.15 | Debentures | AAA | Korea Ratings (AAA~D) | Case evaluation |
| 2004.11.15 | Debentures | AAA | Korea Ratings (AAA~D) | Case evaluation |

e. Other Important Information

Please refer to our annual report for the BIS capital ratio and non-performing loans of our subsidiaries.

Table of Contents**III. Financial Information****1. Condensed Financial Statements (Non-consolidated)**

(units: millions of won)

| Items | 2004 | 2003 | 2002 | 2001 |
|-----------------------------------|------------------|------------------|------------------|------------------|
| Cash and Due from Banks | 56,099 | 349,585 | 73,256 | 13,825 |
| Securities | 9,425,381 | 7,007,222 | 6,062,119 | 5,016,864 |
| Loans | 218,641 | 830,566 | 1,231,207 | 648,365 |
| Fixed Assets | 282 | 293 | 374 | 651 |
| Other Assets | 36,046 | 60,148 | 22,195 | 14,108 |
| Total Assets | 9,736,449 | 8,247,814 | 7,389,151 | 5,693,813 |
| Borrowings | 120,000 | | 300,000 | 310,000 |
| Debentures | 2,154,636 | 2,621,182 | 1,999,250 | 1,298,304 |
| Other Liabilities | 25,355 | 28,737 | 25,772 | 8,162 |
| Total Liabilities | 2,299,991 | 2,649,919 | 2,325,022 | 1,616,466 |
| Common Stock | 3,982,278 | 3,877,525 | 3,839,074 | 3,637,293 |
| Capital Surplus | 84,356 | 61,324 | 58,645 | |
| Retained Earnings | 2,359,422 | 1,282,866 | 1,145,518 | 558,501 |
| Capital Adjustment | 1,010,402 | 376,180 | 20,892 | Δ 118,447 |
| Total Stockholder's Equity | 7,436,458 | 5,597,895 | 5,064,129 | 4,077,347 |
| Operating Income (*1) | 1,953,418 | 1,593,251 | 878,488 | 717,112 |
| Operating Expenses (*2) | 662,975 | 1,390,154 | 302,721 | 31,222 |
| Operating Profit | 1,290,443 | 203,097 | 575,767 | 685,890 |
| Ordinary Income | 1,292,493 | 202,565 | 589,214 | 685,885 |
| Net profit | 1,292,493 | 202,565 | 589,214 | 684,102 |

(Δ stands for negative numbers)

(*1)(*2) Operating Income and operating expenses are computed by the total amount of gain or loss from equity method from the application of corporate accounting standard article 15.

* Refer to Exhibits to see detailed financial statements

Table of Contents**2. Condensed Financial Statements (Consolidated)**

(units: millions of won)

| Items | 2004 | 2003 | 2002 | 2001 |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
| Cash and Due from Banks | 6,850,115 | 6,471,855 | 6,568,852 | 6,432,890 |
| Securities | 28,553,168 | 27,006,677 | 26,452,509 | 25,024,333 |
| Loans | 91,768,615 | 86,077,297 | 73,604,113 | 59,876,198 |
| Fixed Assets | 2,646,979 | 2,734,616 | 2,796,183 | 2,831,851 |
| Other Assets | 6,811,684 | 6,477,274 | 5,421,877 | 5,920,545 |
| Total Assets | 136,630,561 | 128,767,718 | 114,843,534 | 100,058,817 |
| Deposits | 92,148,907 | 89,049,625 | 78,917,388 | 69,332,217 |
| Borrowings | 13,285,773 | 12,813,104 | 13,839,614 | 13,742,572 |
| Debentures | 13,687,295 | 12,195,159 | 10,792,932 | 5,491,533 |
| Other Liabilities | 8,814,901 | 9,011,530 | 5,987,833 | 7,080,301 |
| Total Liabilities | 127,936,876 | 123,069,418 | 109,528,767 | 95,646,623 |
| Common Stock | 3,982,278 | 3,877,525 | 3,839,074 | 3,637,293 |
| Consolidated Capital Surplus | 170,960 | 57,844 | 25,029 | |
| Consolidated Retained Earnings | 2,363,713 | 1,152,053 | 1,151,113 | 558,852 |
| Consolidated Capital Adjustment | 923,794 | 414,969 | 54,506 | Δ 116,546 |
| Minority Interest | 1,252,940 | 195,909 | 245,045 | 359,595 |
| Total Stockholder s Equity | 8,693,685 | 5,698,300 | 5,314,767 | 4,439,194 |
| Operating Income (*1) | 13,359,215 | 10,403,445 | 9,623,990 | 10,159,156 |
| Operating Expenses (*2) | 12,191,952 | 10,060,210 | 8,908,732 | 9,847,439 |
| Operating Profit | 1,167,263 | 343,235 | 715,258 | 311,717 |
| Non-operating Income | 458,277 | 639,882 | 540,113 | 1,190,685 |
| Non-operating Expenses | 390,804 | 752,055 | 800,487 | 937,984 |
| Ordinary Income | 1,234,736 | 231,062 | 454,884 | 564,418 |
| Aggregated Net Profit | 1,291,620 | 52,374 | 613,576 | 736,616 |
| Consolidated Net Profit | 1,292,493 | 56,279 | 591,588 | 686,287 |
| No. of Companies Consolidated | 24 | 15 | 17 | 17 |

(Δ stands for negative numbers)

(*1)(*2) Operating Income and operating expenses are computed by the total amount of gain or loss from equity method from the application of corporate accounting standard article 15.

Table of Contents**3. Accounting Information****a. Loan Loss Reserves****(1) Loan Loss Reserves for past 3 years by classification**

(units: millions of won)

| <u>Period</u> | <u>Item</u> | <u>Total Credits</u> | <u>Loan Loss Reserves</u> | <u>Provisioning Ratio</u> |
|---------------|-------------|----------------------|---------------------------|---------------------------|
| 2004 | Lendings | 151,850 | 759 | 0.5% |
| | Loans | 67,890 | 339 | 0.5% |
| | Total | 219,740 | 1,098 | 0.5% |
| 2003 | Lendings | 156,850 | 784 | 0.5% |
| | Loans | 677,890 | 3,390 | 0.5% |
| | Total | 834,740 | 4,174 | 0.5% |
| 2002 | Lendings | 214,600 | 1,073 | 0.5% |
| | Loans | 1,167,822 | 146,308 | 12.5% |
| | Total | 1,382,422 | 147,381 | 10.7% |

(2) Change in Loan Loss Reserves for past 3 years

(units: millions of won)

| <u>Item</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|---------------------------------------|-------------|-------------|-------------|
| 1. Initial loan loss reserves balance | 4,174 | 147,381 | 3,258 |
| 2. Net credit costs | | 127,551 | 144,123 |
| 1) Write-offs | | 127,400 | |
| 2) Recovery of written-off assets | | | |
| 3) Other changes | | 151 | 144,123 |
| Recovery of credit costs | -3,076 | 15,656 | |
| Ending loan loss reserve balance | 1,098 | 4,174 | 147,381 |

Table of Contents**4. Notes on consolidated financial statement****(1) Auditor's opinion**

| Item | 2004 | 2003 | 2002 | 2001 |
|-------------------|---|--|--|--|
| Auditor's Opinion | Deloitte HanaAnjin Unqualified Opinion | Deloitte & Touche Unqualified Opinion | Deloitte & Touche Unqualified Opinion | Arthur Andersen Unqualified Opinion |

(2) Companies included in the consolidated financial statement in the last three years

| Year | Companies included | Newly included companies | Excluded companies |
|-------------|---|---|---------------------------|
| 2004 | Woori Finance Holdings and 24 companies | - Woori First Private Investment Company - LG Investment & Securities - LG Futures - LG Investment Trust Management - LG Securities Int'l Ltd. - LG Securites (H.K.) Limited - LG Securities America, Inc. - LG Investments Holding B.V. (Amsterdam)GG - High Technology Venture Investment - Global Technology Investment | - Woori Credit Card |

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| | | |
|------|--|---|
| 2003 | Woori Finance Holdings and 15 companies | - Woori Merchant Bank |
| 2002 | Woori Finance Holdings and 17 companies | - Woori F&I - Woori First SPC - Woori Third SPC |

Table of Contents**IV. Independent Auditor's Opinion****1. Independent Auditor's Opinion****a. Independent Auditor**

| <u>2004 Dec. 31</u> | <u>2003 Dec. 31</u> | <u>2002 Dec. 31</u> | <u>2001 Dec. 31</u> |
|---------------------|---------------------|---------------------|---------------------|
| Deloitte HanaAnjin | Deloitte & Touche | Deloitte & Touche | Arthur Andersen |

2. Compensation to the Independent Auditor**a. Auditing Service**

(units: millions of won)

| <u>Year</u> | <u>Auditor</u> | <u>Activity</u> | <u>Compensation</u> | <u>Accrued Time (hr)</u> |
|-------------|-----------------------|--|---------------------|------------------------------|
| 2004 | Deloitte HanaAnjin | Quarter, Half Year, Annual Interim Financial Statement (Consolidated, Non-consolidated) | 310 | 7,158 |
| | | Quarter Interim Financial Statement | 140 | 1,200 |
| | Arthur Andersen | Half Year Interim Financial Statement | 70 | 600 |
| | | Annual Financial Statement | 36 | 300 |
| 2003 | Deloitte Touche | (Consolidated, Non-consolidated) | 37 | 300 |
| | | Quarter Interim Financial Statement | 140 | 1,200 |
| | | Half Year Interim Financial Statement | 70 | 600 |
| | | Year-end Financial Statement | 30 | 300 |
| 2002 | Arthur Andersen | Consolidated Financial Statement | 30 | 300 |
| | | Year-end Financial Statement | 30 | 300 |

b. Compensation for services other than the Audit

(units: thousands of dollars)

| Year | Contract Date | Activity | Period | Comp. | Note |
|-------------|--------------------------|------------------|----------------|--------------|-----------------------|
| 2004 | 2005.3.25 | US GAAP Auditing | 2004.12~2005.5 | 2,050 | Deloitte HanaAnjin |
| 2003 | 2003.7.30 | US GAAP Auditing | 2003.8~2004.5 | 4,500 | Deloitte Touche |
| 2002 | 2003.2.28 | US GAAP Auditing | 2002.12~2003.5 | 4,250 | Deloitte Touche |

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V. Corporate Governance and Affiliated Companies

1. Overview of Corporate Governance

a. About the Board of Directors

(1) Board of Directors

At our 3rd Annual General Shareholders Meeting held on March 30, 2004 a new Board of Directors was appointed, consisting of the Group's Chairman Young-Key Hwang, Vice Chairman Jong-Wook Kim and Vice Chairman Euoo-Sung Min. Our non-standing directors currently consist of Suk-Jean Kang (Chairman of CEO Consulting Group), Je-Hoon Lee (President of Korea BBB Association), Sung-Tae Ro (Dean of the School of Business at Myongji University), Do-Soung Choi (Professor of Finance at Seoul National University), Oh-Seok Hyun (President of the Trade Research Institute) and Chung-Sook Moon (Professor of Economics at Sookmyung University).

Sung-Hwan Bae was appointed as a non-standing director at the May 18, 2004 extraordinary shareholders meeting. Vice Chairman Euoo-Sung Min resigned in May 2004.

Director Suk-Jean Kang resigned on March 17, 2005 and at our 4th Annual General Shareholders Meeting held on March 28, 2004, Seung-Hee Park (CFO at Woori Finance Holdings) was appointed as a new standing director. Je-Hoon Lee (President of Korea BBB Association), Sung-Tae Ro (Dean of the School of Business at Myongji University), Woon-Youl Choi (Dean of the School of Business at Sogang University), Oh-Seok Hyun (President of the Trade Research Institute), Do-Soung Choi (Professor of Finance at Seoul National University), Chung-Sook Moon (Professor of Economics at Sookmyung University) and Sung-Hwan Bae (Director of the Receivership & Collection Department, KDIC) were appointed to the Audit Committee as non-executive directors.

(A) Duties of Boards of Directors

- The Board of Directors shall consist of directors and shall determine the matters which are provided for as the authority of the Board of Directors under the relevant laws and regulations

- The Board of Directors shall perform its duties set forth in the Rules for the Board of Directors for the purpose of enhancement of shareholders benefits

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(B) Information Regarding the Board of Directors

The following information was stated in the convocation notice of annual general meeting and in the explanation of bill on March 10 and 11, 2005

Ø 2nd Resolution : Appointment of Standing Director

| <u>Position</u> | <u>Name</u> | <u>Information</u> | <u>Relationship with KDIC</u> | <u>Transaction with WFG</u> |
|------------------|------------------|---|-------------------------------|-----------------------------|
| <u>Sstanding</u> | <u>Seung-Hee</u> | <u>- Executive Director of KDIC</u> | <u>N/A</u> | <u>N/A</u> |
| <u>Director</u> | <u>Park</u> | <u>- Senior Managing Director at Woori Finance Holdings</u> | | |

Table of ContentsØ 3rd Resolution : Appointment of Non-Standing Directors and Audit Committee Members

| Position | Name | Information | Relationship with KDIC | Transaction with WFG |
|---|-----------------|--|-------------------------------|-----------------------------|
| Non-standing Director and audit Committee | Je-Hoon Lee | - B.A. in Sociology, Seoul National University - M.A. in Journalism, Seoul National University - CEO & President of The Joongang Ilbo - Currently President of Korea BBB Association | N/A | N/A |
| Non-standing Director and audit Committee | Sung-Tae Ro | - B.A. in Economics, Seoul National University - Ph.D. in Economics, Harvard University - Chief Editor of The Korea Economic Daily - Currently Dean of Business School at Myongji University | N/A | N/A |
| Non-standing Director and audit Committee | Oh-Seok Hyun | - B.A. in Business Administration, Seoul National University - Ph.D. in Economics, University of Pennsylvania - Former employee at Ministry of Finance and Economy - Currently President of Trade Research Institute, Korea Int'l Trade Association | N/A | N/A |
| Non-standing Director and audit Committee | Dosoung Choi | - B.A. in Business Administration, Seoul National University - Ph.D. in Finance, Pennsylvania State University - Chairman of Korean Securities Association - Currently Professor of Finance at Seoul National University | N/A | N/A |
| Non-standing Director and audit Committee | Chung-Sook Moon | - B.A. in Home Management, Sookmyung Women's University - Ph.D. in Consumer Economics, Kansas State University - Currently Professor of Economics at Sookmyung Women's University | N/A | N/A |
| Non-standing Director and audit Committee | Sung-Hwan Bae | - Ph.D. in Business Administration at SungKyunKwan University - Banking Supervisory Authority of the Bank of Korea - Currently director at Korea Deposit Insurance Corp. | Employee (Director) | N/A |
| Non-standing Director and audit Committee | Woon-Youl Choi | - B.A. in Business Administration at Seoul National University - Ph.D. in Finance at University of Georgia - Member, Monetary Policy Committee | N/A | N/A |

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(C) Appointment of Non-standing Directors

Pursuant to Article 42 of the Articles of Association and the non-standing director candidate nomination committee regulations Article 5, a non-standing director is appointed through process where the non-standing director candidate nomination committee recommends candidates and the decision is made through a resolution by the shareholders' meeting.

* Article 42 (Committee)

1. We currently have the following management committees that serve under the board.

1. The BOD Management Committee
2. The Business Strategy & Compensation Committee
3. The Risk Management Committee
4. Executive Committee
5. Ethics Committee
6. Non-standing Director Nomination Committee
7. MOU Review Committee
8. The Audit Committee

(D) Committees within Board of Directors

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[as of 2004.12.31]

1) BOD Management Committee

| <u>Name</u> | <u>Position</u> | <u>Notes</u> |
|-----------------|-----------------------|--|
| Young-Key Hwang | Chairman and CEO | Chairman/CEO Young-Key Hwang heads the committee consisting of the heads of sub-committees. Non-standing directors must be more than 1/2 of the total committee members. |
| Suk-Jean Kang | Non-standing Director | |
| Sung-Tae Ro | Non-standing Director | |
| Dosoung Choi | Non-standing Director | |
| Chung-Sook Moon | Non-standing Director | |

Director Suk-Jean Kang resigned on March 17, 2005

Director Je-Hoon Lee was appointed to the committee on March 28, 2005 while directors Sung-Tae Ro, Dosoung Choi, and Chung-Sook Moon were reappointed

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2) Business Strategy and Compensation Committee

| Name | Position | Notes |
|---------------|-----------------------|---|
| Suk-Jean Kang | Non-standing Director | Non-standing director Je-Hoon Lee heads the committee consisting of 4 non-standing directors. |
| Je-Hoon Lee | Non-standing Director | |
| Oh-Seok Hyun | Non-standing Director | |
| Dosoung Choi | Non-standing Director | |

Director Suk-Jean Kang resigned on March 17, 2005

Newly appointed non-standing director Woon-Youl Choi was appointed to the committee on March 28, 2005 while directors Je-Hoon Lee, Oh-Seok Hyun, Dosoung Choi were reappointed

3) Risk Management Committee

| Name | Position | Notes |
|-----------------|-----------------------|--|
| Young-Key Hwang | Chairman and CEO | Committee consist of the Chairman/CEO and CFO and no less than 3 non-standing directors. |
| Sung-Tae Ro | Non-standing Director | |
| Oh-Seok Hyun | Non-standing Director | |
| Dosoung Choi | Non-standing Director | |

At the BOD meeting held on March 28, 2005, risk management committee regulations were revised and the committee structure was adjusted

Newly appointed standing director Seung-Hee Park was appointed to the committee on March 28, 2005 while directors Sung-Tae Ro, Oh-Seok Hyun, Dosoung Choi were reappointed

4) Audit Committee

| Name | Position | Notes |
|-----------------|-----------------------|--------------|
| Suk-Jean Kang | Non-standing Director | |
| Je-Hoon Lee | Non-standing Director | |
| Sung-Tae Ro | Non-standing Director | |
| Oh-Seok Hyun | Non-standing Director | |
| Dosoung Choi | Non-standing Director | |
| Chung-Sook Moon | Non-standing Director | |
| Sung-Hwan Bae | Non-standing Director | |
| Woon-Youl Choi | Non-standing Director | |

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Director Suk-Jean Kang resigned the committee on October 22, 2004

Director Woon-Youl Choi was appointed to the committee on March 28, 2005

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5) Standing Committee

| Name | Position | Notes |
|----------------------------------|-----------------------------------|---|
| Young-Key Hwang Jong-Wook Kim | Chairman and CEO Vice Chairman | Chairman/CEO Young-Key Hwang heads the committee consisting of all executive directors. |

Newly appointed standing director Seung-Hee Park was appointed to the committee on March 28, 2005

6) Ethics Committee

| Name | Position | Notes |
|--|--|--|
| Young-Key Hwang Jong-Wook Kim Je-Hoon Lee Oh-Seok Hyun Chung-Sook Moon | Chairman and CEO Vice Chairman Non-standing Director Non-standing Director Non-standing Director | Non-standing director Chung-Sook Moon heads the committee consisting of all executive directors and no less than 2 non-standing directors. |

Newly appointed standing director Seung-Hee Park was appointed to the committee on March 28, 2005 while directors Je-Hoon Lee, Oh-Seok Hyun, Chung-Sook Moon were reappointed

7) Non-standing Directors Nomination Committee

| Name | Position | Notes |
|--|---|---|
| Young-Key Hwang Suk-Jean Kang Je-Hoon Lee Sung-Tae Ro | Chairman and CEO Non-standing Director Non-standing Director Non-standing Director | Non-standing director Sung-Tae Ro heads the committee consisting of the Chairman/CEO and no less than 3 non-standing directors. |

Director Suk-Jean Kang resigned in March 17, 2005

Newly appointed non-standing director Woon-Youl Choi was appointed to the committee on March 28, 2005 while directors Je-Hoon Lee and Sung-Tae Ro were reappointed

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8) MOU Review Committee

| Name | Position | Notes |
|-----------------|-----------------------|---|
| Young-Key Hwang | Chairman and CEO | Chairman/CEO Young-Key Hwang heads the committee consisting of the entire board of directors. |
| Jong-Wook Kim | Vice Chairman | |
| Suk-Jean Kang | Non-standing Director | |
| Je-Hoon Lee | Non-standing Director | |
| Sung-Tae Ro | Non-standing Director | |
| Oh-Seok Hyun | Non-standing Director | |
| Dosoung Choi | Non-standing Director | |
| Chung-Sook Moon | Non-standing Director | |
| Sung-Hwan Bae | Non-standing Director | |

Director Suk-Jean Kang resigned in March 17, 2005

Newly appointed non-standing director Woon-Youl Choi and Seung-Hee Park were appointed to the committee on March 28, 2005

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(D) Stock Options

(as of 2004.12.31)

(units: won, thousand shares)

| Grantee | Relationship | Grant date | Type of stock | No. of granted options | Exercised options | Cancelled options | Exercisable options | Closing price |
|-----------------|-----------------------------|-------------------|----------------------|-------------------------------|--------------------------|--------------------------|----------------------------|----------------------|
| Byung Chul Yoon | Standing director | 2002.12.04 | Common | 100 | | | 100 | 8,530 |
| Kwang Woo Chun | Standing director | 2002.12.04 | Common | 80 | | | 80 | 8,530 |
| Euoo Sung Min | Standing director | 2002.12.04 | Common | 80 | | 80 | | 8,530 |
| Hwan Kyu Park | Non-standing dir. | 2002.12.04 | Common | 40 | | | 40 | 8,530 |
| Ki Chul Han | Non-standing dir. | 2002.12.04 | Common | 30 | | | 30 | 8,530 |
| Tae Ho Sohn | Non-standing dir. | 2002.12.04 | Common | 30 | | | 30 | 8,530 |
| Won Gihl Sohn | Non-standing dir. | 2002.12.04 | Common | 30 | | | 30 | 8,530 |
| Nam Hong Cho | Standing director | 2002.12.04 | Common | 10 | | | 10 | 8,530 |
| Sang Chul Lee | Standing director) | 2002.12.04 | Common | 10 | | | 10 | 8,530 |
| Jae Woong Lee | Standing director | 2002.12.04 | Common | 10 | | | 10 | 8,530 |
| Gae Min Lee | Standing director | 2002.12.04 | Common | 10 | | | 10 | 8,530 |
| Kwang Sun Chung | Standing director | 2002.12.04 | Common | 10 | | | 10 | 8,530 |
| Hae-Seok Suh | Standing director | 2002.12.04 | Common | 10 | | | 10 | 8,530 |
| Duk Hoon Lee | Director of related company | 2002.12.04 | Common | 80 | | | 80 | 8,530 |
| Jong Wook Kim | Director of related company | 2002.12.04 | Common | 45 | | | 45 | 8,530 |
| Jin Kyu Park | Director of related company | 2002.12.04 | Common | 45 | | | 45 | 8,530 |
| Jong Ku Min | Director of related company | 2002.12.04 | Common | 30 | | | 30 | 8,530 |
| Jong Hwee Lee | Director of related company | 2002.12.04 | Common | 30 | | | 30 | 8,530 |
| Dong Myun Suh | Director of related company | 2002.12.04 | Common | 30 | | | 30 | 8,530 |
| Ki Shin Kim | Director of related company | 2002.12.04 | Common | 30 | | | 30 | 8,530 |
| Young Seok Kim | Director of related company | 2002.12.04 | Common | 30 | | | 30 | 8,530 |
| Byung Kil Choi | Director of related company | 2002.12.04 | Common | 30 | | | 30 | 8,530 |

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| Grantee | Relationship | Grant date | Type of stock | No. of granted options | Exercised options | Cancelled options | Exercisable options | Closing Price |
|-----------------|-----------------------------|-------------------|----------------------|-------------------------------|--------------------------|--------------------------|----------------------------|----------------------|
| Young Ho Park | Director of related company | 2002.12.04 | Common | 30 | | | 30 | 8,530 |
| Tae Woong Chung | Director of related company | 2002.12.04 | Common | 30 | | | 30 | 8,530 |
| Dong Chan Bae | Director of related company | 2002.12.04 | Common | 30 | | | 30 | 8,530 |
| Dae Hwan Kim | Director of related company | 2002.12.04 | Common | 10 | | | 10 | 8,530 |
| Young Ha Kim | Director of related company | 2002.12.04 | Common | 10 | | | 10 | 8,530 |
| Young Yong Kim | Director of related company | 2002.12.04 | Common | 10 | | | 10 | 8,530 |
| Taik Su Han | Director of related company | 2002.12.04 | Common | 10 | | | 10 | 8,530 |
| Sang Im Park | Director of related company | 2002.12.04 | Common | 10 | | | 10 | 8,530 |
| Joon Ho Hahm | Director of related company | 2002.12.04 | Common | 10 | | | 10 | 8,530 |
| Joon Ho Lee | Director of related company | 2002.12.04 | Common | 30 | | | 30 | 8,530 |
| Joo Sun Yeom | Director of related company | 2002.12.04 | Common | 20 | | | 20 | 8,530 |
| Ga Seok Chae | Director of related company | 2002.12.04 | Common | 20 | | | 20 | 8,530 |
| Sung Wook Park | Director of related company | 2002.12.04 | Common | 5 | | | 5 | 8,530 |
| Ki Seok Kim | Director of related company | 2002.12.04 | Common | 5 | | | 5 | 8,530 |
| Jae Ki Hong | Director of related company | 2002.12.04 | Common | 5 | | | 5 | 8,530 |
| Sam Su Pyo | Director of related company | 2002.12.04 | Common | 40 | | | 40 | 8,530 |
| Jung Rak Chun | Director of related company | 2002.12.04 | Common | 30 | | 30 | | 8,530 |
| Won Chul Hwang | Director of related company | 2002.12.04 | Common | 20 | | | 20 | 8,530 |
| Jong Hwee Kim | Director of related company | 2002.12.04 | Common | 15 | | | 15 | 8,530 |
| Sung Hoo Kwak | Director of related company | 2002.12.04 | Common | 15 | | 15 | | 8,530 |
| Seok Hwan Lee | Director of related company | 2002.12.04 | Common | 15 | | | 15 | 8,530 |
| Seok Hee Hwang | Director of related company | 2002.12.04 | Common | 40 | | 40 | | 8,530 |
| Choong Wan Lee | Director of related company | 2002.12.04 | Common | 35 | | 35 | | 8,530 |
| Ki Sang Chung | Director of related company | 2002.12.04 | Common | 30 | | 30 | | 8,530 |

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| Grantee | Relationship | Grant date | Type of stock | No. of granted options | Exercised options | Cancelled options | Exercisable options | Closing Price |
|-----------------|-----------------------------|------------|---------------|------------------------|-------------------|-------------------|---------------------|---------------|
| Ki Joong Kim | Director of related company | 2002.12.04 | Common | 15 | | 15 | | 8,530 |
| Kwang Suh Koo | Director of related company | 2002.12.04 | Common | 15 | | 15 | | 8,530 |
| In Kee Baek | Director of related company | 2002.12.04 | | 30 | | | 30 | 8,530 |
| Seung Yang Han | Director of related company | 2002.12.04 | | 15 | | 15 | | 8,530 |
| Keun Soo Yook | Director of related company | 2002.12.04 | | 15 | | 15 | | 8,530 |
| Ki Jong Chung | Director of related company | 2002.12.04 | Common | 5 | | | 5 | 8,530 |
| Hun Il Nam | Director of related company | 2002.12.04 | Common | 30 | | | 30 | 8,530 |
| Young Soo Kim | Director of related company | 2002.12.04 | Common | 30 | | | 30 | 8,530 |
| Jin Ho Yoon | Director of related company | 2002.12.04 | Common | 20 | | | 20 | 8,530 |
| Seok Koo Yoon | Director of related company | 2002.12.04 | Common | 15 | | | 15 | 8,530 |
| Ji Yeon Joo | Director of related company | 2002.12.04 | Common | 15 | | | 15 | 8,530 |
| Ho Hyun Lee | Director of related company | 2002.12.04 | Common | 20 | | | 20 | 8,530 |
| Chan Kook Chung | Director of related company | 2002.12.04 | Common | 15 | | | 15 | 8,530 |
| Duk Yoon Kim | Director of related company | 2002.12.04 | Common | 15 | | | 15 | 8,530 |
| Young Wook Kim | Director of related company | 2002.12.04 | Common | 15 | | | 15 | 8,530 |
| Dae Kyu Ko | Director of related company | 2002.12.04 | Common | 15 | | | 15 | 8,530 |
| Total | | | | 1,560 | | 300 | 1,260 | |

- 1) Method of compensation : Issue of new shares, provision of treasury shares, cash payment or treasury shares of difference between exercise price and market price
- 2) Exercise period : Dec. 4, 2005 ~ Dec. 3, 2008
- 3) Exercise Price : 60% of granted = {6,800*(1+Rate of return of banking industry index)}won
40% of granted = 6,800 won

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2. Related Companies

Table of Contents**3. Investments in Other Companies**

(units: thousand shares, millions of won)

| Type | Name | Beginning Balance | | | Changes | | Ending Bal. | | | Latest Net Income * |
|----------|----------------------------|-------------------|-------|------------------|-----------|------------------|----------------|-------|------------------|---------------------|
| | | Quantity | Share | Cost | Quantity | Cost | Quantity | Share | Cost | |
| DOMESTIC | Woori Bank | 570,568 | 100.0 | 2,912,311 | 65,389 | 913,000 | 635,957 | 100.0 | 3,825,311 | 1,996,694 |
| | Kwangju Bank | 34,080 | 99.9 | 170,400 | | | 34,080 | 99.9 | 170,400 | 72,271 |
| | Kyongnam Bank | 51,800 | 99.9 | 259,000 | | | 51,800 | 99.9 | 259,000 | 109,235 |
| | Woori Credit Card | 22,600 | 100.0 | 113,000 | (-)22,600 | (-)113,000 | | 100.0 | | |
| | Woori Inv. Trust Mgmt. | 6,000 | 100.0 | 39,128 | | | 6,000 | 100.0 | 39,128 | 547 |
| | Woori Securities | 17,372 | 52.7 | 169,621 | 15,584 | 56,999 | 32,956 | 100.0 | 226,620 | 2,369 |
| | Woori Finance Info Sys. | 900 | 100.0 | 5,244 | | | 900 | 100.0 | 5,244 | 401 |
| | Woori F&I | 2,000 | 100.0 | 10,094 | | | 2,000 | 100.0 | 10,094 | 20,076 |
| | Woori 2 nd SPC | 2 | 95.0 | 10 | | | 2 | 95.0 | 10 | 8,097 |
| | Woori 3 rd SPC | 2 | 100.0 | 10 | | | 2 | 100.0 | 10 | 7,790 |
| | LG Investment & Securities | | | | 32,877 | 355,201 | 32,877 | 23.16 | 355,201 | 4,240 |
| | Foreign | | | | | | | | | |
| | Total | 705,324 | | 3,678,818 | | 1,212,200 | 796,574 | | 4,891,018 | |

- As of March 31, 2004, Woori Bank merged with its subsidiary Woori Credit Card. From the merger, Woori Bank's common shares were newly issued in the ratio of 1 Woori Credit Card to 0.3581 Woori Bank, thereby increasing Woori Bank's number of shares and capital to 636 million shares and 3,179,800 million won from 571 million shares and 2,852,800 million won respectively.
- As Woori Bank and Woori Credit Card merged, investment securities of Woori Credit Card was added to Woori Bank's investment securities.
- 1,900,000 million won from capital reduction without consideration is reflected in the initial purchase.
- Woori Finance Holdings acquired 15,584,113 shares of Woori Securities in the 2nd quarter through exchange of stocks.
- In September 23, 2004 there was an agreement with LG Card to acquire LG Investment & Securities' shares of 25,877,487. The agreement was carried out on December 24, 2004 by acquiring LG Investment & Securities' shares. Additional 7,000,000 shares were acquired in the market from October 22 ~ 27, 2004.

* The applicable date for Woori Bank, Kwangju Bank, Kyongnam Bank, Woori Finance Info Sys., Woori F&I, Woori 2nd SPC, Woori 3rd SPC is Dec. 31, 2004. The applicable date for Woori Securities, Woori Inv. Trust Mgmt., and LG Investment & Securities is March 31, 2004.

Table of Contents**VI. Stock Information****1. Stock Distribution****a. Stock Information of Major Shareholders and Related Parties**

(as of 2004.12.31)

(units: shares, %)

| Name | Relation | Type | Shares Held | | | | Reasons Behind Change | | |
|------|-----------|-----------|-------------------|-------|------------|-------------|-----------------------|----------------|-------|
| | | | Beginning balance | | (+) | (-) | | Ending balance | |
| | | | Stock | Share | | | | Stock | Share |
| KDIC | Major S/H | Common | 673,458,609 | 86.8 | 45,000,000 | 628,458,609 | 78.9 | | |
| | | Common | 673,458,609 | 86.8 | | | | 628,458,609 | 78.9 |
| | Total | Preferred | | | | 0 | 0 | | |
| | | Total | 673,458,609 | 86.8 | 45,000,000 | 628,458,609 | 78.9 | | |

Major Shareholder : KDIC

b. Share Ownership of more than 5%

(as of 2004.12.31)

(units: shares, %)

| No. | Name | Common Stock | | Preferred Stock | | Total | |
|-----|-------|---------------|------|-----------------|---|---------------|------|
| | | No. of shares | % | No. of shares | % | No. of shares | % |
| 1 | KDIC | 628,458,609 | 78.9 | | | 628,458,609 | 78.9 |
| | Total | 628,458,609 | 78.9 | | | 628,458,609 | 78.9 |

Table of Contents**c. Shareholder Distribution**

(as of 2004.12.31)

| Items | Shareholder number | Ratio | Number of shares | Ratio |
|------------------------------------|-----------------------|--------|------------------|-------|
| Total Minority Shareholders | 28,780 | 99.99 | 145,997,551 | 18.33 |
| Minority Shareholders (Companies) | 652 | 2.27 | 116,583,764 | 14.64 |
| Minority Shareholders (Individual) | 28,128 | 97.72 | 29,413,787 | 3.69 |
| Major Shareholders | 1 | 0.00 | 628,458,609 | 78.91 |
| Main Shareholders | 2 | 0.01 | 21,997,510 | 2.76 |
| Total Other Shareholders | 2 | 0.01 | 21,997,510 | 2.76 |
| Others Shareholders (Companies) | | | | |
| Others Shareholders (Individual) | 1 | 0.00 | 1,888 | 0.00 |
| Total | 28,784 | 100.00 | 796,455,558 | 100.0 |

Table of Contents**2. Stock Price and Stock Market Performance for the Past Six Months****a. Domestic Stock Market**

(units: won, shares)

| <u>Period</u> | <u>July</u> | <u>August</u> | <u>September</u> | <u>October</u> | <u>November</u> | <u>December</u> |
|----------------------|-------------|---------------|------------------|----------------|-----------------|-----------------|
| High | 7,490 | 7,850 | 8,200 | 8,900 | 8,880 | 8,650 |
| Low | 6,600 | 6,500 | 7,430 | 7,700 | 8,260 | 8,000 |
| Monthly Trade Volume | 26,174,739 | 35,503,225 | 113,547,828 | 45,546,382 | 47,937,353 | 30,773,861 |

b. Foreign Stock Market

(name of market : NYSE)

(units: dollars, shares)

| <u>Period</u> | <u>July</u> | <u>August</u> | <u>September</u> | <u>October</u> | <u>November</u> | <u>December</u> |
|----------------------|-------------|---------------|------------------|----------------|-----------------|-----------------|
| ADR | | | | | | |
| High | 19.32 | 19.90 | 22.00 | 23.10 | 24.90 | 25.25 |
| Low | 16.91 | 16.45 | 19.44 | 20.55 | 22.01 | 23.20 |
| Monthly Trade Volume | 19,900 | 32,200 | 50,000 | 19,000 | 21,800 | 20,600 |

* The ADR exchange ratio is 3 shares of Common Stock for one ADS.

Table of Contents**VII. Directors and Employee Information****1. Directors**

| Position | Name | Common Stocks Owned |
|-----------------------|----------------|------------------------|
| Chairman | Registered | Young-Key Hwang |
| Vice Chairman | Registered | Jong-Wook Kim |
| Managing Director | Non-Registered | Seung Hee Park |
| Managing Director | Non-Registered | Jin-Hyung Ju |
| Non-standing Director | Registered | Suk-Jean Kang |
| Non-standing Director | Registered | Je-Hoon Lee |
| Non-standing Director | Registered | Sung-Tae Ro |
| Non-standing Director | Registered | Oh-Seok Hyun |
| Non-standing Director | Registered | Dosoung Choi |
| Non-standing Director | Registered | Chung-Sook Moon |
| Non-standing Director | Registered | Sung-Hwan Bae |

Sung-Hwan Bae was newly appointed on May 18, 2004

Director and CFO Euoo-Sung Min resigned on May 31, 2004

Director Suk-Jean Kang resigned on March 17, 2005

Seung-Hee Park (Standing director) and Woon-Youl Choi (Non-standing director) were newly appointed on March 28, 2005

2. Employee Status

(units: years, thousands of won)

| Items | Staff | | | | Average Tenure Years | Annual Compensation | Average Compensation Per Person | Note |
|--------|--------|-------|-------|-------|----------------------------|------------------------|---------------------------------------|------|
| | Admin. | Manu. | Misc. | Total | | | | |
| Male | 50 | | 3 | 53 | 3 | 3,869,108 | 73,002 | |
| Female | 5 | | 12 | 17 | 3 | 473,380 | 27,842 | |
| Total | 55 | | 15 | 70 | 3 | 4,342,488 | 62,036 | |

3. Labor Union Membership

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| Items | Details | Remarks |
|------------------------------|---------------------------|---------|
| Total Membership Base | Deputy Director and below | |
| Actual Members | 22 | |
| Full-time Members | | |
| Associated Labor Union Group | | |
| Miscellaneous | | |

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4. Number of professional personnels

| <u>Items</u> | <u>Number</u> | <u>Responsibilities</u> | <u>Remarks</u> |
|--------------------------------|---------------|---|----------------|
| Lawyer | 1 | Legal advisory | |
| CPA | 6 | Financial accounting, Financial | |
| Ph.D in Law/Finance/Accounting | 2 | Planning, Business Planning Research | |

Table of Contents**VIII. Related Party Transactions****1. Transactions with Affiliated Parties****a. Transactions of Provisional Payments and Loans (including secured loans)**

(units: millions of won)

| Name | Relation | Item | Changes | | | End | Notes |
|---------------------------|------------|------------|----------------|---|----------------|----------------|-------|
| | | | Beg. | + | - | | |
| Woori 2 nd SPC | subsidiary | Other loan | 100 | | | 100 | |
| Woori 3 rd SPC | subsidiary | Other loan | 27,790 | | 10,000 | 17,790 | |
| Woori Bank | subsidiary | Other loan | 600,000 | | 600,000 | | |
| Kwangju Bank | subsidiary | Other loan | 50,000 | | | 50,000 | |
| Woori Finance Info. Sys | subsidiary | Other loan | 30,000 | | | 30,000 | |
| Woori F&I | subsidiary | Other loan | 126,850 | | 5,000 | 121,850 | |
| Total | | | 834,740 | | 615,000 | 219,740 | |

Table of Contents**b. Payment Transactions**

(units: millions of won)

| Transactions of Payments | | | | | | | | |
|---------------------------------|-----------------|------------------|------------------|---------------------|------------------|-----------------|------------------|---------------|
| Name | Relation | Item | Par value | Transactions | | | Ending | Gain / |
| | | | | Beginning | Increase | Decrease | | Loss |
| Woori Bank | Subsidiary | Investment stock | 5,000 | 5,869,559 | 1,708,804 | | 7,578,363 | |
| Kyongnam Bank | Subsidiary | Investment stock | 5,000 | 504,628 | 104,174 | | 608,802 | |
| Kwangju Bank | Subsidiary | Investment stock | 5,000 | 364,955 | 55,640 | | 420,595 | |
| Woori Credit Card | Subsidiary | Investment stock | 5,000 | | | | | *1 |
| Woori Finance Info. System | Subsidiary | Investment stock | 5,000 | 7,284 | 329 | | 7,613 | |
| Woori F&I | Subsidiary | Investment stock | 5,000 | 35,896 | 22,335 | | 58,231 | |
| Woori 2nd SPC | Subsidiary | Investment stock | 5,000 | 20,016 | | 20,016 | 0 | |
| Woori 3rd SPC | Subsidiary | Investment stock | 5,000 | 1,266 | | 1,266 | 0 | |
| Woori Inv t Mgmt | Subsidiary | Investment stock | 5,000 | 34,978 | 98 | | 35,076 | |
| Woori Securities | Subsidiary | Investment stock | 5,000 | 168,640 | 192,860 | | 361,500 | *2 |
| LG Investment & Securities | Subsidiary | Investment stock | 5,000 | | 355,201 | | 355,201 | *3 |
| Total | | | | 7,007,222 | 2,439,441 | 21,282 | 9,425,381 | |

* The above transactions have been derived using the equity method.

1) Losses of 105,581 million won, which were not recognized in the last quarter, was recognized in the 2nd quarter. Following the merger of Woori Credit Card into Woori Bank, the invested stocks of Woori Credit Card were merged with invested stocks of Woori Bank

2) 15,584,113 Woori Securities shares (47.3% of total shares) were acquired through a stock exchange in the 2nd quarter

3) In September 23, 2004 there was an agreement with LG Card to acquire LG Investment & Securities shares of 25,877,487. The agreement was carried out on December 24, 2004 by acquiring LG Investment & Securities shares. Additional 7,000,000 shares were acquired in the market from October 22 ~ 27, 2004.

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Independent Auditors Report

To the Board of Directors and Shareholders of

Woori Finance Holdings Co., Ltd.

We have audited the accompanying non-consolidated balance sheet of Woori Finance Holdings Co., Ltd. (the Company) as of December 31, 2004 and 2003, and the related non-consolidated income statements, appropriations of retained earnings and cash flows for the years ended December 31, 2004 and 2003, all expressed in Korean won. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of LG Investment Securities Co., Ltd., the Company s investment in which is accounted for in the non-consolidated financial statements by use of the equity method. The Company s equity of (Won) 355,201 million in LG Investment Securities Co., Ltd. net assets as of December 31, 2004 is included in the accompanying financial statements. The financial statements of LG Investment Securities Co., Ltd. were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for LG Investment Securities Co., Ltd., is based solely on the report of such other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and 2003, and the results of its operations, the appropriations of its retained earnings and its cash flows for the years then ended, in conformity with financial accounting standards generally accepted in the Republic of Korea.

Our audits also comprehended the translation of the Korean won amounts into U.S. dollar amounts and in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside of Korea.

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Without affecting our conclusion, we draw attention to the following:

As explained in Notes 1 and 25, Woori Bank, a subsidiary of the Company, merged with Woori Credit Card Co., Ltd. (WCC), also a subsidiary of the Company, on March 31, 2004. Woori Bank took over substantially all of the assets and liabilities of WCC by exchanging one common share of WCC with 0.3581 share of Woori Bank and (Won) 330.4 billion (US\$ 316.5 million) of the difference between (Won) 657.3 billion (US\$ 629.8 million) of net assets acquired from WCC and (Won) 326.9 billion (US\$ 313.2 million) of consideration for the merger was recorded as capital surplus of Woori Bank. As a result, the number of issued common shares and contributed capital of Woori Bank increased from 570.6 million and (Won) 2,852.8 billion (US\$ 2,733.1 million) to 636.0 million and (Won) 3,179.8 billion (US\$ 3,046.4 million).

As explained in Notes 1 and 26, on June 18, 2004, the Company issued 8.6 million new common shares in exchange for 15.6 million common shares of Woori Securities, a subsidiary of the Company, in order to wholly own the subsidiary. As a result, the number of issued common shares and contributed capital of the Company increased from 775.5 million and (Won) 3,877.5 billion (US\$ 3,714.8 million) to 784.1 million and (Won) 3,920.4 billion (US\$ 3,755.9 million).

As explained in Notes 1 and 27, on October 26 and December 24, 2004, the Company acquired 7,000,000 and 25,877,487 shares of LG Investment Securities Co., Ltd. (LG Securities)'s common stock for (Won) 55.0 billion (US\$ 52.7 million) and (Won) 297.6 billion (US\$ 285.1 million), respectively. As a result, the Company has 26.92% of the voting rights of LG Securities. LG Securities was established in January 1969 to engage in trading, agency, brokerage and underwriting of securities. On September 30, 1975, LG Securities listed its shares on the Korea Stock Exchange. On October 1, 1999, LG Securities merged with LG Merchant Banking Co., Ltd. As of December 31, 2004, its issued common stock amounted to (Won) 625,457 million (US\$ 599,212 thousand) consisting of 122,116,369 shares and its issues preferred stock amounted (Won) 99,354 million (US\$ 95,185 thousand) consisting of 19,870,968 shares.

As explained in Note 24, Woori Bank, Kyongnam Bank and Kwangju Bank, subsidiaries of the Company, have loans receivable, equity securities and debt securities from LG Card Co., Ltd. (LG Card) in the total amount of (Won) 193.1 billion (US\$ 185.0 million), (Won) 351.8 billion (US\$ 337.0 million) and (Won) 179.4 billion (US\$ 171.9 million), respectively, as of December 31, 2004. In connection therewith, the banks provided (Won) 350.4 billion (US\$ 335.7 million) as allowances for credit losses and cumulative impairment losses on securities, and recorded (Won) 145.5 billion (US\$ 139.4 million) of gains on valuation of available-for-sale securities on capital adjustments. In addition, Woori Bank recorded (Won) 15.0 billion (US\$ 14.4 million) in related losses on trust accounts, for which repayment of principal or interest is guaranteed by Woori Bank. Such trust accounts have Commercial Paper in total amount of (Won) 69.7 billion (US\$ 66.8 million) as of December 31, 2004. However, the actual losses on LG Card credit may differ from the current estimate.

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As explained in Note 20, the Company's receivables from its subsidiaries as of December 31, 2004 and 2003 are (Won) 288.8 billion (US\$ 276.7 million) and (Won) 1,238.1 billion (US\$ 1,186.1 million), respectively, and payables to its subsidiaries are (Won) 16.0 billion (US\$ 15.3 million) and (Won) 18.5 billion (US\$ 17.7 million), respectively. In addition, for the years ended December 31, 2004 and 2003, revenues from transactions with its subsidiaries are (Won) 32.5 billion (US\$ 31.1 million) and (Won) 74.1 billion (US\$ 71.0 million), respectively, and expenses from transactions with its subsidiaries are (Won) 17.1 billion (US\$ 16.4 million) and (Won) 7.3 billion (US\$ 7.0 million), respectively.

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

February 25, 2005

Notice to Readers

This report is effective as of February 25, 2005, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD.****NON-CONSOLIDATED BALANCE SHEETS****AS OF DECEMBER 31, 2004 AND 2003**

| | Korean won | | U.S. dollars (Note 2) | |
|--|-----------------|-----------------|-----------------------|----------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions) | | (In thousands) | |
| ASSETS | | | | |
| Cash and bank deposits (Notes 16, 18 and 20) | (Won) 56,099 | (Won) 349,585 | US\$ 53,745 | US\$ 334,916 |
| Investment securities accounted for using the equity method of accounting (Notes 3 and 18) | 9,425,381 | 7,007,222 | 9,029,873 | 6,713,184 |
| Loans, net of allowance for possible loan losses (Notes 4, 18 and 20) | 218,641 | 830,566 | 209,466 | 795,714 |
| Fixed assets (Note 6) | 282 | 293 | 270 | 281 |
| Other assets (Notes 7 and 20) | 36,046 | 60,149 | 34,534 | 57,625 |
| | (Won) 9,736,449 | (Won) 8,247,815 | US\$ 9,327,888 | US\$ 7,901,720 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| LIABILITIES | | | | |
| Borrowings (Notes 8 and 18) | (Won) 120,000 | (Won) | US\$ 114,964 | US\$ |
| Debentures, net of discounts and reconciliation for conversion rights and added accrued interest and redemption premium (Notes 9, 10 and 18) | 2,154,637 | 2,621,182 | 2,064,224 | 2,511,192 |
| Other liabilities (Notes 12 and 20) | 25,355 | 28,738 | 24,292 | 27,532 |
| | 2,299,992 | 2,649,920 | 2,203,480 | 2,538,724 |
| SHAREHOLDERS' EQUITY | | | | |
| Common stock (Note 13) | 3,982,278 | 3,877,525 | 3,815,173 | 3,714,816 |
| Capital surplus (Note 13) | 84,356 | 61,324 | 80,816 | 58,751 |
| Retained earnings (Notes 3 and 13): | | | | |
| Legal reserve | 79,178 | 58,921 | 75,856 | 56,448 |
| Voluntary reserve | 1,120,000 | 1,000,000 | 1,073,003 | 958,038 |
| Retained earnings before appropriations (Net income of (Won) 1,292,493 million and (Won) 202,565 million for the years ended December 31, 2004 and 2003, respectively) | 1,160,244 | 223,945 | 1,111,558 | 214,548 |
| | 2,359,422 | 1,282,866 | 2,260,417 | 1,229,034 |
| Capital adjustments (Notes 3, 13 and 14) | 1,010,401 | 376,180 | 968,002 | 360,395 |
| | 7,436,457 | 5,597,895 | 7,124,408 | 5,362,996 |
| | (Won) 9,736,449 | (Won) 8,247,815 | US\$ 9,327,888 | US\$ 7,901,720 |



See accompanying notes to non-consolidated financial statements.

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD.****NON-CONSOLIDATED INCOME STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

| | Korean won | | U.S. dollars (Note 2) | |
|---|--|----------------------|---|---------------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions, except for income per share data) | | (In thousands, except for income per share data) | |
| OPERATING REVENUE | | | | |
| Gain on valuation using the equity method of accounting (Note 3) | (Won) 1,904,173 | (Won) 1,491,813 | US\$ 1,824,270 | US\$ 1,429,213 |
| Interest income (Note 20) | 32,085 | 66,249 | 30,739 | 63,469 |
| Gain on foreign currency transactions | 2,884 | | 2,762 | |
| Gain on foreign currency translation | 8,441 | 2,454 | 8,087 | 2,352 |
| Reversal of allowance for doubtful accounts | 3,204 | 15,656 | 3,070 | 14,999 |
| Gain on valuation of swap contracts (Notes 9 and 20) | | 17,078 | | 16,361 |
| Gain on valuation on investment securities | 2,630 | | 2,520 | |
| | <u>1,953,417</u> | <u>1,593,250</u> | <u>1,871,448</u> | <u>1,526,394</u> |
| OPERATING EXPENSES | | | | |
| Loss on valuation using the equity method of accounting (Note 3) | (474,516) | (1,196,627) | (454,604) | (1,146,414) |
| Interest expense | (145,030) | (138,837) | (138,944) | (133,011) |
| Loss on foreign currency transactions | (293) | | (281) | |
| Loss on foreign currency translation | | (16,026) | | (15,353) |
| Loss on valuation of swap contracts (Notes 9 and 20) | (13,111) | (3,410) | (12,561) | (3,267) |
| Fees and commissions | (8,037) | (6,704) | (7,700) | (6,423) |
| General and administrative (Notes 17 and 20) | (21,988) | (28,549) | (21,065) | (27,351) |
| | <u>(662,975)</u> | <u>(1,390,153)</u> | <u>(635,155)</u> | <u>(1,331,819)</u> |
| OPERATING INCOME | 1,290,442 | 203,097 | 1,236,293 | 194,575 |
| NON-OPERATING INCOME | 2,160 | 1,189 | 2,069 | 1,139 |
| NON-OPERATING EXPENSES | (109) | (1,721) | (105) | (1,649) |
| INCOME BEFORE INCOME TAX EXPENSE | 1,292,493 | 202,565 | 1,238,257 | 194,065 |
| INCOME TAX EXPENSE (Note 15) | | | | |
| NET INCOME | (Won) 1,292,493 | (Won) 202,565 | US\$ 1,238,257 | US\$ 194,065 |
| BASIC ORDINARY INCOME PER COMMON SHARE (Note 21) | (Won) 1,655 | (Won) 262 | US\$ 1.586 | US\$ 0.251 |
| BASIC NET INCOME PER COMMON SHARE (Note 21) | (Won) 1,655 | (Won) 262 | US\$ 1.586 | US\$ 0.251 |

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| | | | | | | | | |
|--|-------|-------|-------|-----|------|-------|------|-------|
| DILUTED ORDINARY INCOME PER COMMON SHARE (Note 21) | (Won) | 1,626 | (Won) | 261 | US\$ | 1.558 | US\$ | 0.250 |
| DILUTED NET INCOME PER COMMON SHARE (Note 21) | (Won) | 1,626 | (Won) | 261 | US\$ | 1.558 | US\$ | 0.250 |

See accompanying notes to non-consolidated financial statements.

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD.****NON-CONSOLIDATED STATEMENTS****OF APPROPRIATIONS OF RETAINED EARNINGS****FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

| | Korean won | | U.S. dollars (Note 2) | |
|--|--------------------|------------------|-----------------------|------------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions) | | (In thousands) | |
| RETAINED EARNINGS BEFORE APPROPRIATIONS: | | | | |
| Unappropriated retained earnings carried over from prior years | (Won) 6,138 | (Won) 29,334 | US\$ 5,881 | US\$ 28,103 |
| Increases in retained earnings using the equity method of accounting (Note 3) | | 1,939 | | 1,858 |
| Decreases in retained earnings using the equity method of accounting (Note 3) | (138,387) | (9,893) | (132,580) | (9,478) |
| Net income | 1,292,493 | 202,565 | 1,238,257 | 194,065 |
| | <u>1,160,244</u> | <u>223,945</u> | <u>1,111,558</u> | <u>214,548</u> |
| APPROPRIATIONS | | | | |
| Legal reserve | (129,249) | (20,257) | (123,825) | (19,407) |
| Dividends | | | | |
| Dividends in cash (Note 13) (Dividends per common stock: (Won)150 (3.0%) and (Won)100 (2.0%) in 2004 and 2003, respectively) | (119,468) | (77,550) | (114,455) | (74,296) |
| Voluntary reserve | (910,000) | (120,000) | (871,815) | (114,964) |
| | <u>(1,158,717)</u> | <u>(217,807)</u> | <u>(1,110,095)</u> | <u>(208,667)</u> |
| UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR | (Won) 1,527 | (Won) 6,138 | US\$ 1,463 | US\$ 5,881 |

See accompanying notes to non-consolidated financial statements.

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD****NON-CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

| | Korean won | | U.S. dollars (Note 2) | |
|---|-----------------|---------------|-----------------------|--------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions) | | (In thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Net income | (Won) 1,292,493 | (Won) 202,565 | US\$ 1,238,257 | US\$ 194,065 |
| Adjustments to reconcile net income to net cash used in operating activities: | | | | |
| Loss on valuation using the equity method of accounting | 474,516 | 1,196,627 | 454,604 | 1,146,414 |
| Interest expense (amortization of discounts on debentures) | 10,438 | 11,196 | 10,000 | 10,726 |
| Loss on valuation of swap contracts | 13,111 | 3,410 | 12,561 | 3,267 |
| Loss on foreign currency translation | | 16,026 | | 15,353 |
| Provision for severance benefits | 215 | 626 | 206 | 600 |
| Depreciation | 165 | 153 | 158 | 147 |
| Amortization on intangible assets | 19 | 14 | 18 | 13 |
| Stock compensation | 273 | 468 | 262 | 448 |
| Other non-operating expenses | 8 | 1,131 | 8 | 1,084 |
| Gain on valuation using the equity method of accounting | (1,904,173) | (1,491,813) | (1,824,270) | (1,429,213) |
| Accrued interest on loans | (2,256) | (26,397) | (2,161) | (25,289) |
| Gain on valuation of swap contracts | | (17,078) | | (16,361) |
| Gain on foreign currency translation | (8,441) | (2,454) | (8,087) | (2,352) |
| Reversal of allowance for doubtful accounts | (3,204) | (15,656) | (3,070) | (14,999) |
| Gain on valuation of investment securities | (2,630) | | (2,520) | |
| Gain on sales of tangible assets | (15) | (12) | (14) | (11) |
| Other non-operating revenue | | (970) | | (929) |
| | (1,421,974) | (324,729) | (1,362,305) | (311,102) |
| Changes in operating assets and liabilities: | | | | |
| Increase in other receivable | (319) | (128) | (306) | (123) |
| Decrease in accrued income | 28,425 | 3,859 | 27,232 | 3,697 |
| Decrease in currency swap contracts | 16,463 | | 15,772 | |
| Increase in prepaid money | (81) | (1) | (78) | (1) |
| Decrease in prepaid expenses | 137 | 1,093 | 131 | 1,047 |
| Decrease in prepaid income tax | 1,162 | 411 | 1,113 | 394 |
| Retirement benefits payment | (567) | (11) | (543) | (11) |
| Increase in retirement insurance | (277) | (373) | (265) | (357) |
| Increase (decrease) in other payables | (343) | 364 | (328) | 349 |
| Increase (decrease) in accrued expenses | 1,822 | (1,211) | 1,746 | (1,160) |
| Increase in withholdings | 196 | 85 | 188 | 81 |
| Decrease in currency swap contracts | (14,143) | | (13,550) | |

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| | | | | |
|---------------------------------------|-----------------|------------------|-----------------|------------------|
| | <u>32,475</u> | <u>4,088</u> | <u>31,112</u> | <u>3,916</u> |
| Net cash used in operating activities | <u>(97,006)</u> | <u>(118,076)</u> | <u>(92,936)</u> | <u>(113,121)</u> |

(Continued)

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD.****NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)****FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

| | Korean won | | U.S. dollars (Note 2) | |
|--|---------------------|----------------------|-----------------------|---------------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions) | | (In thousands) | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Dividend income | (Won) 700,311 | (Won) 552,990 | US\$ 670,925 | US\$ 529,785 |
| Collection of loans | 5,000 | 179,600 | 4,790 | 172,064 |
| Collection of other loans | 610,000 | 358,697 | 584,403 | 343,645 |
| Disposition of tangible assets | 52 | 17 | 50 | 16 |
| Acquisition of investment securities accounted for using the equity method of accounting | (1,152,570) | (856,959) | (1,104,206) | (820,999) |
| Extension of loans | | (121,850) | | (116,737) |
| Acquisition of fixed assets | (188) | (76) | (180) | (73) |
| Acquisition of intangible assets | (22) | (15) | (21) | (14) |
| Payment of guarantee deposits | (333) | | (319) | |
| Net cash provided by investing activities | 162,250 | 112,404 | 155,442 | 107,687 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Proceeds from borrowings | 690,000 | 150,000 | 661,046 | 143,706 |
| Proceeds from debentures in local currency | 997,382 | 618,255 | 955,530 | 592,312 |
| Proceeds from debentures in foreign currencies | | 49,812 | | 47,722 |
| Capital increase with consideration | | 38,451 | | 36,837 |
| Repayment of borrowings | (570,000) | (450,000) | (546,081) | (431,117) |
| Redemption of debentures in local currency | (1,050,000) | (66,680) | (1,005,940) | (63,882) |
| Redemption of debentures in foreign currencies | (347,610) | | (333,024) | |
| Cost on issuance of new shares | (934) | (574) | (895) | (550) |
| Payment of dividends | (77,550) | (57,262) | (74,296) | (54,859) |
| Acquisition of treasury stock | (18) | | (17) | |
| Net cash provided by (used in) financing activities | (358,730) | 282,002 | (343,677) | 270,169 |
| NET INCREASE (DECREASE) IN CASH AND BANK DEPOSITS | (293,486) | 276,330 | (281,171) | 264,735 |
| CASH AND BANK DEPOSITS, BEGINNING OF THE YEAR | 349,585 | 73,255 | 334,916 | 70,181 |
| CASH AND BANK DEPOSITS, END OF THE YEAR (Note 16) | (Won) 56,099 | (Won) 349,585 | US\$ 53,745 | US\$ 334,916 |

See accompanying notes to non-consolidated financial statements.

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WOORI FINANCE HOLDINGS CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

1. GENERAL

(1) Woori Finance Holdings Co., Ltd.

Woori Finance Holdings Co., Ltd. (the Company) was incorporated on March 27, 2001, to engage in the business of managing the following five financial institutions, Woori Bank (formerly Hanvit Bank), Kyongnam Bank, Kwangju Bank, Woori Credit Card Co., Ltd. (formerly Peace Bank of Korea and merged into Woori Bank on March 31, 2004) and Woori Investment Bank (merged into Woori Bank on July 31, 2003), whose shares were contributed to the Company by the Korea Deposit Insurance Corporation (the KDIC) in accordance with the provisions of the Financial Holding Company Act. As a result of its functional restructuring, the Company owns 11 subsidiaries and 13 2nd-tier subsidiaries as of December 31, 2004.

Upon incorporation, the Company's stock amounted to (Won) 3,637,293 million (US\$ 3,484,665 thousand), consisting of 727,458,609 common shares ((Won) 5,000 per share) issued and outstanding. As a result of several capital increases, exercise of warrants and conversion rights since incorporation, as of December 31, 2004, the Company's stock amounted to (Won) 3,982,278 million (US\$ 3,815,173 thousand), consisting of 796,455,558 common shares issued and outstanding of which the KDIC owns 628,458,609 shares (78.91%).

On June 24, 2002, the Company listed its common shares on the Korea Stock Exchange through a public offering at a price of (Won) 6,800 per share with 36,000,000 new shares and 54,000,000 issued shares.

The Company was registered with the Securities and Exchange Commission in the United States of America and listed its American Depositary Shares on the New York Stock Exchange on September 29, 2003.

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(2) The structure of the Company and its subsidiaries as of December 31, 2004 and 2003 is as follows.

| Parent companies | Subsidiaries | 2004 | | 2003 | | Financial statements as of |
|------------------------------------|---|------------------------|-----------------------------|------------------------|-----------------------------|----------------------------|
| | | Number of shares owned | Percentage of ownership (%) | Number of shares owned | Percentage of ownership (%) | |
| Woori Finance Holdings Co., Ltd. | Woori Bank (*1) | 635,956,580 | 100.0 | 570,567,520 | 100.0 | Dec. 31 |
| | Kyongnam Bank | 51,800,000 | 99.9 | 51,800,000 | 99.9 | Dec. 31 |
| | Kwangju Bank | 34,080,000 | 99.9 | 34,080,000 | 99.9 | Dec. 31 |
| " | Woori Credit Card Co., Ltd. (*1) | | | 22,600,000 | 100.0 | Dec. 31 |
| " | Woori Finance Information System Co., Ltd. | 900,000 | 100.0 | 900,000 | 100.0 | Dec. 31 |
| " | Woori F&I Co., Ltd. | 2,000,000 | 100.0 | 2,000,000 | 100.0 | Dec. 31 |
| " | Woori Second Asset Securitization Specialty Co., Ltd. | 1,900 | 95.0 | 1,900 | 95.0 | Dec. 31 |
| " | Woori Third Asset Securitization Specialty Co., Ltd. | 2,000 | 100.0 | 2,000 | 100.0 | Dec. 31 |
| " | Woori Investment Trust Management Co., Ltd. | 6,000,000 | 100.0 | 6,000,000 | 100.0 | Dec. 31 |
| " | Woori Securities Co., Ltd. (*2) | 32,956,413 | 100.0 | 17,372,300 | 52.7 | Dec. 31 |
| " | LG Investment Securities Co., Ltd. (*3) | 32,877,487 | 26.92 | | | Dec. 31 |
| Woori Bank | Woori Credit Information Co., Ltd. | 1,008,000 | 100.0 | 1,008,000 | 100.0 | Dec. 31 |
| " | Woori America Bank | 8,500,000 | 100.0 | 8,500,000 | 100.0 | Dec. 31 |
| " | PT. Bank Woori Indonesia (*4) | 1,618 | 95.2 | 1,387 | 81.6 | Dec. 31 |
| " | Woori First Private Equity Fund. (*5) | | 52.38 | | | Dec. 31 |
| Woori F&I Co., Ltd. | Woori CA Asset Management Co., Ltd. | 408,000 | 51.0 | 408,000 | 51.0 | Dec. 31 |
| LG Investment Securities Co., Ltd. | LG Futures Co., Ltd. (*6) | 5,000,000 | 100.0 | | | Dec. 31 |
| " | LG Investment Trust Management Co., Ltd. (*6) | 5,400,000 | 90.0 | | | Dec. 31 |
| " | LG Securities Int 1 Ltd. (*6) | 5,788,000 | 100.0 | | | Dec. 31 |
| " | LG Securities (H.K.) Limited (*6) | 22,500,000 | 100.0 | | | Dec. 31 |
| " | LG Securities America, Inc. (*6) | 300 | 100.0 | | | Dec. 31 |
| " | LG Investment Holding B.V. (Amsterdam) GG (*6) | 1,642,398,242 | 100.0 | | | Dec. 31 |
| " | High Technology Venture Investment (*6) | 1,500,000 | 42.86 | | | Dec. 31 |
| " | Global Technology Investment (*6) | 1,500,000 | 50.00 | | | Dec. 31 |

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- (*1) Woori Bank, a subsidiary of the Company, merged with WCC, also a subsidiary of the Company, on March 31, 2004. Woori Bank issued 0.3581 new common shares per one common share of WCC. Accordingly, the number of issued common shares and contributed capital of Woori Bank increased from 508 million and (Won) 2,852.8 billion (US\$2,733.1 million) to 636 million and (Won) 3,179.8 billion (US\$ 3,046.4 million).
- (*2) On June 18, 2004, the Company acquired Woori Securities Co., Ltd. s 15,584,113 shares of common stock, which represent a 47.3% ownership interest. As a result, the number of issued common shares and contributed capital of the Company increased from 775.5 million and (Won) 3,877.5 billion (US\$ 3,714.8 million) to 784.1 million and (Won) 3,920.4 billion (US\$ 3,755.9 million), and Woori Securities Co., Ltd. became a wholly owned subsidiary.
- (*3) On October 26, and December 24, 2004, the Company acquired 7,000,000 and 25,877,487 shares of LG Securities common stock for (Won) 54,980 million (US\$ 52,673 thousand) and (Won) 297,591 million (US\$ 285,103 thousand), respectively. As a result, the Company owns 26.92% of the voting rights of LG Securities and is able to govern LG Securities; therefore, the Company includes it as a consolidated subsidiary.
- (*4) In 2004, Woori Bank acquired PT. Bank Woori Indonesia s 231 shares of common stock, which represents a 13.6% ownership interest in the 2nd-tier subsidiary of the Company.
- (*5) On December 28, 2004, Woori Bank acquired a 52.38% ownership interest in Woori First Private Equity Fund for (Won) 22,110 million (US\$ 21,182 thousand).
- (*6) As a result of the consolidation of LG Securities, the subsidiaries of LG Securities are included as 2nd-tier subsidiaries of the Company.
- (3) General information pertaining to the Company s subsidiaries as of December 31, 2004 is set forth below.
- a. Woori Bank

Woori Bank (formerly Hanvit Bank) was established in 1899 and is engaged in the commercial banking business under the Korean Banking Law, trust business under the Trust Business Law, merchant bank services under the Merchant Bank Act and foreign exchange business with approval from the Bank of Korea (the BOK) and the Ministry of Finance and Economy (the MOFE). In connection with the infusion of public funds, Woori Bank and the KDIC have entered into an Agreement on the Implementation of the Business Plan. Hanvit Bank changed its name to Woori Bank on May 20, 2002. Its common stock amounted to (Won) 3,179,783 million (US\$ 3,046,353 thousand) consisting of 635,956,580 common shares issued and outstanding as of December 31, 2004. Woori Bank is wholly owned by the Company. The head office of Woori Bank is located in Seoul, Korea. Woori Bank has 698 branches and offices in Korea, and 12 branches and offices in overseas.

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b. Kyongnam Bank

Kyongnam Bank was incorporated on April 18, 1970 and is engaged in the commercial banking business under the Korean Banking Law, trust business under the Trust Business Law and foreign exchange business with approval from the BOK and the MOFE. In connection with the infusion of public funds, Kyongnam Bank and the KDIC have entered into an Agreement on the Implementation of the Business Plan. As of December 31, 2004, Kyongnam Bank's common stock amounted to (Won) 259,000 million (US\$248,132 thousand) consisting of 51,800,043 shares of common stock issued and outstanding of which the Company owns 99.99%. The head office of Kyongnam Bank is located in Masan, Korea. Kyongnam Bank has 120 branches and offices in Korea.

c. Kwangju Bank

Kwangju Bank was established on October 7, 1968 and is engaged in the commercial banking business under the Korean Banking Law, trust business under the Trust Business Law and foreign exchange business with approval from the BOK and the MOFE. In connection with the infusion of public funds, Kwangju Bank and the KDIC have entered into an Agreement on the Implementation of the Business Plan. As of December 31, 2004, its common stock amounted to (Won) 170,403 million (US\$163,253 thousand) consisting of 34,080,517 common shares issued and outstanding of which the Company owns 99.99%. Kwangju Bank's head office is located in Kwangju City, Korea and has 116 domestic branches and offices in Korea.

d. Woori Finance Information System Co., Ltd.

Woori Finance Information System Co., Ltd. (WFIS , formerly Hanviteun System) was established on April 17, 1989 and is engaged in the business of installing computerized financial systems. On September 29, 2001, the Company purchased all of the common stock of WFIS from Woori Bank in accordance with the group's functional restructuring, making WFIS a subsidiary of the Company. On October 15, 2001, Hanviteun System Co., Ltd changed its name to Woori Finance Information System Co., Ltd. As of December 31, 2004, its common stock amounted to (Won) 4,500 million (US\$4,311 thousand) consisting of 900,000 shares issued and outstanding all of which are owned by the Company. The office of WFIS is located in Seoul, Korea.

e. Woori F&I Co., Ltd.

Woori F&I Co., Ltd. [WF&I , formerly Woori Asset Management Co., Ltd. (WAMC)] was established on November 16, 2001 to engage in the business of management, operation and disposition of securitization assets. On September 13, 2002, WF&I split off the asset management business segment and established Woori CA Asset Management Co., Ltd. (WCAAMC). As a result, WF&I is engaged in the business of acquisition and disposition of securities issued by asset securitization specialty corporations, established based on the Act on Asset-Backed Securitization for the purpose of non-performing assets securitization, and in the business of acquisition and disposition of equity of asset management corporations, which are established for the purpose of non-performing assets management. On September 16, 2002, Woori Asset Management Co., Ltd. changed its name to Woori

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F&I Co., Ltd. As of December 31, 2004, its common stock amounted to (Won) 10,000 million (US\$9,580 thousand) consisting of 2,000,000 shares issued and outstanding all of which are owned by the Company. The office of WF&I is located in Seoul, Korea.

f. Woori Second Asset Securitization Specialty Co., Ltd.

Woori Second Asset Securitization Specialty Co., Ltd. (WASS2) was established on December 22, 2001 under the Act on Asset-Backed Securitization of the Republic of Korea as a special purpose company. WASS2 is engaged in the business of management, operation and disposition of the securitization assets and issuance of asset-backed securities based on the securitization assets acquired from WCC. WASS2 changed its contractor in connection with the asset management and other activities from WF&I to WCAAMC as of September 14, 2002 due to the split off of WCAAMC from WAMC as explained above. As of December 31, 2004, its common stock amounted to (Won) 10 million (US\$10 thousand) consisting of 2,000 shares issued and outstanding of which the Company owns 95%.

g. Woori Third Asset Securitization Specialty Co., Ltd.

Woori Third Asset Securitization Specialty Co., Ltd. (WASS3) was established on March 15, 2002 under the Act on Asset-Backed Securitization of the Republic of Korea as a special purpose company. WASS3 is engaged in the business of management, operation and disposition of the securitization assets and issuance of asset-backed securities based on the securitization assets acquired from Woori Bank, Kyongnam Bank and WCC. WASS3 changed its contractor in connection with the asset management and other activities from WF&I to WCAAMC as of September 14, 2002 due to the split off of WCAAMC from WAMC as explained above. As of December 31, 2004, its common stock amounted to (Won) 10 million (US\$10 thousand) consisting of 2,000 shares issued and outstanding, all of which are owned by the Company.

h. Woori Investment Trust Management Co., Ltd.

Woori Investment Trust Management Co., Ltd. (WITM , formerly Hanvit Investment Trust Management Co., Ltd.) was established on June 24, 1988 and is engaged in the investment trust business under the Investment Trust Business Law with approval from the MOFE. In connection with the functional restructuring, on March 29, 2002, the Company purchased the entire common stock of WITM from Woori Bank, making WITM a subsidiary of the Company. On May 17, 2002, Hanvit Investment Trust Management Co., Ltd. changed its name to Woori Investment Trust Management Co., Ltd. As of December 31, 2004, its common stock amounted to (Won) 30,000 million (US\$28,741 thousand) consisting of 6,000,000 shares issued and outstanding all of which are owned by the Company. The office of WITM is located in Seoul, Korea.

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i. Woori Securities Co., Ltd.

Woori Securities Co., Ltd. (Woori Securities , formerly Hanvit Securities Co., Ltd.) was established on August 26, 1954 to engage mainly in trading, agency, brokerage, and underwriting of securities and listed its shares on the Korea Stock Exchange on July 26, 1988. In connection with the functional restructuring, as of July 29, 2002, the Company acquired 40.2% (13,250,570 shares) of common stock of Woori Securities from Woori Bank, making Woori Securities a subsidiary of the Company. On June 1, 2002, Hanvit Securities Co., Ltd. changed its name to Woori Securities Co., Ltd. As of December 31, 2004, its common stock amounted to (Won) 164,782 million (US\$157,867 thousand) consisting of 32,956,413 shares issued and outstanding of which the Company owns 100%. The head office of Woori Securities is located in Seoul, Korea. Woori Securities has 38 branches and 32 offices in Korea and one overseas office.

j. LG Investment Securities Co., Ltd.

LG Investment Securities Co., Ltd. (LG Securities) was established in January 1969 to engage in trading, agency, brokerage and underwriting of securities. On September 30, 1975, LG Securities listed its shares on the Korea Stock Exchange. On October 1, 1999, LG Securities merged with LG Merchant Banking Co., Ltd. LG Securities became a subsidiary of the Company as of December 24, 2004 as Woori Finance Holdings Co., Ltd acquired 26.92% of voting right of LG Securities and is able to govern its management. As of December 31, 2004, its issued common stock amounted to (Won) 625,457 million (US\$ 599,212 thousand) consisting of 122,116,369 shares and its issues preferred stock amounted (Won) 99,354 million (US\$ 95,185 thousand) consisting of 19,870,968 shares. The head office of LG Securities is located in Seoul, Korea. LG Securities has 117 branches and 2 offices in Korea and one overseas office.

(3) General information pertaining to the Company's 2nd -tier subsidiaries is as follows:

a. Woori Credit Information Co., Ltd.

Woori Credit Information Co., Ltd. (WCI , formerly Hanvit Credit Information Co., Ltd.) was established on March 15, 1991 and is engaged in the credit investigation business and credit collection business under the Act on Use and Protection of Credit Information of the Republic of Korea. On June 1, 2002, Hanvit Credit Information Co., Ltd changed its name to Woori Credit Information Co., Ltd. As of December 31, 2004, the common stock of WCI amounted to (Won) 5,040 million (US\$4,829 thousand) consisting of 1,008,000 shares issued and outstanding, and is wholly owned by Woori Bank. The head office of WCI is located in Seoul, Korea. WCI has 14 branches and offices in Korea.

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b. Woori America Bank

Woori America Bank (WAB , formerly Hanvit America Bank) was established on January 7, 1984 and is engaged in the banking business in New York, U.S.A. On May 20, 2002, Hanvit America Bank changed its name to Woori America Bank. WAB merged with Panasia Bank N.A. on September 11, 2003. As of December 31, 2004, its common stock amounted to US\$42,500 thousand consisting of 8,500,000 shares issued and outstanding and is wholly owned by Woori Bank.

c. PT. Bank Woori Indonesia

PT. Bank Woori Indonesia (BWI , formerly PT. Bank Hanvit Indonesia) was established on June 18, 1992 and is engaged in the banking business in Indonesia. P.T. Bank Hanvit Indonesia changed its name to PT. Bank Woori Indonesia on May 20, 2002. As of December 31, 2004, its common stock amounted to IDR 170,000 million consisting of 1,700 shares issued and outstanding of which Woori Bank owns 95.2%.

d. Woori CA Asset Management Co., Ltd.

Woori CA Asset Management Co., Ltd. (WCAAMC) was established on September 14, 2002 as an asset management company for asset securitization specialty companies established based on the Act on Asset-Backed Securitization and is engaged in the business of management, operation and disposition of securitization assets. WCAAMC was established through split-off from WF&I in accordance with the Joint Venture Agreement entered into by the Company and Lehman Brothers Luxembourg Investment S.a.r.l. (LB Luxembourg). In addition, it took over the asset management and operation contracts from WAMC and therefore, is engaged in managing and operating the assets of WASS2, WASS3, Woori LB First Second Third Fourth Fifth Sixth Seventh Eighth, Woori F&I First Second Fourth, Woori SB First Second and Woori Pegasus Asset Securitization Specialty Co., Ltd. As of December 31, 2004, WCAAMC s common stock amounted to (Won) 4,000 million (US\$3,832 thousand) consisting of 800,000 shares issued and outstanding of which WF&I and LB Luxembourg own 51% and 49%, respectively. The office of WCAAMC is located in Seoul, Korea.

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e. The information of other 2nd-tier subsidiaries are as follows (Unit: Korean won in millions, U.S. dollar and EURO in thousands):

| Subsidiaries | Main business | Capital | Number of issued shares | Date of establishment | Location |
|---|-----------------------------|----------------|--------------------------------|------------------------------|--------------------|
| Woori First Private Equity Fund | Securities Investments | (Won) 42,210 | | 2004.12.20 | Seoul, Korea |
| LG Futures Co., Ltd. | Futures trading | (Won) 25,000 | 5,000,000 | 1992.7.10 | Seoul, Korea |
| LG Investment Trust Management Co., Ltd. | Investment Advisory Service | (Won) 30,000 | 6,000,000 | 1988.3.26 | Seoul, Korea |
| LG Securities Int'l Ltd. | Securities | USD 5,788 | 5,788,000 | 1991.8.15 | London, UK |
| LG Securities (H.K.) Limited | Securities | USD 22,500 | 22,500,000 | 1995.3.6 | Hong Kong, China |
| LG Securities America, Inc. | Securities | USD 3 dollar | 300 | 1992.6.18 | New York, USA |
| High Technology Venture Investment | Securities Investments | USD 35 | 3,500,000 | 2000.2.28 | Malaysia |
| Global Technology Investment | Securities Investments | USD 30 | 3,000,000 | 1999.6.28 | Malaysia |
| LG Investment Holding B.V. (Amsterdam) GG | Securities Investments | EURO16,424 | 1,642,398,242 | 1996.10.18 | Amsterdam, Holland |

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean won and prepares statutory non-consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been restructured and translated into English from the Korean language financial statements.

The U.S. dollar amounts presented in these financial statements were computed by translating Korean won amounts into U.S. dollars amounts using the Base Rate announced by Seoul Money Brokerage Service, Ltd. of (Won) 1,043.8 to US\$ 1.00 at December 31, 2004, solely for the convenience of the readers outside of the Republic of Korea. This convenience translation into U.S. dollars should not be

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construed as representations that the Korean won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

The significant accounting policies followed in preparing the accompanying non-consolidated financial statements are summarized below.

a. Investment securities accounted for using the equity method of accounting Statement of Korean Accounting Standards No. 15

The Company early adopted Statement of Korea Accounting Standards No. 15 The equity method of accounting in 2004 prospectively in order to improve coincidence of methodologies of disclosures and accounting on investment securities applied using the equity method of accounting. As a result of the adoption, net income of the Company decreased by (Won) 13.4 billion (US\$ 12.8 million) and net equity increased by (Won) 21.4 billion (US\$ 20.5 million) in 2004 in comparison with by former accounting standard. In addition, the account balances relating to the equity method of accounting on the accompanying financial statements in 2003 were reclassified for comparative purposes; however, there is no effect on net income and net equity in 2003.

If the Company owns 20% or more of voting shares of its investees, either directly or indirectly, the Company is presumed to have significant influence on the investees management and accordingly, the investment equity securities in those investees are accounted for using the equity method of accounting. Investment equity securities are initially stated at their acquisition costs including incidental cost incurred in connection with acquisition of the related securities.

The excess of the acquisition cost over the proportionate net asset value on the acquisition date is amortized using the straight-line method over 20 years or less. The excess of the proportionate net asset value over the acquisition cost arising with respect to identifiable non-monetary assets are recognized as income, as economic benefits embodied therein flow to the acquirer (when the assets are amortized or disposed). The amount of the excess of the proportionate net asset value over the acquisition cost in excess of the fair value of non-monetary assets, which is deemed arising from purchasing monetary assets at lower price, is immediately recognized as a gain.

The Company s interest in net assets of investees is added to or deducted from the investment securities. The Company s interest in net income or net loss of investees is reflected in current operations. Changes in retained earnings of the investees are reflected in the retained earning account and changes in capital surplus or other capital accounts of the investees are reflected in the capital adjustment account of the Company.

b. Allowance for possible loan losses

The Company provides an allowance for possible loan losses based on management analysis of the borrowers capacity to repay and prior bad debt experience. The allowance for possible loan losses is presented as a deduction from loans.

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c. Tangible assets and depreciation

Tangible assets included in fixed assets are recorded at cost. Routine maintenance and repairs are expensed as incurred. Expenditures that result in enhancement of the value or extension of the useful lives of the facilities involved are capitalized as additions to tangible assets.

Depreciation is computed using the straight-line method for structures in leased offices and the declining balance method for all other assets based on the estimated useful lives of the assets. The estimated useful life is 5 years for tangible assets.

d. Intangible assets

Intangible assets are recorded at the purchase cost, plus incidental costs. Intangible assets are amortized using the straight-line method over the estimated useful life of 5 years.

e. Amortization of discount (premium) on debentures

Discounts or premiums on debentures issued are presented as deductions from or additions to the debentures. Discounts or premiums are accreted or amortized over the period from issuance to maturity using the effective interest rate method. Accretion or amortization of discounts or premiums is recognized as interest expense or interest income on the debentures.

f. Accrued severance benefits

In accordance with the Company's policy, all employees with more than one year of service are entitled to receive severance indemnity payments at termination. Deposits for severance benefits, which will be directly paid to employees, are recorded as deductions from accrued severance indemnities (Note 11).

g. Accounting for derivative instruments

The Company accounts for derivative instruments pursuant to the Interpretations on Financial Accounting Standards 53-70 on accounting for derivative instruments. Derivative instruments are classified as either trading or hedging depending on their transaction purpose. Derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. The accounting for derivative transactions that are part of a qualified hedge, which is determined based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting, differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations.

Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is

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attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustment is added to or deducted from the asset or the liability.

h. Stock options

The Company values stock options at fair value. The fair value of stock options is charged to compensation expense included in general & administration expense in the statement of income and credited to capital adjustments in the equity section of the balance sheet over the contract term of the services provided.

i. Accounting for foreign currency transactions and translation

The Company maintains its accounts in Korean won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rate of exchange on the transaction date. The Korean won equivalent of monetary assets and liabilities denominated in foreign currencies are translated in these financial statements based on the Base Rate announced by Seoul Money Brokerage Services, Ltd. ((Won) 1,043.8 and (Won) 1,197.8 to \$1.00 at December 31, 2004 and 2003, respectively) or cross rates as of the balance sheet dates. Translation gains and losses on foreign currency denominated assets and liabilities are credited or charged to current operations.

j. Income tax expense and deferred tax asset (liability)

Income tax expense consists of the amount currently payable and changes during the year in deferred income tax assets and liabilities. However, deferred income tax assets are recognized only if the future tax benefits from deductible temporary differences and tax loss carry forwards are reasonably expected to be realizable. Deferred income tax assets or liabilities are to be offset against deferred income tax liabilities or assets in future fiscal years.

k. Earnings per common share

Basic ordinary income per common share and basic net income per common share are computed by dividing the ordinary income (after deducting the tax effect) and net income, respectively, by the weighted average number of common shares outstanding during the year.

Diluted ordinary income per common share and diluted net income per common share are computed by dividing the diluted ordinary income and diluted net income by the sum of the weighted average number of common shares and the number of dilutive potential common shares from dilutive securities.

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- (1) Changes in equity securities for the year ended December 31, 2004, which are accounted for using the equity method of accounting, are as follows (Unit: Korean won in millions):

| | January 1, 2004 | Gain (loss) on valuation using the equity method | Capital adjustments | Retained earnings | Other increase (decrease) | December 31, 2004 |
|--|--------------------|---|------------------------|----------------------|---------------------------------|----------------------|
| Woori Bank | (Won) 5,869,559 | (Won) 1,708,094 | (Won) 443,424 | (Won) (3,222) | (Won) (439,492) | (Won) 7,578,363 |
| Kyongnam Bank | 504,628 | 101,751 | 15,394 | (21) | (12,950) | 608,802 |
| Kwangju Bank | 364,955 | 55,728 | 8,472 | (40) | (8,520) | 420,595 |
| Woori Credit Card (*1) | | (466,410) | 1,677 | (135,104) | 599,837 | |
| Woori Finance Information System | 7,284 | 329 | | | | 7,613 |
| Woori F&I | 35,896 | 19,935 | 3,900 | | (1,500) | 58,231 |
| Woori Second Asset Securitization Specialty (*2) | 20,016 | 8,098 | | | (28,114) | |
| Woori Third Asset Securitization Specialty (*2) | 1,266 | 7,740 | 7,620 | | (16,626) | |
| Woori Investment Trust Management | 34,978 | 2,498 | | | (2,400) | 35,076 |
| Woori Securities | 168,640 | (8,106) | 152,653 | | 48,313 | 361,500 |
| LG Securities (*3) | | | | | 355,201 | 355,201 |
| | (Won) 7,007,222 | (Won) 1,429,657 | (Won) 633,140 | (Won) (138,387) | (Won) 493,749 | (Won) 9,425,381 |

(*1) (Won) 105,581 million (US\$ 101,151 thousand) of unrecorded loss on valuation of the equity securities in WCC in 2003 due to discontinuance of the equity method of accounting was reflected in the other increase or decrease for the year ended December 31, 2004. In addition, the investment securities of WCC were combined in those of Woori Bank since WCC was merged into Woori Bank on March 31, 2004. Therefore, the ending balance of investment in WCC has been zero.

(*2) In 2004, the equity method of accounting is discontinued for the valuation of those investment securities as the investment balance has been reduced to zero.

(*3) As of December 31, 2004, the market price of the Company's interest in LG Securities amounts to (Won) 280,774 million (US\$ 268,992 thousand).

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- (2) The reconciliation between the acquisition costs and the book value as of December 31, 2003 is summarized as follows (Unit: Korean won in millions):

| | Acquisition cost | Gain (loss) on valuation using the | | | Other increase (decrease) | Dec. 31, 2003 |
|--|------------------------|--|------------------------|------------------------|---------------------------------|------------------------|
| | | equity method | Capital adjustments | Retained Earnings | | |
| Woori Bank | (Won) 2,764,400 | (Won) 2,760,234 | (Won) 800,161 | (Won) (108,430) | (Won) (346,806) | (Won) 5,869,559 |
| Kyongnam Bank | 259,000 | 235,406 | 32,074 | (11,492) | (10,360) | 504,628 |
| Kwangju Bank | 170,403 | 195,597 | 9,508 | (3,737) | (6,816) | 364,955 |
| Woori Credit Card (*1) | 273,000 | (1,490,900) | (522,100) | | 1,740,000 | |
| Woori Investment Bank | 170,493 | 44,780 | 34,627 | (234) | (249,666) | |
| Woori Finance Information System | 5,244 | 2,238 | 6 | (204) | | 7,284 |
| Woori F&I | 10,094 | 23,304 | 3,998 | | (1,500) | 35,896 |
| Woori First Asset Securitization Specialty | 10 | (10) | | | | |
| Woori Second Asset Securitization Specialty | 10 | 33,006 | | | (13,000) | 20,016 |
| Woori Third Asset Securitization Specialty | 10 | (2,678) | 13,824 | (9,890) | | 1,266 |
| Woori Investment Trust Management | 39,128 | 3,350 | | | (7,500) | 34,978 |
| Woori Securities | 152,662 | 1,759 | 2,560 | | 11,659 | 168,640 |
| | <u>(Won) 3,844,454</u> | <u>(Won) 1,806,086</u> | <u>(Won) 374,658</u> | <u>(Won) (133,987)</u> | <u>(Won) 1,116,011</u> | <u>(Won) 7,007,222</u> |

- (*1) In 2003, the equity method of accounting was discontinued for the valuation of investment securities in WCC as the investment balance was reduced to zero during the year.

- (3) The details of other increase or decrease for the year ended December 31, 2004 are as follows (Unit: Korean won in millions):

| | Merger between | | | Total |
|---|-------------------|-------------|-----------------|-----------------|
| | subsidiaries | Acquisition | Dividends | |
| Woori Bank | (Won) 200,163 | (Won) | (Won) (639,655) | (Won) (439,492) |
| Kyongnam Bank | | | (12,950) | (12,950) |
| Kwangju Bank | | | (8,520) | (8,520) |
| Woori Credit Card | (200,163) | 800,000 | | 599,837 |
| Woori F&I | | | (1,500) | (1,500) |
| Woori Second Asset Securitization Specialty | | | (28,114) | (28,114) |
| Woori Third Asset Securitization Specialty | | | (16,626) | (16,626) |
| Woori Investment Trust Management | | | (2,400) | (2,400) |
| Woori Securities | | 56,999 | (8,686) | 48,313 |
| LG Securities (*1) | | 355,201 | | 355,201 |

| | | | |
|-------|-----------------|-----------------|---------------|
| (Won) | (Won) 1,212,200 | (Won) (718,451) | (Won) 493,749 |
|-------|-----------------|-----------------|---------------|

(*1) On December 24, 2004, the Company acquired an additional ownership interest in LG Securities and the Company revaluated the equity securities that the Company had owned until then and recognized (Won) 2,630 million (US\$ 2,520 thousand) of gain on valuation of investment securities and included in acquisition cost on December 24, 2004.

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(4) The details of other increase or decrease for the year ended December 31, 2003 are as follows (Unit: Korean won in millions):

| | Acquisition | | |
|---|------------------------|------------------------|------------------------|
| | (disposition) | Dividends | Total |
| Woori Bank | (Won) 227,084 | (Won) (573,890) | (Won) (346,806) |
| Kyongnam Bank | | (10,360) | (10,360) |
| Kwangju Bank | | (6,816) | (6,816) |
| Woori Credit Card | 1,740,000 | | 1,740,000 |
| Woori Investment Bank | (249,666) | | (249,666) |
| Woori F&I | | (1,500) | (1,500) |
| Woori Second Asset Securitization Specialty | | (13,000) | (13,000) |
| Woori Investment Trust Management | | (7,500) | (7,500) |
| Woori Securities | 16,959 | (5,300) | 11,659 |
| | <u>(Won) 1,734,377</u> | <u>(Won) (618,366)</u> | <u>(Won) 1,116,011</u> |

(5) The details of changes in the difference between the acquisition cost and the proportionate net asset value on the acquisition date for the year ended December 31, 2004 are as follows (Unit: Korean won in millions):

| | January 1, | Increase or decrease | Amortization(*1) | December 31, |
|--------------------|----------------------|-------------------------|----------------------|-----------------------|
| | 2004 | | | 2004 |
| Woori Bank (*1) | (Won) 264,026 | (Won) 24,056 | (Won) 288,082 | (Won) |
| Kyongnam Bank (*1) | 7,565 | | 7,565 | |
| Kwangju Bank (*1) | 16,442 | | 16,442 | |
| Woori Credit Card | 24,415 | (24,056) | 359 | |
| Woori F&I | 84 | | 5 | 79 |
| LG Securities | | (15,405) | | (15,405) |
| | <u>(Won) 312,532</u> | <u>(Won) (15,405)</u> | <u>(Won) 312,453</u> | <u>(Won) (15,326)</u> |

(*1) Those subsidiaries eventually realized the tax benefits, which the Company did not recognize as an identifiable deferred tax asset when it acquired those subsidiaries and they are reflected to the Company's gain on valuation using the equity method accounting in 2004. Therefore, the Company deducted the excess of the acquisition cost over the proportionate net asset value of those subsidiaries on the acquisition date as much as the realized tax benefits in 2004.

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The details of changes in the difference between the acquisition cost and the proportionate net asset value on the acquisition date for the period from its acquisition to December 31, 2003 are as follows (Unit: Korean won in millions):

| | The initial difference at acquisition | Increase or decrease | Amortization | December 31, 2003 |
|----------------------------------|--|---------------------------------|---------------------|------------------------------|
| Woori Bank | (Won) 328,323 | (Won) (17,300) | (Won) 46,997 | (Won) 264,026 |
| Kyongnam Bank | 8,900 | | 1,335 | 7,565 |
| Kwangju Bank | 19,343 | | 2,901 | 16,442 |
| Woori Credit Card | 28,721 | | 4,306 | 24,415 |
| Woori Investment Bank | 5,979 | (5,282) | 697 | |
| Woori Finance Information System | (110) | | (110) | |
| Woori F&I | 94 | | 10 | 84 |
| Woori Securities | 355 | | 355 | |
| | <u>(Won) 391,605</u> | <u>(Won) (22,582)</u> | <u>(Won) 56,491</u> | <u>(Won) 312,532</u> |

(6) The details of unrealized inter-company income or loss for the year ended December 31, 2004 are as follows (Unit: Korean won in millions):

| | Operating revenues | Operating expenses | Non-operating income | Non-operating expenses | Total |
|----------------------------------|-------------------------------|-------------------------------|---------------------------------|-----------------------------------|--------------------|
| Woori Bank | (Won) 1,069 | (Won) | (Won) 2,347 | (Won) (145) | (Won) 3,271 |
| Kyongnam Bank | | | | (18) | (18) |
| Kwangju Bank | 6 | | | (118) | (112) |
| Woori Credit Card | | | | (173) | (173) |
| Woori Finance Information System | (372) | | | | (372) |
| | <u>(Won) 703</u> | <u>(Won)</u> | <u>(Won) 2,347</u> | <u>(Won) (454)</u> | <u>(Won) 2,596</u> |

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Loans as of December 31, 2004 and 2003 are as follows:

| | Issuance date | Maturity date | Annual interest rate (%) | Korean won | | U.S. dollars (Note 2) | |
|--|------------------|------------------|--------------------------------|---------------|---------------|-----------------------|--------------|
| | | | | 2004 | 2003 | 2004 | 2003 |
| | | | | (In millions) | | (In thousands) | |
| Woori Finance Information System (*1) | Oct. 31, 2002 | Oct. 31, 2006 | 7.3 | (Won) 30,000 | (Won) 30,000 | US\$ 28,741 | US\$ 28,741 |
| Woori F&I (*2) | Dec. 20, 2002 | Dec. 20, 2006 | 7.6 | | 5,000 | | 4,790 |
| " | Mar. 25, 2003 | Mar. 25, 2007 | 7.3 | 90,000 | 90,000 | 86,223 | 86,223 |
| " | Jul. 7, 2003 | Jul. 7, 2007 | 7.3 | 23,000 | 23,000 | 22,035 | 22,035 |
| " | Jul. 29, 2003 | Jul. 29, 2007 | 7.3 | 8,850 | 8,850 | 8,479 | 8,479 |
| | | | | 121,850 | 126,850 | 116,737 | 121,527 |
| WASS2: | | | | | | | |
| 2-1 non-guaranteed privately placed bond (*3) | Jan. 8, 2002 | Jan. 8, 2012 | 7.5 | 100 | 100 | 96 | 96 |
| WASS3: | | | | | | | |
| 3-1 non-guaranteed privately placed bond (*3) | Apr. 15, 2002 | Apr. 15, 2012 | 7.8 | 17,790 | 27,790 | 17,043 | 26,624 |
| Woori Bank: | | | | | | | |
| 1st non-guaranteed subordinated convertible bonds | Sep. 27, 2002 | Sep. 27, 2012 | | | 150,000 | | 143,706 |
| 2nd non-guaranteed subordinated convertible bonds | Oct. 30, 2002 | Oct. 30, 2012 | | | 200,000 | | 191,608 |
| 3rd non-guaranteed subordinated convertible bonds | Nov. 28, 2002 | Nov. 28, 2012 | | | 250,000 | | 239,509 |
| | | | | | 600,000 | | 574,823 |
| Kwangju Bank: | | | | | | | |
| Non-guaranteed subordinated convertible bonds (*4) | Dec. 31, 2002 | Dec. 31, 2012 | | 50,000 | 50,000 | 47,902 | 47,902 |
| Total | | | | 219,740 | 834,740 | 210,519 | 799,713 |
| Allowance for possible loan losses (Note 5) | | | | (1,099) | (4,174) | (1,053) | (3,999) |
| Net | | | | (Won) 218,641 | (Won) 830,566 | US\$ 209,466 | US\$ 795,714 |



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- (*1) Loans granted to finance the transaction among Woori Bank, WCC and WFIS, in which Woori Bank and WCC transferred their IT equipment to WFIS.
- (*2) Loans granted to finance the acquisitions of the securitization debentures and the investment equity securities related to the joint venture special entities of WF&I.
- (*3) The principal of the non-guaranteed privately placed bonds listed above shall be fully repaid on the maturity date; however, the trustees may exercise early redemption rights to pay, in part or in whole, the principal in accordance with the business trust contract pursuant to the asset securitization plan.
- (*4) The coupon rate on the bonds is zero and the guaranteed return is 155.29%. The conversion price is (Won) 5,000 and conversion rights are valid from one year after the issuance date to one month before the maturity date. The common shares of Kwangju Bank will be issued upon conversion.

5. ALLOWANCE FOR POSSIBLE LOAN LOSSES

Allowances for possible loan losses as of December 31, 2004 and 2003 are as follows:

| | Korean won | | U.S. dollars (Note 2) | |
|---|--------------------|--------------------|-----------------------|-------------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions) | | (In thousands) | |
| Loans: | | | | |
| Woori F&I | (Won) 609 | (Won) 634 | US\$ 583 | US\$ 607 |
| Woori Finance Information System | 150 | 150 | 144 | 144 |
| Woori Second Asset Securitization Specialty | 1 | 1 | 1 | 1 |
| Woori Third Asset Securitization Specialty | 89 | 139 | 85 | 133 |
| Woori Bank | | 3,000 | | 2,874 |
| Kwangju Bank | 250 | 250 | 240 | 240 |
| | <u>1,099</u> | <u>4,174</u> | <u>1,053</u> | <u>3,999</u> |
| Long-term accrued interest income: | | | | |
| Woori Bank | | 140 | | 134 |
| Kwangju Bank | 23 | 11 | 22 | 11 |
| | <u>23</u> | <u>151</u> | <u>22</u> | <u>145</u> |
| | <u>(Won) 1,122</u> | <u>(Won) 4,325</u> | <u>US\$ 1,075</u> | <u>US\$ 4,144</u> |

Table of Contents**6. FIXED ASSETS**

(1) Changes in tangible assets for the years ended December 31, 2004 and 2003 are as follows (Unit: Korean won in millions):

| | <u>Jan. 1, 2004</u> | <u>Acquisition</u> | <u>Disposition</u> | <u>Depreciation</u> | <u>Dec. 31, 2004</u> |
|------------------------------|---------------------|--------------------|--------------------|---------------------|----------------------|
| Vehicles | (Won) 57 | (Won) | (Won) 34 | (Won) 16 | (Won) 7 |
| Furniture and equipment | 124 | 134 | 3 | 113 | 142 |
| Structures in leased offices | 61 | 54 | | 36 | 79 |
| | <u>(Won) 242</u> | <u>(Won) 188</u> | <u>(Won) 37</u> | <u>(Won) 165</u> | <u>(Won) 228</u> |
| | <u>(Won) 31</u> | <u>(Won) 58</u> | <u>(Won) 5</u> | <u>(Won) 27</u> | <u>(Won) 57</u> |
| Furniture and equipment | 208 | 18 | | 102 | 124 |
| Structures in leased offices | 85 | | | 24 | 61 |
| | <u>(Won) 324</u> | <u>(Won) 76</u> | <u>(Won) 5</u> | <u>(Won) 153</u> | <u>(Won) 242</u> |

(2) Changes in intangible assets for the years ended December 31, 2004 and 2003 are as follows (Unit: Korean won in millions):

| | <u>Jan. 1, 2004</u> | <u>Acquisition</u> | <u>Amortization</u> | <u>Dec. 31, 2004</u> |
|----------------------------|---------------------|--------------------|---------------------|----------------------|
| Software | (Won) 20 | (Won) 1 | (Won) 7 | (Won) 14 |
| Industrial property rights | 31 | 21 | 12 | 40 |
| | <u>(Won) 51</u> | <u>(Won) 22</u> | <u>(Won) 19</u> | <u>(Won) 54</u> |
| | <u>Jan. 1, 2003</u> | <u>Acquisition</u> | <u>Amortization</u> | <u>Dec. 31, 2003</u> |
| Software | (Won) 18 | (Won) 6 | (Won) 4 | (Won) 20 |
| Industrial property rights | 32 | 8 | 9 | 31 |
| | <u>(Won) 50</u> | <u>(Won) 14</u> | <u>(Won) 13</u> | <u>(Won) 51</u> |

As of December 31, 2004 and 2003, accumulated amortization of software amount to (Won) 20 million (US\$ 19 thousand) and (Won) 13 million (US\$ 12 thousand), respectively, and accumulated amortization of industrial property rights amount to (Won) 26 million (US\$ 25 thousand) and (Won) 14 million (US\$ 13 thousand), respectively.

Table of Contents**7. OTHER ASSETS**

Other assets as of December 31, 2004 and 2003 are as follows:

| | Korean won | | U.S. dollars (Note 2) | |
|--|---------------------|---------------------|-----------------------|--------------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions) | | (In thousands) | |
| Guarantee deposits | (Won) 4,204 | (Won) 3,871 | US\$ 4,028 | US\$ 3,709 |
| Other receivables | 2,292 | 1,147 | 2,196 | 1,099 |
| Dividend receivables | 18,140 | | 17,379 | |
| Accrued income | 5,302 | 31,471 | 5,080 | 30,150 |
| Currency swaps (Notes 9 and 10) | | 16,463 | | 15,772 |
| Advanced payments | 82 | 1 | 79 | 1 |
| Prepaid expenses | 657 | 794 | 629 | 761 |
| Prepaid income tax | 5,392 | 6,553 | 5,165 | 6,278 |
| | <u>36,069</u> | <u>60,300</u> | <u>34,556</u> | <u>57,770</u> |
| Allowance for losses for accrued interest (Note 5) | (23) | (151) | (22) | (145) |
| | <u>(Won) 36,046</u> | <u>(Won) 60,149</u> | <u>US\$ 34,534</u> | <u>US\$ 57,625</u> |

8. BORROWINGS

Borrowings in local currency and line of credit as of December 31, 2004 and 2003 are as follows:

| | Annual interest rate (%) | Maturity | Line of credit | Korean won | | U.S. dollars (Note 2) | |
|---------------------------|--------------------------|---------------|----------------------|----------------------|----------------|-----------------------|-------------|
| | | | | 2004 | 2003 | 2004 | 2003 |
| | | | (In millions) | (In millions) | (In thousands) | | |
| Citibank | CD(3M)+1.3 | Sep. 30, 2005 | (Won) 100,000 | (Won) 60,000 | (Won) | US\$ 57,482 | US\$ |
| Shinhan Bank | CD(3M)+1.4 | Aug. 19, 2005 | 200,000 | 60,000 | | 57,482 | |
| Korea First Bank | CD(3M)+1.5 | Jul. 16, 2005 | 100,000 | | | | |
| Samsung Insurance Company | 6.10 | Sep. 15, 2005 | 100,000 | | | | |
| | | | <u>(Won) 500,000</u> | <u>(Won) 120,000</u> | <u>(Won)</u> | <u>US\$ 114,964</u> | <u>US\$</u> |

Table of Contents**9. DEBENTURES**

(1) Debentures in local currency as of December 31, 2004 and 2003 are as follows:

1) Bonds

| | Issuance date | Annual interest rate (%) | Maturity | Korean won | | U.S. dollars (Note 2) | |
|-----------------|------------------|--------------------------------|---------------|------------------------|------------------------|-----------------------|-----------------------|
| | | | | 2004 | 2003 | 2004 | 2003 |
| | | | | (In millions) | | (In thousands) | |
| The 2nd bonds | Sep. 28, 2001 | 5.00 | Sep. 28, 2004 | (Won) | (Won) | US\$ | US\$ |
| The 3rd bonds | Dec. 03, 2001 | 5.93 | Dec. 03, 2004 | | 300,000 | | 287,411 |
| The 4th bonds | Dec. 17, 2001 | 6.00 | Dec. 17, 2004 | | 150,000 | | 143,707 |
| The 5th bonds | Dec. 28, 2001 | 6.86 | Jun. 28, 2004 | | 300,000 | | 287,411 |
| The 7th bonds | Nov. 27, 2002 | 5.80 | Nov. 27, 2005 | 300,000 | 300,000 | 287,411 | 287,411 |
| The 8th bonds | Dec. 26, 2002 | 6.05 | Dec. 26, 2007 | 200,000 | 200,000 | 191,608 | 191,608 |
| The 9th bonds | Sep. 19, 2003 | 4.64 | Sep. 19, 2006 | 300,000 | 300,000 | 287,411 | 287,411 |
| The 10th bonds | Dec. 16, 2003 | 5.92 | Dec. 16, 2008 | 300,000 | 300,000 | 287,411 | 287,411 |
| The 11th bonds | Jun. 18, 2004 | 5.05 | Jun. 18, 2009 | 370,000 | | 354,474 | |
| The 12th bonds | Jul. 26, 2004 | 4.84 | Jul. 26, 2009 | 230,000 | | 220,349 | |
| The 13th bonds | Aug. 31, 2004 | 4.42 | Aug. 31, 2005 | 100,000 | | 95,804 | |
| The 14th bonds | Nov. 23, 2004 | 3.49 | Nov. 23, 2007 | 300,000 | | 287,411 | |
| Total | | | | 2,100,000 | 2,150,000 | 2,011,879 | 2,059,781 |
| Less: discounts | | | | (4,195) | (7,403) | (4,019) | (7,092) |
| | | | | (Won) 2,095,805 | (Won) 2,142,597 | US\$ 2,007,860 | US\$ 2,052,689 |

2) Convertible bonds

| | Issuance date | Annual interest rate (%) | Maturity | Korean won | | U.S. dollars (Note 2) | |
|--|------------------|--------------------------------|------------------|---------------|---------------------|-----------------------|--------------------|
| | | | | 2004 | 2003 | 2004 | 2003 |
| | | | | (In millions) | | (In thousands) | |
| Convertible bonds | Mar. 26, 2003 | | Mar. 26, 2006 | (Won) | (Won) 20,000 | US\$ | US\$ 19,161 |
| Add: redemption premium | | | | | 2,314 | | 2,217 |
| Less: reconciliation for conversion rights | | | | | (2,509) | | (2,404) |
| | | | | (Won) | (Won) 19,805 | US\$ | US\$ 18,974 |

These convertible bonds amounting to (Won) 20,000 million were converted as of December 21, 2004. The details of the conversion are as follows:

- a. Converted by Lehman Brothers International Europe Limited
- b. Issued common shares: 3,717,472 shares
- c. Conversion price: (Won) 5,380 per share

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- d. Increased capital stock: (Won) 18,587 million
 - e. Increased paid-in capital in excess of par value: (Won) 3,273 million
- (2) Debentures in foreign currencies as of December 31, 2004 and 2003 are as follows (Unit: Korean won in millions, U.S. dollars in thousands, and Japanese yen in millions):
- 1) Bonds in foreign currencies

| | Issuance date | Annual interest rate (%) | Maturity | Foreign currencies | |
|-----------------------|------------------|--------------------------------|---------------|--------------------|---------------|
| | | | | 2004 | 2003 |
| Floating rate notes | Nov. 2, 2001 | (*1) | Nov. 2, 2004 | US\$ | US\$ 150,000 |
| Less: discount | | | | | (204) |
| | | | | US\$ | US\$ 149,796 |
| Korean won equivalent | | | | (Won) | (Won) 179,426 |
| Yen denominated bonds | Jan. 16, 2002 | 1.74 | Jan. 16, 2004 | JPY | JPY 15,000 |
| Less: discount | | | | | (2) |
| | | | | JPY | JPY 14,998 |
| Korean won equivalent | | | | (Won) | (Won) 167,922 |
| | | | | (Won) | (Won) 347,348 |

(*1) London Inter-Bank Offered Rate (LIBOR) (6 months) + 1.6%

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2) Convertible bonds in foreign currency

| | Issuance date | Annual interest rate (%) | Maturity | Foreign currency | |
|--|------------------|--------------------------------|---------------|---------------------|----------------------|
| | | | | 2004 | 2003 |
| | | | | | |
| Convertible bonds (*1) | Sep. 27, 2002 | | Sep. 27, 2005 | US\$ 36,000 | US\$ 36,000 |
| Long-term accrued interest | | | | 2,445 | 1,345 |
| | | | | <u>US\$ 38,445</u> | <u>US\$ 37,345</u> |
| Korean won equivalent | | | | (Won) 40,129 | (Won) 44,732 |
| Convertible bonds (*2) | Dec. 20, 2002 | | Dec. 20, 2005 | US\$ 16,000 | US\$ 16,000 |
| Long-term accrued interest | | | | 907 | 454 |
| | | | | <u>US\$ 16,907</u> | <u>US\$ 16,454</u> |
| Korean won equivalent | | | | (Won) 17,647 | (Won) 19,709 |
| Convertible bonds (*3) | Mar. 26, 2003 | | Mar. 26, 2006 | US\$ | US\$ 39,000 |
| Add: redemption premium | | | | | 2,664 |
| Less: reconciliation for conversion rights | | | | | (3,407) |
| | | | | <u>US\$</u> | <u>US\$ 38,257</u> |
| Korean won equivalent | | | | (Won) | (Won) 45,818 |
| Convertible bonds (*4) | Jul. 10, 2003 | | Jul. 10, 2006 | US\$ 1,000 | US\$ 1,000 |
| Add: redemption premium | | | | 63 | 63 |
| Less: reconciliation for conversion rights | | | | (51) | (82) |
| | | | | <u>US\$ 1,012</u> | <u>US\$ 981</u> |
| | | | | (Won) 1,056 | (Won) 1,173 |
| | | | | <u>(Won) 58,832</u> | <u>(Won) 111,432</u> |

(*1) The unguaranteed privately placed bonds of US\$ 36 million were issued to Lehman Brothers International Europe (LBIE) on September 27, 2002. The coupon rate on the bonds is zero whereas yield to maturity of 2.9245% was guaranteed if the bonds ARE not be converted. The conversion price is (Won) 7,313 per share (conversion-exchange rate applied was (Won) 1,201.40: US\$ 1), which can be adjusted due to additional stock issuances, stock dividends and splits or reverse splits of shares. The number of shares available for conversion is 5,914,180 shares. The conversion rights are valid from one year after the issuance date to one month before the maturity date. The Company is obligated to issue new common shares upon the requests of the bondholders while the purchaser is obligated to hold the bonds or converted shares, if converted, until one and half year after the issuance date.

(*2) The unguaranteed privately placed bonds of US\$ 16 million were issued to LBIE on December 20, 2002. The coupon rate on the bonds is zero whereas yield to maturity of 2.7335% was guaranteed if the bonds would not be converted. The conversion price is (Won) 5,588 per share (conversion-exchange rate applied was (Won) 1,215.80: US\$ 1), which might be adjusted due to additional stock issuances, stock

dividends and split or reverse split

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of shares. The number of shares available for conversion is 3,481,173 shares. The conversion rights are valid from one year after the issuance date to one month before the maturity date. The Company is obligated to issue new common shares upon the requests of the bondholders while the purchaser is obligated to hold the bonds or converted shares, if converted, until one and a half year after the issuance date.

- (*3) The convertible bonds amounting US\$ 39,000 thousand were converted as of November 4 and December 2, 2004. The details of the conversion are as follows:

| <u>Converted on</u> | <u>Nov. 4, 2004</u> | | <u>Dec. 2, 2004</u> | |
|---|---|-----------------|---|------------------|
| Converted by | Lehman Brothers International Europe Limited | | Lehman Brothers International Europe Limited | |
| Issued common shares | | 666,301 shares | | 7,995,613 shares |
| Conversion price | (Won) | 5,380 | (Won) | 5,380 |
| Conversion-exchange rate applied | (Won) | 1,194.9: US\$ 1 | (Won) | 1,194.9: US\$ 1 |
| Increased capital stock | (Won) | 3,332 million | (Won) | 39,978 million |
| Increased paid-in capital in excess of par share | (Won) | 677 million | (Won) | 9,084 million |

- (*4) The unguaranteed privately placed bonds of US\$ 1 million were issued to LBIE on July 10, 2003. The coupon rate on the bonds is zero whereas yield to maturity of 2.034% was guaranteed if the bonds would not be converted. The conversion price is (Won) 7,228 per share (conversion-exchange rate applied was (Won) 1,188.5: US\$ 1), which might be adjusted due to additional stock issuances, stock dividends and split or reverse split of shares. The number of shares available for conversion is 164,429 shares. The conversion rights are valid from one year after the issuance date to one month before the maturity date. The Company is obligated to issue new common shares upon the requests of the bondholders while the purchaser is obligated to hold the bonds or converted shares, if converted, until January 10, 2005.

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- (3) In connection with the debentures in foreign currencies listed above, the Company has entered into cross currency interest rate swaps with Woori Bank in order to hedge any risks involved with fluctuations in exchange rates and interest rates. As of December 31, 2004 and 2003, cross currency interest rate swap contracts are as follows (Unit: Korean won in millions, U.S. dollars in thousands and Japanese yen in millions):

| | Contract date | Maturity date | Contracted amount | | Interest rates and terms of payment |
|--------|---------------|---------------|-------------------|--------------|--|
| | | | 2004 | 2003 | |
| | | | | | |
| Swap 1 | Nov. 7, 2001 | Nov. 2, 2004 | US\$ 50,000 | US\$ 64,650 | Receipt: LIBOR (6 months) + 1.6% Payment: annual rate of 6.90% in every 3 months |
| Swap 2 | Nov. 18, 2001 | Nov. 2, 2004 | US\$ 99,496 | US\$ 128,888 | Receipt: LIBOR (6 months) + 1.6% Payment: CD interest rate (3 months) + 1.5% |
| Swap 3 | Jan. 28, 2002 | Jan. 16, 2004 | | JPY 14,925 | Receipt: annual rate of 1.74% in every 6 months Payment: CD interest rate (91 days) + 1.59% |
| Swap 4 | Sep. 27, 2002 | Sep. 27, 2005 | US\$ 36,000 | US\$ 36,000 | Receipt: compound interest rate of 2.9245% (6 months) Payment: annual rate of 5% |
| Swap 5 | Dec. 20, 2002 | Dec. 20, 2005 | US\$ 16,000 | US\$ 19,248 | Receipt: compound interest rate of 2.7335% (6 months) Payment: annual rate of 4.84% |
| Swap 6 | Mar. 26, 2003 | Mar. 26, 2006 | US\$ 39,000 | US\$ 48,633 | Receipt: compound interest rate of 2.215% (6 months) Payment: annual rate of 3.04% |
| Swap 7 | Jul. 9, 2003 | Jul. 10, 2006 | US\$ 1,000 | US\$ 1,179 | Receipt: compound interest rate of 2.034% (6 months) Payment: annual rate of 3.93% |

Loss on valuation of swaps of (Won) 13,111 million (US\$ 12,561 thousand) for the year ended December 31, 2004, and gain on valuation of (Won) 17,078 million (US\$ 16,361 thousand) and loss on valuation of (Won) 3,410 million (US\$ 3,267 thousand) for the year ended December 31, 2003 were recorded in connection with the above swap contracts.

Table of Contents**10. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES**

Assets and liabilities denominated in foreign currencies of the Company as of December 31, 2004 and 2003 are summarized as follows:

| | Foreign currencies | | Korean won equivalent | |
|--------------------------------------|-----------------------|--------------|-----------------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (US\$: In thousands, | | (In millions) | |
| | JPY : In millions) | | | |
| (Assets) | | | | |
| Currency swaps | JPY | JPY 1,470 | (Won) | (Won) 16,463 |
| (Liabilities) | | | | |
| Debentures in foreign currencies | US\$ 53,000 | US\$ 241,796 | 55,321 | 289,624 |
| " | JPY | JPY 14,998 | | 167,922 |
| Long-term accrued interest payables | US\$ 3,352 | US\$ 1,799 | 3,499 | 2,155 |
| Redemption premium | US\$ 63 | US\$ 2,727 | 65 | 3,258 |
| Reconciliation for conversion rights | US\$ (51) | US\$ (3,489) | (53) | (4,179) |
| Accrued expenses | US\$ | US\$ 920 | | 1,101 |
| | JPY | JPY 55 | | 611 |
| Currency swaps | US\$ 13,383 | US\$ 15,360 | 13,969 | 18,398 |
| | US\$ 69,747 | US\$ 259,113 | (Won) 72,801 | (Won) 478,890 |
| | JPY | JPY 15,053 | | |

Table of Contents**11. ACCRUED SEVERANCE BENEFITS**

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company. The accrued severance benefits that would be payable assuming all eligible employees and directors were to terminate amounted to (Won) 1,230 million (US\$ 1,179 thousand) and (Won) 1,582 million (US\$ 1,516 thousand) as of December 31, 2004 and 2003, respectively.

The details of changes in the accrued severance benefits for years ended December 31, 2004 and 2003 are as follows:

| | Korean won | | U.S. dollars (Note 2) | |
|----------------------------------|---------------|-------------|-----------------------|------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions) | | (In thousands) | |
| Beginning balance | (Won) 1,582 | (Won) 967 | US\$ 1,516 | US\$ 927 |
| Provision for severance benefits | 215 | 626 | 206 | 600 |
| Payment for severance benefits | (567) | (11) | (543) | (11) |
| Ending balance | (Won) 1,230 | (Won) 1,582 | US\$ 1,179 | US\$ 1,516 |

The Company has purchased an employee retirement trust and made deposits at Woori Bank. As of December 31, 2004 and 2003, the deposits, amounting to (Won) 1,230 million (US\$ 1,179 thousand) and (Won) 954 million (US\$ 914 thousand), respectively, are presented as a deduction from accrued severance indemnities.

12. OTHER LIABILITIES

Other liabilities as of December 31, 2004 and 2003 are as follows:

| | Korean won | | U.S. dollars (Note 2) | |
|---|---------------|--------------|-----------------------|-------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions) | | (In thousands) | |
| Accrued severance benefits (Note 11) | (Won) 1,230 | (Won) 1,582 | US\$ 1,179 | US\$ 1,516 |
| Deposits with employee retirement trust (Note 11) | (1,230) | (954) | (1,179) | (914) |
| Other payables | 163 | 507 | 157 | 486 |
| Accrued expenses | 10,839 | 9,017 | 10,384 | 8,638 |
| Withholdings | 384 | 188 | 368 | 180 |
| Currency swaps (Notes 9 and 10) | 13,969 | 18,398 | 13,383 | 17,626 |
| | (Won) 25,355 | (Won) 28,738 | US\$ 24,292 | US\$ 27,532 |

Table of Contents**13. SHAREHOLDERS EQUITY**

- (1) The Company has 2,400,000,000 authorized shares of common stock with (Won) 5,000 par value, of which 796,455,558 shares [(Won) 3,982,278 million (US\$ 3,815,173 thousand)] and 775,504,910 shares [(Won) 3,877,525 million (US\$ 3,714,816 thousand)] are issued and outstanding as of December 31, 2004 and 2003, respectively.
- (2) The changes in the capital stock of the Company for the period from its incorporation to December 31, 2004 are as follows (Unit: Korean won in millions):

| <u>Date of issuance</u> | <u>Description</u> | <u>Number of shares issued</u> | <u>Capital stock</u> | <u>Paid-in capital in excess of par value</u> |
|-------------------------|----------------------------------|--------------------------------|----------------------|---|
| March 27, 2001 | Establishment | 727,458,609 | (Won) 3,637,293 | (Won) |
| June 12, 2002 | Issuance of new shares | 36,000,000 | 180,000 | 58,645 |
| In 2002 | Exercise of warrants | 4,356,188 | 21,781 | |
| 2002.12.31 | | 767,814,797 | 3,839,074 | 58,645 |
| In 2003 | Exercise of warrants | 7,690,113 | 38,451 | (574) |
| 2003.12.31 | | 775,504,910 | 3,877,525 | 58,071 |
| In 2004 | Issuance of new shares(*1) | 8,571,262 | 42,856 | 14,126 |
| | Exercise of convertible bond(*2) | 12,379,386 | 61,897 | 12,118 |
| 2004.12.31 | | 796,455,558 | (Won) 3,982,278 | (Won) 84,315 |

(*1) On June 18, 2004, the Company issued new common shares to Woori Securities, a wholly owned subsidiary. Those new common shares were offered to exchange for 15,584,113 common shares of Woori Securities.

(*2) On November 4, December 2 and December 21, 2004, convertible bonds were converted (Note 9).

- (3) As of December 31, 2004 and 2003, other capital surplus is recorded for consideration of conversion rights relating to convertible bonds issued in 2003, of which details are as follows (Unit: Korean won in millions):

| | <u>2004</u> | <u>2003</u> |
|---|-------------|-------------|
| Convertible bond in foreign currency issued on March 26, 2003 | (Won) | 2,215 |
| Convertible bond in local currency issued on March 26, 2003 | | 997 |
| Convertible bond in foreign currency issued on July 10, 2003 | 41 | 41 |
| | (Won) 41 | 3,253 |



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- (4) Pursuant to the Financial Holding Company Act Article 53, legal reserves are appropriated at no less than one tenth of net income until reaching to an amount equal to the Company's contributed capital, whenever dividends are declared.
- (5) As of December 31, 2004, the Company held 2,547 shares of treasury stock amounting to (Won) 18 million.
- (6) Dividends to net income ratio for the years ended December 31, 2004 and 2003 are as follows:

| | Korean won | | U.S. dollars (Note 2) | |
|------------------------------|--|-----------------|---|----------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions, except for par value) | | (In thousands, except for par value) | |
| The number of issued shares | 796,455,558 | 775,504,910 | 796,455,558 | 775,504,910 |
| Par value | (Won) 5,000 | (Won) 5,000 | US\$ 4.79 | US\$ 4.79 |
| Contributed capital | (Won) 3,982,278 | (Won) 3,877,525 | US\$ 3,815,173 | US\$ 3,714,816 |
| Dividend ratio per share | 3.0% | 2.0% | 3.0% | 2.0% |
| Dividend | (Won) 119,468 | (Won) 77,550 | US\$ 114,455 | US\$ 74,296 |
| Net income | (Won) 1,292,493 | (Won) 202,565 | US\$ 1,238,257 | US\$ 194,065 |
| Dividend ratio by net income | 9.24% | 38.28% | 9.24% | 38.28% |

14. STOCK OPTIONS

- (1) On December 4, 2002, the Company granted stock options to 62 directors of the Company and its subsidiaries. The exercise price of 60 percent of the total number of stock options granted will be determined depending on the Korean banking industry stock index (at minimum (Won) 6,800 per share). In addition, for the remaining 40 percent of the total number of stock options granted, of which the exercise price is (Won) 6,800 per share, the number of stock options to be vested will be dependent on the Company's management performance target levels; non-performing loans ratio, capital adequacy ratio and net income to total asset ratio by 15%, 15%, and 10%, respectively. The stock options are exercisable during a three-year period beginning after three years from the grant date. If the stock options are exercised, the Company has the option either to issue new shares or shares held as treasury stock, or to pay the difference between the market price and the exercise price in cash or with treasury stock.
- (2) The stock options (300,000 shares) granted to 10 directors of the Company and its subsidiaries, who subsequently retired, were cancelled based on the resolutions of the Company's board of directors in 2003 and 2004.
- (3) The summary of stock options granted as of December 31, 2004 is summarized as follows:

| Description | The Company | Subsidiaries | Total |
|------------------------------|-------------------------------------|-------------------------------------|------------------|
| Exercisable number of shares | 405,000 shares | 855,000 shares | 1,260,000 shares |
| Type | Share issue or balance compensation | Share issue or balance compensation | |
| Valuation method | Fair value approach | Fair value approach | |

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- (4) The Company estimated stock option costs using the Black-Scholes Option Pricing Model and the details are summarized as follows:

| <u>Description</u> | <u>Application</u> |
|------------------------------------|--|
| Risk free rate | Yield (5.70%) of treasury bond, which has the same residual maturity as the expected exercise period, as of December 4, 2002 |
| Expected exercising period | 4.5 year (average holding period) |
| Expected dividend income ratio | 0% |
| Expected lapse ratio | 0% |
| Expected volatility of stock price | 56.72%, that is the annualized standard deviation of expected stock investment yield based on the continuous compounded method |
| Exercise price | (Won) 6,800 per share |
| Fair value | (Won) 2,081 per share |

- (5) The summary of stock option costs over the exercisable period is summarized as follows (Unit: Korean won in millions):

| <u>Description</u> | <u>The Company</u> | <u>Subsidiaries</u> | <u>Total</u> |
|---------------------------|--------------------|---------------------|--------------|
| Total stock option costs | (Won) 780 | (Won) 1,842 | (Won) 2,622 |
| Recorded in 2002 and 2003 | 507 | 1,015 | 1,522 |
| Recorded in 2004 | 273 | 827 | 1,100 |

- (6) Each subsidiary is responsible for absorbing the respective stock option cost for its management. The subsidiaries recorded the related cost as stock compensation expense and other payables, and the Company recorded the same amount as other receivables and capital adjustments.

15. INCOME TAX EXPENSE

- (1) Differences between financial accounting income and taxable income for year ended December 31, 2004 are as follows:

| | <u>Korean won</u> | <u>U.S. dollars (Note 2)</u> |
|--|----------------------|------------------------------|
| | <u>(In millions)</u> | <u>(In thousands)</u> |
| Net income | (Won) 1,292,493 | US\$ 1,238,257 |
| Permanent differences | | |
| Additions: | | |
| Gain on valuation of investment securities | 633,139 | 606,571 |
| Deemed interest income | 12,275 | 11,760 |
| Paid-in capital in excess of par value | 10,674 | 10,226 |
| Other | 1,355 | 1,298 |
| | <u>657,443</u> | <u>629,855</u> |

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| | Korean won | U.S. dollars (Note 2) |
|------------------------------------|--------------------|-----------------------|
| | (In millions) | (In thousands) |
| Deductions: | | |
| Dividend | (646,259) | (619,140) |
| Investment securities | (138,387) | (132,580) |
| Deferred tax income | (33,743) | (32,327) |
| | <u>(818,389)</u> | <u>(784,047)</u> |
| | <u>(160,946)</u> | <u>(154,192)</u> |
| Temporary differences | | |
| Additions: | | |
| Investment securities | 33,744 | 32,328 |
| Other | 24,522 | 23,493 |
| | <u>58,266</u> | <u>55,821</u> |
| Deductions: | | |
| Investment securities | (1,226,729) | (1,175,253) |
| Other | (19,420) | (18,605) |
| | <u>(1,246,149)</u> | <u>(1,193,858)</u> |
| | <u>(1,187,883)</u> | <u>(1,138,037)</u> |
| Taxable loss after tax adjustments | <u>(56,336)</u> | <u>(53,972)</u> |

- (2) The changes in cumulative temporary differences and tax loss carry-forwards for the year ended December 31, 2004 are as follows (Unit: Korean won in millions):

| | Jan. 1, 2004 (*1) | Increase | Decrease | Dec. 31, 2004 | Deferred tax assets (liabilities) (*2) |
|-------------------------------------|-------------------|-------------------|----------|-------------------|--|
| Investment securities | (Won) (1,426,634) | (Won) (1,226,729) | (Won) | (Won) (2,653,363) | (Won) (6,945) |
| Swap contracts | 1,935 | 13,969 | 1,935 | 13,969 | 3,841 |
| Accrued income | (461) | (296) | (461) | (296) | (81) |
| Accrued severance benefits | 950 | 207 | 418 | 739 | 203 |
| Depreciation | 19 | 21 | 12 | 28 | 8 |
| Accrued expenses | 2,200 | 1,466 | 2,200 | 1,466 | 403 |
| Accounts receivable | (1,014) | (827) | | (1,841) | (506) |
| Employee retirement deposits | (950) | (207) | (418) | (739) | (203) |
| Long-term accrued interest payables | 2,154 | 1,344 | | 3,498 | 962 |
| Long-term accrued interest income | (30,232) | (8,018) | (33,744) | (4,506) | (1,239) |
| Premiums on debentures | 5,572 | | 5,507 | 65 | 18 |
| Adjustment of conversion rights | (6,688) | | (6,636) | (52) | (15) |

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| | | | | | |
|-------------------------|-------------------|-------------------|----------------|-------------------|--------------|
| | (1,453,149) | (1,219,070) | (31,187) | (2,641,032) | (3,554) |
| Tax loss carry-forwards | 196,702 | 56,336 | | 253,038 | 69,585 |
| | (Won) (1,256,447) | (Won) (1,162,734) | (Won) (31,187) | (Won) (2,387,994) | (Won) 66,031 |

(*1) Reflected the additional adjustment based on the reported tax returns.

(*2) The Company did not recognize deferred tax assets due to the uncertainty of its future realization.

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(3) Remaining tax loss carry-forwards and their expirations are as follows (Unit: Korean won in millions):

| <u>Year incurred</u> | <u>Amount (*1)</u> | <u>Utilized</u> | <u>Remaining</u> | <u>Expiration</u> |
|----------------------|--------------------|-----------------|------------------|-------------------|
| 2001 | (Won) 25,288 | (Won) | (Won) 25,288 | Dec. 31, 2006 |
| 2002 | 13,899 | | 13,899 | Dec. 31, 2007 |
| 2003 | 157,515 | | 157,515 | Dec. 31, 2008 |
| 2004 | 56,336 | | 56,336 | Dec. 31, 2009 |
| | (Won) 253,038 | (Won) | (Won) 253,038 | |

(*1) Reflected the additional adjustment based on the reported tax returns.

(4) For the year ended December 31, 2004, there is no income tax expense reflected in the statement of income as there is no tax currently payable under the Corporate Tax Act and there are no changes in net deferred tax assets or liabilities.

16. STATEMENTS OF CASH FLOWS

For the years ended December 31, 2004 and 2003, the transactions without cash flows are as follows:

| <u>Transactions</u> | <u>Korean won</u> | | <u>U.S. dollars (Note 2)</u> | |
|---|----------------------|---------------|------------------------------|--------------|
| | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
| | <u>(In millions)</u> | | <u>(In thousands)</u> | |
| Changes in capital adjustments due to the equity method of accounting | (Won) 633,139 | (Won) 353,902 | US\$ 606,571 | US\$ 339,052 |
| Changes in retained earnings due to the equity method of accounting | 138,387 | 7,955 | 132,580 | 7,621 |
| Decrease in loans | | 127,400 | | 122,054 |
| Increase in other receivables and stock options | 827 | 918 | 792 | 879 |
| Increase in dividend receivables | 18,140 | | 17,379 | |
| Increase in consideration for conversion rights | | 3,253 | | 3,116 |
| Capital increase due to conversion of convertible bonds in local currency | 21,861 | | 20,944 | |
| Capital increase due to conversion of convertible bonds in foreign currencies | 53,071 | | 50,844 | |
| Increase in investment securities and capital | 56,983 | | 54,592 | |
| Increase in payables by acquisition of treasury stock | 36 | | 34 | |

Table of Contents**17. GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses for the years ended December 31, 2004 and 2003 are summarized as follows:

| | Korean won | | U.S. dollars (Note 2) | |
|-----------------------------------|---------------|--------------|-----------------------|-------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions) | | (In thousands) | |
| Salaries, wages and bonuses | (Won) 8,296 | (Won) 8,068 | US\$ 7,948 | US\$ 7,730 |
| Provision for severance benefits | 215 | 626 | 206 | 600 |
| Fringe benefits | 708 | 422 | 678 | 404 |
| Rent | 2,293 | 2,318 | 2,197 | 2,221 |
| Expenditure for business purpose | 255 | 524 | 244 | 502 |
| Depreciation | 165 | 153 | 158 | 147 |
| Amortization on intangible assets | 19 | 14 | 18 | 13 |
| Taxes and dues | 51 | 68 | 49 | 65 |
| Advertising | 3,285 | 12,181 | 3,147 | 11,670 |
| Travel | 132 | 218 | 126 | 209 |
| Telecommunications | 58 | 66 | 56 | 63 |
| Service fees | 4,472 | 1,854 | 4,284 | 1,776 |
| Suppliers | 112 | 103 | 107 | 99 |
| Stock compensation (Note 14) | 273 | 468 | 262 | 448 |
| Other | 1,654 | 1,466 | 1,585 | 1,404 |
| | (Won) 21,988 | (Won) 28,549 | US\$ 21,065 | US\$ 27,351 |

18. FINANCIAL INFORMATION OF SUBSIDIARIES

(1) The condensed balance sheets of subsidiaries as of December 31, 2004 are as follows (Unit: Korean won in millions):

| Company | Total assets | Total liabilities | Total shareholders equity |
|---|-------------------|-------------------|---------------------------|
| | | | (capital deficiency) |
| Woori Bank | (Won) 108,509,370 | (Won) 100,898,665 | (Won) 7,610,705 |
| Kyongnam Bank | 12,042,684 | 11,433,903 | 608,781 |
| Kwangju Bank | 9,890,728 | 9,470,293 | 420,435 |
| Woori Finance Information System | 322,234 | 314,129 | 8,105 |
| Woori F&I | 239,504 | 177,394 | 62,110 |
| Woori Second Asset Securitization Specialty | 1,624 | 7,354 | (5,730) |
| Woori Third Asset Securitization Specialty | 34,784 | 77,877 | (43,093) |
| Woori Investment Trust Management | 35,611 | 538 | 35,073 |
| Woori Securities | 580,337 | 214,915 | 365,422 |
| LG Securities | 5,386,281 | 3,790,082 | 1,596,199 |
| | (Won) 137,043,157 | (Won) 126,385,150 | (Won) 10,658,007 |

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- (2) The condensed statements of operations of subsidiaries for the year ended December 31, 2004 are as follows (Unit: Korean won in millions):

| <u>Company</u> | <u>Operating revenue</u> | <u>Operating expenses</u> | <u>Net operating income (loss)</u> | <u>Ordinary income (loss)</u> | <u>Net income (loss)</u> |
|--|------------------------------|-------------------------------|--|-----------------------------------|------------------------------|
| Woori Bank | (Won) 11,600,790 | (Won) 10,125,914 | (Won) 1,474,876 | (Won) 1,603,289 | (Won) 1,996,043 |
| Kyongnam Bank | 767,171 | 641,718 | 125,453 | 111,930 | 109,334 |
| Kwangju Bank | 585,830 | 495,409 | 90,421 | 99,946 | 72,271 |
| Woori Credit Card (*1) | 220,798 | 609,694 | (388,896) | (465,879) | (465,879) |
| Woori Finance Information System | 312,629 | 312,536 | 93 | 941 | 401 |
| Woori F&I | 23,057 | 18,537 | 4,520 | 31,230 | 19,965 |
| Woori Second Asset Securitization Specialty | 14,535 | 6,398 | 8,137 | 8,098 | 8,098 |
| Woori Third Asset Securitization Specialty | 10,802 | 3,021 | 7,781 | 7,790 | 7,790 |
| Woori Investment Trust Management | 5,853 | 5,124 | 729 | 3,640 | 2,495 |
| Woori Securities | 164,429 | 169,131 | (4,702) | (11,757) | (12,611) |
| | <u>(Won) 13,705,894</u> | <u>(Won) 12,387,482</u> | <u>(Won) 1,318,412</u> | <u>(Won) 1,389,228</u> | <u>(Won) 1,737,907</u> |

- (*1) The condensed statement of operations of Woori Credit Card was prepared for the three-month period ended March 31, 2004 prior to the merger with Woori Bank.

- (3) Major debt and assets of the Company and its subsidiaries as of December 31, 2004 are summarized as follows (Unit: Korean won in millions):

1) Major debt

| <u>Company</u> | <u>Deposits</u> | <u>Borrowings</u> | <u>Debentures</u> | <u>Total</u> |
|--|-------------------------|-------------------------|-------------------------|--------------------------|
| Woori Finance Holdings | (Won) | (Won) 120,000 | (Won) 2,154,637 | (Won) 2,274,637 |
| Woori Bank | 73,977,556 | 9,417,318 | 10,741,551 | 94,136,425 |
| Kyongnam Bank | 9,073,049 | 1,611,539 | 307,053 | 10,991,641 |
| Kwangju Bank | 7,092,771 | 1,590,173 | 346,837 | 9,029,781 |
| Woori Finance Information System | | 210,000 | | 210,000 |
| Woori F&I | | 167,550 | | 167,550 |
| Woori Second Asset Securitization Specialty | | 100 | | 100 |
| Woori Third Asset Securitization Specialty | | 17,790 | | 17,790 |
| Woori Securities | 151,236 | 7,022 | | 158,258 |
| LG Securities | 2,110,677 | 418,489 | 196,902 | 2,726,068 |
| | <u>(Won) 92,405,289</u> | <u>(Won) 13,559,981</u> | <u>(Won) 13,746,980</u> | <u>(Won) 119,712,250</u> |

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2) Major assets

| Company | Cash and due | | | |
|---|-----------------|------------------|------------------|-------------------|
| | from banks | Securities | Loans | Total |
| Woori Finance Holdings | (Won) 56,099 | (Won) 9,425,381 | (Won) 218,641 | (Won) 9,700,121 |
| Woori Bank | 3,763,789 | 19,871,503 | 77,455,499 | 101,090,791 |
| Kyongnam Bank | 746,428 | 3,315,201 | 7,441,191 | 11,502,820 |
| Kwangju Bank | 558,296 | 2,915,638 | 5,945,160 | 9,419,094 |
| Woori Finance Information System | 11,609 | 519 | | 12,128 |
| Woori F&I | 43,467 | 64,405 | 121,801 | 229,673 |
| Woori Second Asset Securitization Specialty | 940 | | | 940 |
| Woori Third Asset Securitization Specialty | 4,754 | 30,025 | | 34,779 |
| Woori Investment Trust Management | 28,588 | 338 | | 28,926 |
| Woori Securities | 213,421 | 254,377 | 35,254 | 503,052 |
| LG Securities | 1,659,525 | 2,114,744 | 864,795 | 4,639,064 |
| | (Won) 7,086,916 | (Won) 37,992,131 | (Won) 92,082,341 | (Won) 137,161,388 |

(4) Allowances for possible loan losses of each subsidiary as of December 31, 2004 are summarized as follows (Unit: Korean won in millions):

| Company | Loans subject to allowance for possible | | Percentage of allowance to loans (%) |
|------------------|---|-----------------|--------------------------------------|
| | loan losses | Allowance | |
| Woori Bank | (Won) 79,074,540 | (Won) 1,619,041 | 2.05 |
| Kyongnam Bank | 7,565,018 | 123,827 | 1.64 |
| Kwangju Bank | 6,034,719 | 89,559 | 1.48 |
| Woori F&I | 122,413 | 612 | 0.50 |
| Woori Securities | 42,581 | 7,327 | 17.21 |
| LG Securities | 1,052,061 | 187,266 | 17.80 |
| | (Won) 93,891,332 | (Won) 2,027,632 | 2.16 |

Allowances for possible loan losses of each subsidiary as of December 31, 2003 are summarized as follows (Unit: Korean won in millions):

| Company | Loans subject to allowance for possible | | Percentage of allowance to loans (%) |
|---------------|---|-----------------|--------------------------------------|
| | loan losses | Allowance | |
| Woori Bank | (Won) 74,343,819 | (Won) 1,550,988 | 2.09 |
| Kyongnam Bank | 6,550,115 | 103,556 | 1.58 |

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| | | | |
|---|-------------------------|------------------------|-------------|
| Kwangju Bank | 5,409,972 | 72,042 | 1.33 |
| Woori Credit Card | 1,809,395 | 379,651 | 20.98 |
| Woori F&I | 115,237 | 501 | 0.43 |
| Woori Second Asset Securitization Specialty | 17,980 | 11,675 | 64.93 |
| Woori Third Asset Securitization Specialty | 445 | 19 | 4.27 |
| Woori Securities | 59,582 | 21,034 | 35.30 |
| | <u>(Won) 88,306,545</u> | <u>(Won) 2,139,466</u> | <u>2.42</u> |

Table of Contents**19. CONTRIBUTIONS TO NET INCOME BY SUBSIDIARIES**

Contributions to net income of the Company by subsidiaries after elimination of unrealized inter-company incomes or losses for the year ended December 31, 2004 are as follows:

| <u>Companies</u> | <u>Korean won</u> | <u>U.S. dollars</u> <u>(Note 2)</u> | <u>Ratio</u> <u>(%)</u> |
|---|----------------------|--|----------------------------|
| | <u>(In millions)</u> | <u>(In thousands)</u> | |
| Woori Bank | (Won) 1,708,094 | US\$ 1,636,419 | 119.5 |
| Kyongnam Bank | 101,751 | 97,481 | 7.1 |
| Kwangju Bank | 55,728 | 53,390 | 3.9 |
| Woori Credit Card | (466,410) | (446,838) | (32.6) |
| Woori Finance Information System | 329 | 315 | 0.0 |
| Woori F&I | 19,935 | 19,099 | 1.4 |
| Woori Second Asset Securitization Specialty | 8,098 | 7,758 | 0.6 |
| Woori Third Asset Securitization Specialty | 7,740 | 7,415 | 0.5 |
| Woori Investment Trust Management | 2,498 | 2,393 | 0.2 |
| Woori Securities | (8,106) | (7,766) | (0.6) |
| Gain on valuation using the equity method of accounting | 1,429,657 | 1,369,666 | 100.0 |
| Other income | 51,404 | 49,247 | |
| Other expenses | (188,568) | (180,656) | |
| Net income | (Won) 1,292,493 | US\$ 1,238,257 | |

Table of Contents**20. TRANSACTIONS AND ACCOUNT BALANCES WITH RELATED PARTIES**

(1) Account balances with the subsidiaries as of December 31, 2004 and 2003 are as follows:

| | Companies | Korean won | | US dollars (Note 2) | | Account |
|---------------|---|---------------|-----------------|---------------------|----------------|---|
| | | 2004 | 2003 | 2004 | 2003 | |
| | | (In millions) | | (In thousands) | | |
| <Assets> | Woori Bank | (Won) 35,852 | (Won) 322,145 | US\$ 34,348 | US\$ 308,627 | Cash and bank deposits |
| | " | | 600,000 | | 574,823 | Loans |
| | " | 4,153 | 3,846 | 3,979 | 3,685 | Guarantee deposits |
| | " | 1,591 | 652 | 1,524 | 624 | Other receivables |
| | " | 118 | 28,379 | 113 | 27,188 | Accrued income |
| | " | | 16,463 | | 15,772 | Currency swaps (assets) |
| | Kyongnam Bank | 9,938 | 16,204 | 9,521 | 15,524 | Cash and bank deposits |
| | " | 11 | 14 | 11 | 13 | Accrued income |
| | Kwangju Bank | 10,309 | 11,236 | 9,876 | 10,765 | Cash and bank deposits |
| | " | 50,000 | 50,000 | 47,902 | 47,902 | Loans |
| | " | 4,511 | 2,253 | 4,322 | 2,158 | Accrued income |
| | Woori Credit Card | | 8 | | 8 | Other receivables |
| | Woori Finance Information System | 30,000 | 30,000 | 28,741 | 28,741 | Loans |
| | " | 230 | 101 | 220 | 97 | Other receivables |
| | " | 366 | 363 | 351 | 348 | Accrued income |
| | Woori F&I | 121,850 | 126,850 | 116,737 | 121,527 | Loans |
| | Woori Second Asset Securitization Specialty | 100 | 100 | 96 | 96 | Loans |
| | " | 2 | 2 | 2 | 2 | Accrued income |
| | Woori Third Asset Securitization Specialty | 17,790 | 27,790 | 17,043 | 26,624 | Loans |
| | " | 294 | 459 | 282 | 440 | Accrued income |
| | Woori Investment Trust Management | 73 | 39 | 70 | 37 | Other receivables |
| | Woori Credit Information | 166 | 90 | 159 | 86 | Other receivables |
| | Woori CA Asset Management | 229 | 124 | 219 | 119 | Other receivables |
| | Principal guaranteed trust accounts of Woori Bank | 1,230 | 954 | 1,178 | 914 | Deposits with employee retirement trust |
| | | (Won) 288,813 | (Won) 1,238,072 | US\$ 276,694 | US\$ 1,186,120 | |
| <Liabilities> | Woori Bank | (Won) 58 | (Won) | US\$ 56 | US\$ | Accounts payable |
| | " | 1,498 | | 1,435 | | Accrued expenses |
| | " | 13,969 | 18,398 | 13,383 | 17,626 | Currency swaps (liabilities) |
| | Woori Credit Card | | 93 | | 89 | Other payables |
| | Woori Finance Information System | 443 | | 424 | | Accrued expenses |
| | | (Won) 15,968 | (Won) 18,491 | US\$ 15,298 | US\$ 17,715 | |

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(2) Transactions with the subsidiaries for the years ended December 31, 2004 and 2003 are as follows:

| | Companies | Korean won | | US dollars (Note 2) | | Account |
|------------|---|---------------|--------------|---------------------|--------------|-------------------------------------|
| | | 2004 | 2003 | 2004 | 2003 | |
| | | (In millions) | | (In thousands) | | |
| <Revenues> | Woori Bank | (Won) 9,231 | (Won) 4,162 | US\$ 8,844 | US\$ 3,987 | Interest income |
| | " | 5,762 | 24,153 | 5,520 | 23,140 | Interest income |
| | " | | 17,078 | | 16,361 | Gain on valuation of swap contracts |
| | " | 405 | | 388 | | Other non-operating revenue |
| | Kyongnam Bank | 781 | 507 | 748 | 486 | Interest income |
| | Kwangju Bank | 2,811 | 2,642 | 2,693 | 2,531 | Interest income |
| | Woori Credit Card | | 3,163 | | 3,030 | Interest income |
| | Woori Finance Information System | 2,199 | 11,028 | 2,107 | 10,565 | Interest income |
| | " | 42 | | 40 | | Other income |
| | Woori F&I | 9,163 | 7,746 | 8,779 | 7,421 | Interest income |
| | Woori Second Asset Securitization Specialty | 8 | 1,121 | 8 | 1,074 | Interest income |
| | Woori Third Asset Securitization Specialty | 2,028 | 2,537 | 1,943 | 2,431 | Interest income |
| | Principal guaranteed trust accounts of Woori Bank | 39 | | 37 | | Interest income |
| | | (Won) 32,469 | (Won) 74,137 | (Won) 31,107 | (Won) 71,026 | |
| <Expenses> | Woori Bank | (Won) 10,994 | (Won) 3,410 | (Won) 10,533 | (Won) 3,267 | Loss on valuation of swap contracts |
| | " | 2,018 | 1,984 | 1,933 | 1,901 | Rent |
| | " | 1,362 | | 1,305 | | Other administrative expenses |
| | Woori Finance Information System | 1,438 | 882 | 1,378 | 845 | Other administrative expenses |
| | " | 1,255 | 1,058 | 1,202 | 1,013 | Fees |
| | | (Won) 17,067 | (Won) 7,334 | US\$ 16,351 | US\$ 7,026 | |

Table of Contents**21. EARNINGS PER COMMON SHARE**

- (1) Basic ordinary income per common share and basic net income per common share for the years ended December 31, 2004 and 2003 are as follows:

| | Korean won | | U.S. dollars (Note 2) | |
|--|--|---------------|---|--------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions, except for earning per share data) | | (In thousands, except for earning per share data) | |
| Net income on common shares | (Won) 1,292,493 | (Won) 202,565 | US\$ 1,238,257 | US\$ 194,065 |
| Extraordinary gain | | | | |
| Income tax effect on extraordinary gain | | | | |
| Ordinary income on common shares | (Won) 1,292,493 | (Won) 202,565 | US\$ 1,238,257 | US\$ 194,065 |
| Weighted average number of common shares outstanding | 780,946,131 | 771,723,994 | 780,946,131 | 771,723,994 |
| Basic ordinary income per common shares | (Won) 1,655 | (Won) 262 | US\$ 1.586 | US\$ 0.251 |
| Basic net income per common shares | (Won) 1,655 | (Won) 262 | US\$ 1.586 | US\$ 0.251 |

- (2) Diluted ordinary income per common share and diluted net income per common share for the years ended December 31, 2004 and 2003 are as follows:

| | Korean won | | US dollars (Note2) | |
|--|--|---------------|---|--------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions, except for earning per share data) | | (In thousands, except for earning per share data) | |
| Diluted net income on common shares | (Won) 1,298,338 | (Won) 204,230 | US\$ 1,243,857 | US\$ 195,660 |
| Extraordinary gain | | | | |
| Income tax effect on extraordinary gain | | | | |
| Diluted ordinary income on common shares | (Won) 1,298,338 | (Won) 204,230 | US\$ 1,243,857 | US\$ 195,660 |
| Weighted average number of common and dilutive common shares outstanding | 798,428,507 | 783,760,412 | 798,428,507 | 783,760,412 |
| Diluted ordinary income per common shares | (Won) 1,626 | (Won) 261 | US\$ 1.558 | US\$ 0.250 |
| Diluted net income per common shares | (Won) 1,626 | (Won) 261 | US\$ 1.558 | US\$ 0.250 |

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(3) All common stock equivalents as of December 31, 2004 are as follows (Unit: Korean won in millions and U.S. dollars in thousands):

| Item | Face value | Exercise period | Common stock to be issued | | Remarks |
|-------------------|-------------|-------------------------------|------------------------------|--|--|
| | | | (shares) | | |
| Convertible bonds | US\$ 36,000 | Sep. 28, 2003 ~ Aug. 27, 2005 | 5,914,180 | | Using exchange rate of (Won)1,201.4, convert 1 share at (Won)7,313 |
| Convertible bonds | US\$ 16,000 | Dec. 21, 2003 ~ Nov. 20, 2005 | 3,481,173 | | Using exchange rate of (Won)1,215.8, convert 1 share at (Won)5,588 |
| Convertible bonds | US\$ 1,000 | Jul. 10, 2004 ~ Jun. 10, 2006 | 164,429 | | Using exchange rate of (Won)1,188.5, convert 1 share at (Won)7,228 |
| Stock options | | Dec. 5, 2005 ~ Dec. 4, 2008 | 1,260,000 | | (Note 14) |

22. INSURANCE

As of December 31, 2004, the Company has insurance for liability of reparation of directors with Dongbu Insurance Co., Ltd. The insurance coverage is (Won) 30,000 million (US\$ 28,741 thousand).

23. OPERATIONAL RESULTS FOR THE THREE-MONTH PERIODS ENDED DECEMBER 31, 2004 and 2003

| | Korean won | | U.S. dollars (Note 2) | |
|--|--|-------------------------------------|---|-------------------------------------|
| | Three months ended Dec. 31, 2004 | Three months ended Dec. 31, 2003 | Three months ended Dec. 31, 2004 | Three months ended Dec. 31, 2003 |
| | (Unaudited) (In millions, except for earning per share data) | (Unaudited) | (Unaudited) (In thousands, except for earning per share data) | (Unaudited) |
| Operating revenue | (Won) 1,371,013 | (Won) 12,028 | US\$ 1,313,482 | US\$ 11,523 |
| Operating expenses | 519,085 | 179,387 | 497,303 | 171,860 |
| Operating income (loss) | 851,928 | (167,359) | 816,179 | (160,337) |
| Net income (loss) | (Won) 852,336 | (Won) (167,526) | US\$ 816,570 | US\$ (160,496) |
| Basic net income (loss) per common share | (Won) 1,082 | (Won) (216) | US\$ 1,037 | US\$ (207) |

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24. CREDITS TO LG CARD

Woori Bank, Kyongnam Bank and Kwangju Bank, subsidiaries of the Company, have loans receivable, equity securities and debt securities from LG Card in the total amount of (Won) 193.1 billion (US\$ 185.0 million), (Won) 351.8 billion (US\$ 337.0 million) and (Won) 179.4 billion (US\$ 171.9 million), respectively, as of December 31, 2004. In connection therewith, the banks provided (Won) 350.4 billion (US\$ 335.7 million) as allowances for credit losses and cumulative impairment losses on securities, and recorded (Won) 145.5 billion (US\$ 139.4 million) of gains on valuation of available-for-sale securities as capital adjustments. In addition, Woori Bank recorded (Won) 15.0 billion (US\$ 14.4 million) of related losses on trust accounts, for which repayment of principal or interest is guaranteed by Woori Bank. Such trust accounts have Commercial Paper in total amount of (Won) 69.7 billion (US\$ 66.8 million) as of December 31, 2004. However, the Company's bank subsidiaries' actual losses on LG Card credit may differ from the current estimate.

25. WOORI BANK'S MERGER WITH WOORI CREDIT CARD

Woori Bank, a subsidiary of the Company, merged with WCC, also a subsidiary of the Company, on March 31, 2004. Woori Bank took over substantially all of the assets and liabilities of WCC by exchanging one common share of WCC with 0.3581 share of Woori Bank and (Won) 330,394 million (US\$ 316,530 thousand) of the difference between (Won) 657,339 million (US\$ 629,756 thousand) of net assets acquired from WCC and (Won) 326,945 million (US\$ 313,226 thousand) of consideration for the merger was recorded as capital surplus of Woori Bank. As a result, the number of issued common shares and contributed capital of Woori Bank increased from 570.6 million and (Won) 2,852.8 billion (US\$ 2,733.1 million) to 636.0 million and (Won) 3,179.8 billion (US\$ 3,046.4 million).

26. ACQUISITION OF WOORI SECURITIES STOCK

On June 18, 2004, the Company issued 8.6 million new common shares in exchange for 15.6 million common shares of Woori Securities, a subsidiary of the Company, in order to wholly own the subsidiary. As a result, the number of issued common shares and contributed capital of the Company increased from 775.5 million and (Won) 3,877.5 billion (US\$ 3,714.8 million) to 784.1 million and (Won) 3,920.4 billion (US\$ 3,755.9 million).

27. ACQUISITION OF LG INVESTMENT SECURITIES CO., LTD.

On October 26 and December 24, 2004, the Company acquired 7,000,000 and 25,877,487 shares of LG Securities' common stock for (Won) 54,980 million (US\$ 52,672.9 thousand) and (Won) 297,591

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million (US\$ 285,103.5 thousand), respectively. As a result, the Company has 26.92% of voting rights of LG Securities.

28. AGREEMENT ON THE IMPLEMENTATION OF A MANAGEMENT IMPROVEMENT PLAN

Since December 30, 2000, the Company's three subsidiaries, Woori Bank, Kyongnam Bank and Kwangju Bank, and the KDIC have entered into agreements for the implementation of management improvement plans for the banks. Under the agreements, the three subsidiaries are obligated to sell non-performing loans and fixed assets, close certain branches and subsidiaries, improve financial ratios including the capital adequacy ratio, and reinforce their risk management systems. If the three subsidiaries fail to implement the agreements, the KDIC may command for the three subsidiaries to increase or decrease their capital, pursue mergers, assign contracts such as loans and deposits, or close or sell parts of their business operations.

Since July 2, 2001, the Company and the KDIC have entered into an agreement whereby the Company would integrate the Company's above subsidiaries, Woori Bank, Kyongnam Bank and Kwangju Bank, and improve the performance of the subsidiaries. The agreement stipulates that the Company should build a governance and management structure plan, implement a short-term business improvement strategy, enhance subsidiaries' competitiveness, expedite privatization, meet the financial ratio targets, and dispose of business units in case of failure to carry out the agreement.

In order to implement the agreements of above three subsidiaries with the KDIC, on July 2, 2001, the Company and its three subsidiaries entered into agreements for the implementation of the management improvement for the three subsidiaries. Pursuant to the agreements, the three subsidiaries should meet management goals given by the Company, consult with the Company about material business decisions before execution, and prepare and implement a detailed business plan in conformity with the Company's business strategies. If the three subsidiaries fail to implement the management improvement plan, the Company may order the three subsidiaries to limit sales of the specific financial products, investments in fixed assets, promotion of new business or new equity investment, or to close or merge their branch operations and subsidiaries.

29. SUBSEQUENT EVENT

a. Approval of financial statements

The non-consolidated balance sheet of the Company as of December 31, 2004 and the related non-consolidated income statements, appropriations of retained earnings and cash flows for the year ended December 31, 2004 are subject to approval by the board of directors.

b. Capital Reduction of Woori Securities

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Woori Securities, a subsidiary of the Company, reduced its common stock by 14 million shares for (Won) 11,000 par value on January 20, 2005. As a result, the number of common share and contributed capital of Woori Securities decreased from 32,956,413 shares and (Won) 164,782 million (US\$ 157,867 thousand) to 18,956,413 shares and (Won) 94,782 million (US\$ 90,805 thousand).

c. Resolution of merger LG Securities and Woori Securities

On February 2, 2005, Woori Securities and LG Securities approved a resolution of merger , which provides that LG Securities will merge with Woori Securities by exchanging one common share of Woori Securities for 0.654 share of LG Securities.

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Independent Auditors Report

To the Board of Directors and Shareholders of

Woori Finance Holdings Co., Ltd.

We have audited the accompanying consolidated balance sheets of Woori Finance Holdings Co., Ltd. (the Company) and its subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years ended December 31, 2004 and 2003, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of LG Investment Securities Co., Ltd., a consolidated subsidiary of the Company, which statements reflect total assets constituting 3.9% ((Won) 5,386 billion) of consolidated total assets as of December 31, 2004. The financial statements of LG Investment Securities Co., Ltd. were audited by the other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for LG Investment Securities Co., Ltd., is based solely on the report of such other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2004 and 2003, and the results of their operations, changes in shareholders' equity and their cash flows for the years then ended, in conformity with financial accounting standards generally accepted in the Republic of Korea.

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Our audits also comprehended the translation of the Korean won amounts into U.S. dollar amounts and in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside of the Republic of Korea.

Without qualifying our opinion, we draw attention to the following:

As explained in Notes 1 and 35, Woori Bank, a subsidiary of the Company, merged with Woori Credit Card Co., Ltd. (WCC), also a subsidiary of the Company, on March 31, 2004. Woori Bank took over substantially all of the assets and liabilities of WCC by exchanging one common share of WCC with 0.3581 share of Woori Bank and (Won) 330.4 billion (US\$ 316.5 million) of the difference between (Won) 657.3 billion (US\$ 629.8 million) of net assets acquired from WCC and (Won) 326.9 billion (US\$ 313.2 million) of consideration for the merger was recorded as capital surplus of Woori Bank. As a result, the number of issued common shares and contributed capital of Woori Bank increased from 570.6 million and (Won) 2,852.8 billion (US\$ 2,733.1 million) to 636.0 million and (Won) 3,179.8 billion (US\$ 3,046.4 million).

As explained in Notes 1 and 36, on June 18, 2004 the Company issued 8.6 million new common shares in exchange for 15.6 million common shares of Woori Securities, a subsidiary of the Company, in order to wholly own the subsidiary. As a result, the number of issued common shares and contributed capital of the Company increased from 775.5 million and (Won) 3,877.5 billion (US\$ 3,714.8 million) to 784.1 million and (Won) 3,920.4 billion (US\$ 3,755.9 million).

As explained in Notes 1 and 37, on October 26, and December 24, 2004, the Company acquired 7,000,000 and 25,877,487 shares of LG Investment Securities Co., Ltd. (LG Securities)'s common stock for (Won) 55.0 billion (US\$ 52.7 million) and (Won) 297.6 billion (US\$ 285.1 million), respectively. As a result, the Company has 26.92% of the voting rights of LG Securities and is able to govern LG Securities; therefore, the Company includes it as a consolidated subsidiary. LG Securities was established in January 1969 to engage in trading, agency, brokerage and underwriting of securities, and on September 30, 1975, listed its shares on the stock market opened by the Korea Exchange (formerly known as the Korea Stock Exchange). On October 1, 1999, LG Securities merged with LG Merchant Banking Co., Ltd. As of December 31, 2004, its common stock amounts to (Won) 625,458 million (US\$ 599,212 thousand) consisting of 122,116,369 issued shares and its preferred stock amounts to (Won) 99,354 million (US\$ 95,185 thousand) consisting of 19,870,968 issued shares.

As explained in Note 34, Woori Bank, Kyongnam Bank and Kwangju Bank, subsidiaries of the Company, have loans receivable, equity securities and debt securities from LG Card Co., Ltd. (LG Card) in the total amount of (Won) 193.1 billion (US\$ 185.0 million), (Won) 351.8 billion (US\$ 337.0 million) and (Won) 179.4 billion (US\$ 171.9 million), respectively as of December 31, 2004. In connection therewith, the banks provided (Won) 350.4 billion (US\$ 335.7 million) as allowances for credit losses and cumulative impairment losses on securities, and recorded (Won) 145.5 billion (US\$ 139.4 million) of gains on valuation of available-for-sale securities as capital adjustments. In addition, Woori Bank recorded (Won) 15.0 billion (US\$ 14.4 million) in related losses on trust accounts, for which repayment of principal or interest is guaranteed by Woori Bank. Such trust accounts have Commercial

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Paper amounting to (Won) 69.7 billion (US\$ 66.8 million) as of December 31, 2004. However, the actual losses on LG Card credit may differ from the current estimate.

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

February 25, 2005

Notice to Readers

This report is effective as of February 25, 2005, the auditors' report date. Certain subsequent events or circumstances may have occurred between this audit report date and the time the audit report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****AS OF DECEMBER 31, 2004 AND 2003**

| | Korean won | | U.S. dollars (Note 2) | |
|--|-------------------|-------------------|-----------------------|------------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions) | | (In thousands) | |
| ASSETS | | | | |
| Cash and due from banks (Notes 3, 17, 30 and 31) | (Won) 6,850,115 | (Won) 6,471,855 | US\$ 6,562,670 | US\$ 6,200,283 |
| Trading securities (Notes 4, 9, 17 and 31) | 6,701,173 | 2,727,843 | 6,419,978 | 2,613,377 |
| Available-for-sale securities (Notes 5, 9, 10, 11, 17 and 31) | 12,571,618 | 14,144,478 | 12,044,087 | 13,550,947 |
| Held-to-maturity securities (Notes 6, 10, 11, 17 and 31) | 8,485,280 | 9,991,914 | 8,129,220 | 9,572,633 |
| Equity linked securities (Notes 7 and 9) | 609,557 | | 583,979 | |
| Investments accounted for using the equity method of accounting (Notes 8 and 9) | 185,540 | 142,442 | 177,754 | 136,465 |
| Loans, net of allowances for possible loan losses and present value discounts (Notes 12, 13, 17, 30 and 31) | 91,768,615 | 86,077,297 | 87,917,815 | 82,465,316 |
| Fixed assets (Notes 14, 16, 17 and 31) | 2,646,979 | 2,734,616 | 2,535,906 | 2,619,866 |
| Other assets, net of present value discounts (Notes 15, 30 and 31) | 6,811,684 | 6,477,275 | 6,525,852 | 6,205,474 |
| | (Won) 136,630,561 | (Won) 128,767,720 | US\$ 130,897,261 | US\$ 123,364,361 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | |
| LIABILITIES | | | | |
| Deposits (Notes 18, 30 and 31) | (Won) 92,148,907 | (Won) 89,049,625 | US\$ 88,282,149 | US\$ 85,312,919 |
| Borrowings (Notes 19, 30 and 31) | 13,285,773 | 12,813,104 | 12,728,275 | 12,275,440 |
| Debentures, net of discounts and reconciliation for conversion rights, and added redemption premium and long-term accrued interest (Notes 20 and 31) | 13,687,295 | 12,195,159 | 13,112,948 | 11,683,425 |
| Other liabilities (Notes 21, 30 and 31) | 8,814,901 | 9,011,532 | 8,445,009 | 8,633,389 |
| | 127,936,876 | 123,069,420 | 122,568,381 | 117,905,173 |
| SHAREHOLDERS EQUITY | | | | |
| Capital stock (Note 23) | 3,982,278 | 3,877,525 | 3,815,173 | 3,714,816 |
| Capital surplus | 170,960 | 57,844 | 163,786 | 55,417 |
| Retained earnings | | | | |
| (Net income of (Won)1,292,493 million in 2004 and (Won) 56,279 million in 2003) | 2,363,713 | 1,152,053 | 2,264,527 | 1,103,710 |
| Capital adjustments | 923,794 | 414,969 | 885,030 | 397,556 |
| Minority interests | 1,252,940 | 195,909 | 1,200,364 | 187,689 |

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| | | | | |
|--|--------------------------|--------------------------|-------------------------|-------------------------|
| | <u>8,693,685</u> | <u>5,698,300</u> | <u>8,328,880</u> | <u>5,459,188</u> |
| | <u>(Won) 136,630,561</u> | <u>(Won) 128,767,720</u> | <u>US\$ 130,897,261</u> | <u>US\$ 123,364,361</u> |

See accompanying notes to consolidated financial statements.

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

| | Korean won | | U.S. dollars (Note 2) | |
|---|--|-------------------|---|------------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions, except for income per common share data) | | (In thousands, except for income per common share data) | |
| OPERATING REVENUE | | | | |
| INTEREST INCOME (Note 30): | | | | |
| Interest on due from banks | (Won) 28,008 | (Won) 49,573 | US\$ 26,833 | US\$ 47,493 |
| Interest and dividends on trading securities | 136,964 | 139,429 | 131,217 | 133,578 |
| Interest and dividends on available-for-sale securities | 515,916 | 1,288,420 | 494,267 | 1,234,355 |
| Interest and dividends on held-to-maturity securities | 781,545 | 806,734 | 748,750 | 772,882 |
| Interest on loans | 5,454,631 | 5,190,680 | 5,225,743 | 4,972,868 |
| Other | 68,737 | 89,115 | 65,852 | 85,376 |
| | <u>6,985,801</u> | <u>7,563,951</u> | <u>6,692,662</u> | <u>7,246,552</u> |
| FEES (Note 30): | | | | |
| Commissions | 629,222 | 631,608 | 602,819 | 605,104 |
| Commissions received on credit cards | 543,551 | 466,281 | 520,742 | 446,715 |
| Guarantee fees | 40,344 | 26,286 | 38,651 | 25,183 |
| Other | 24,299 | 25,512 | 23,279 | 24,442 |
| | <u>1,237,416</u> | <u>1,149,687</u> | <u>1,185,491</u> | <u>1,101,444</u> |
| OTHER OPERATING REVENUE (Note 30): | | | | |
| Gain on trading securities | 130,480 | 154,185 | 125,005 | 147,715 |
| Gain on redemption of available-for-sales securities | 67,504 | 77,151 | 64,671 | 73,914 |
| Gain on equity linked securities | 685 | | 656 | |
| Gain on securitized assets | 25,006 | 19,227 | 23,957 | 18,420 |
| Gain on foreign exchange | 1,612,212 | 469,900 | 1,544,560 | 450,182 |
| Gain on derivatives (Note 33) | 3,022,767 | 826,405 | 2,895,925 | 791,727 |
| Trust management fees | 40,583 | 50,359 | 38,880 | 48,246 |
| Reversal of allowance for possible losses | 144,380 | 66,950 | 138,322 | 64,141 |
| Other | 92,381 | 25,630 | 88,506 | 24,554 |
| | <u>5,135,998</u> | <u>1,689,807</u> | <u>4,920,482</u> | <u>1,618,899</u> |
| | <u>13,359,215</u> | <u>10,403,445</u> | <u>12,798,635</u> | <u>9,966,895</u> |
| OPERATING EXPENSES | | | | |
| INTEREST EXPENSE (Note 30): | | | | |
| Interest on deposits | (2,553,214) | (2,744,776) | (2,446,076) | (2,629,600) |
| Interest on borrowings | (342,268) | (387,098) | (327,906) | (370,855) |

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| | | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| Interest on debentures | (698,060) | (641,968) | (668,768) | (615,030) |
| Interest on others | (53,290) | (68,560) | (51,053) | (65,682) |
| | <u>(3,646,832)</u> | <u>(3,842,402)</u> | <u>(3,493,803)</u> | <u>(3,681,167)</u> |
| OTHER OPERATING EXPENSES (Note 30): | | | | |
| Commissions | (201,605) | (250,750) | (193,145) | (240,228) |
| Loss on trading securities | (65,666) | (96,406) | (62,911) | (92,361) |
| Loss on redemption of available-for-sales securities | (1,301) | (31,866) | (1,246) | (30,529) |
| Loss on equity linked securities | (1,078) | | (1,033) | |
| Loss on foreign exchange | (1,451,908) | (259,573) | (1,390,983) | (248,681) |
| Loss on derivatives (Note 33) | (3,021,310) | (876,823) | (2,894,530) | (840,030) |
| Subsidy for trust accounts adjustment | (1,583) | (17) | (1,517) | (16) |
| Loss on securitized assets | (4,625) | (1,515) | (4,431) | (1,451) |
| Provision for possible losses | (1,408,949) | (2,478,209) | (1,349,827) | (2,374,218) |
| (continued) | | | | |

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)****FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

| | Korean won | | U.S. dollars (Note 2) | |
|--|---------------------------------|-------------------|----------------------------------|------------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions, except for income | | (In thousands, except for income | |
| | per common share data) | | per common share data) | |
| Salaries, employee benefits and provision for severance benefits | (Won) (1,307,721) | (Won) (1,176,158) | US\$ (1,252,846) | US\$ (1,126,804) |
| Rent | (72,478) | (83,471) | (69,437) | (79,968) |
| Entertainment expense | (10,803) | (11,957) | (10,350) | (11,455) |
| Depreciation and amortization | (247,969) | (212,408) | (237,564) | (203,495) |
| Taxes and dues | (101,790) | (92,465) | (97,519) | (88,585) |
| Advertising | (33,945) | (52,046) | (32,521) | (49,862) |
| Telecommunications | (51,520) | (41,868) | (49,358) | (40,111) |
| Service fees | (119,306) | (68,783) | (114,300) | (65,897) |
| IT operating expenses | (82,688) | (76,080) | (79,217) | (72,888) |
| Stock compensation (Note 24) | (1,100) | (1,460) | (1,054) | (1,399) |
| Other administrative expenses | (100,944) | (157,224) | (96,708) | (150,627) |
| Deposit insurance fee | (129,898) | (129,484) | (124,447) | (124,050) |
| Other expenses | (126,933) | (119,244) | (121,606) | (114,240) |
| | (8,545,120) | (6,217,807) | (8,186,550) | (5,956,895) |
| | (12,191,952) | (10,060,209) | (11,680,353) | (9,638,062) |
| OPERATING INCOME | 1,167,263 | 343,236 | 1,118,282 | 328,833 |
| NON-OPERATING INCOME (Note 25) | 458,277 | 639,883 | 439,047 | 613,032 |
| NON-OPERATING EXPENSES (Note 25) | (390,804) | (752,057) | (374,405) | (720,499) |
| ORDINARY INCOME | 1,234,736 | 231,062 | 1,182,924 | 221,366 |
| EXTRAORDINARY ITEM | | | | |
| INCOME BEFORE INCOME TAX EXPENSE AND MINORITY INTERESTS | 1,234,736 | 231,062 | 1,182,924 | 221,366 |
| INCOME TAX EXPENSE (BENEFITS)(Note 26) | (56,884) | 178,688 | (54,497) | 171,190 |
| INCOME BEFORE MINORITY INTERESTS | 1,291,620 | 52,374 | 1,237,421 | 50,176 |
| MINORITY INTERESTS LOSS | 873 | 3,905 | 836 | 3,741 |
| NET INCOME | (Won) 1,292,493 | (Won) 56,279 | US\$ 1,238,257 | US\$ 53,917 |
| BASIC ORDINARY INCOME PER COMMON SHARE (Note 27) | (Won) 1,655 | (Won) 73 | US\$ 1.586 | US\$ 0.070 |

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| | | | | | | | | |
|---|-------|-------|-------|----|------|-------|------|-------|
| BASIC NET INCOME PER COMMON SHARE (Note 27) | (Won) | 1,655 | (Won) | 73 | US\$ | 1.586 | US\$ | 0.070 |
| DILUTED ORDINARY INCOME PER COMMON SHARE (Note 27) | (Won) | 1,612 | (Won) | 72 | US\$ | 1.544 | US\$ | 0.069 |
| DILUTED NET INCOME PER COMMON SHARE (Note 27) | (Won) | 1,612 | (Won) | 72 | US\$ | 1.544 | US\$ | 0.069 |

See accompanying notes to consolidated financial statements.

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WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

| | <u>Capital stock</u> | <u>Capital surplus</u> | <u>Retained earnings</u> | <u>Capital adjustments</u> | <u>Minority interests</u> | <u>Total</u> |
|--|----------------------|------------------------|--------------------------|----------------------------|---------------------------|-----------------|
| (In millions) | | | | | | |
| January 1, 2003 | (Won) 3,839,074 | (Won) 25,029 | (Won) 1,151,113 | (Won) 54,506 | (Won) 245,045 | (Won) 5,314,767 |
| Net income | | | 56,279 | | | 56,279 |
| Dividend | | | (57,262) | | | (57,262) |
| Issuance of new shares | 38,451 | (574) | | | | 37,877 |
| Reconciliation of convertible rights | | 3,253 | | | | 3,253 |
| Additional acquisition of subsidiaries stocks | | 30,223 | | | | 30,223 |
| Disposal of subsidiaries treasury stocks | | | | 9,673 | | 9,673 |
| Valuation of available-for-sale securities | | | | 351,479 | | 351,479 |
| Gain (Loss) on valuation using the equity method on subsidiaries | | | (1,517) | 9,642 | | 8,125 |
| Stock options | | | | 1,460 | | 1,460 |
| Valuation on derivative instruments | | | | 3,495 | | 3,495 |
| Discounts on stock issuance | | | | (4,050) | | (4,050) |
| Changes in minority interests | | 211 | | (10,884) | (49,136) | (59,809) |
| Others | | (298) | 3,440 | (352) | | 2,790 |
| December 31, 2003 | 3,877,525 | 57,844 | 1,152,053 | 414,969 | 195,909 | 5,698,300 |
| January 1, 2004 | 3,877,525 | 57,844 | 1,152,053 | 414,969 | 195,909 | 5,698,300 |
| Net income | | | 1,292,493 | | | 1,292,493 |
| Dividend | | | (77,550) | | | (77,550) |
| Issuance of new shares | 104,753 | 23,032 | | | | 127,785 |
| Additional acquisition of subsidiaries stocks | | 90,544 | | | (155,575) | (65,031) |
| Disposal of subsidiaries treasury stocks | | | | 16,787 | | 16,787 |
| Gain on valuation of available-for-sale securities | | | | 474,325 | | 474,325 |
| Valuation using the equity method on subsidiaries | | | (1,698) | (1,820) | | (3,518) |
| Stock options | | 73 | | 1,027 | | 1,100 |
| Valuation on derivative instruments | | | | 2,055 | | 2,055 |
| Acquisition of treasury stock | | | | (3,077) | | (3,077) |
| Discounts on stock issuance | | | | (3,849) | | (3,849) |
| Amortization of discount on stock issuance | | | (40) | 40 | | |

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| | | | | | | |
|-----------------------------------|-----------------|---------------|-----------------|---------------|-----------------|-----------------|
| Changes in scope of consolidation | | | | | 1,245,693 | 1,245,693 |
| Changes in minority interests | | | 23,337 | | (33,094) | (9,757) |
| Others | (533) | (1,545) | | | 7 | (2,071) |
| December 31, 2004 | (Won) 3,982,278 | (Won) 170,960 | (Won) 2,363,713 | (Won) 923,794 | (Won) 1,252,940 | (Won) 8,693,685 |

See accompanying notes to consolidated financial statements.

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

| | Korean won | | U.S. dollars (Note 2) | |
|---|------------------|------------------|-----------------------|------------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions) | | (In thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Net income | (Won) 1,292,493 | (Won) 56,279 | US\$ 1,238,257 | US\$ 53,917 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Loss on trading securities | 65,666 | 96,406 | 62,911 | 92,361 |
| Loss on redemption of available-for-sale securities | 1,301 | 31,866 | 1,246 | 30,529 |
| Loss on derivatives | 3,021,310 | 876,823 | 2,894,530 | 840,030 |
| Provision for possible losses | 1,408,949 | 2,478,209 | 1,349,827 | 2,374,218 |
| Interest expense (without cash outflows) | 2,289 | 3,937 | 2,192 | 3,771 |
| Provision for severance benefits | 110,151 | 98,535 | 105,529 | 94,400 |
| Depreciation and amortization | 247,969 | 212,408 | 237,564 | 203,495 |
| Stock compensation cost | 1,100 | 1,460 | 1,054 | 1,399 |
| Loss on disposal of tangible assets | 4,748 | 1,661 | 4,549 | 1,591 |
| Loss on valuation using the equity method of accounting | 351 | | 336 | |
| Loss on disposal of available-for-sale securities | 8,272 | 26,502 | 7,924 | 25,390 |
| Loss on impairment of available-for-sale securities | 32,995 | 270,390 | 31,610 | 259,044 |
| Loss on impairment of held-to-maturity securities | 23,291 | 63,762 | 22,314 | 61,086 |
| Loss on sale of loans | 179,994 | 271,418 | 172,441 | 260,029 |
| Loss on valuation of the Stock Market Stabilization Fund | | 1,250 | | 1,198 |
| Loss on impairment of intangible assets | 5,247 | 37,052 | 5,027 | 35,497 |
| Gain on trading securities | (130,480) | (154,185) | (125,005) | (147,715) |
| Gain on redemption of available-for-sale securities | (67,504) | (77,151) | (64,671) | (73,914) |
| Gain on derivatives | (3,022,767) | (826,405) | (2,895,925) | (791,727) |
| Reversal of allowance for possible losses | (144,380) | (66,950) | (138,322) | (64,141) |
| Gain on disposal of tangible assets | (17,934) | (17,718) | (17,181) | (16,975) |
| Gain on valuation using the equity method of accounting | (34,683) | (33,980) | (33,228) | (32,554) |
| Gain on disposal of available-for-sale securities | (171,184) | (76,323) | (164,001) | (73,120) |
| Reversal of loss on impairment of available-for-sale securities | (73,125) | (212,873) | (70,057) | (203,940) |
| Reversal of loss on impairment of held-to-maturity securities | | (2,620) | | (2,510) |
| Gain on sale of loans | (33,837) | (54,601) | (32,417) | (52,310) |
| Minority interests loss | (873) | (3,905) | (836) | (3,741) |
| | <u>1,416,866</u> | <u>2,944,968</u> | <u>1,357,411</u> | <u>2,821,391</u> |

(continued)

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)****FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

| | Korean won | | U.S. dollars (Note 2) | |
|---|----------------|----------------|-----------------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions) | | (In thousands) | |
| Changes in operating assets and liabilities: | | | | |
| Decrease in present value discounts | (Won) (44,230) | (Won) (80,203) | US\$ (42,374) | US\$ (76,838) |
| Decrease in guarantee deposits | 10,600 | 294,277 | 10,155 | 281,929 |
| Decrease (increase) in other accounts receivable | 1,429,656 | (1,716,418) | 1,369,665 | (1,644,394) |
| Decrease (increase) in accrued income | 170,022 | (50,218) | 162,888 | (48,111) |
| Decrease (increase) in prepaid expenses | (3,135) | 23,035 | (3,003) | 22,068 |
| Decrease (increase) in deferred income tax assets | (467,949) | 150,563 | (448,313) | 144,245 |
| Decrease in accounts receivable other | 1,245 | 3,486 | 1,193 | 3,340 |
| Decrease in domestic exchange settlements debits | 84,943 | 457,858 | 81,378 | 438,646 |
| Decrease (increase) in sundry assets | (103,945) | 12,744 | (99,583) | 12,209 |
| Payment of accrued severance benefits | (21,416) | (12,859) | (20,517) | (12,319) |
| Increase in deposits in employee retirement trust | (57,750) | (51,902) | (55,327) | (49,724) |
| Decrease in transfers to the National Pension Fund | 77 | 38 | 74 | 36 |
| Decrease in allowance for possible losses on confirmed acceptances and guarantees | | (6,356) | | (6,089) |
| Decrease in other allowances | (36,887) | (231,384) | (35,339) | (221,675) |
| Increase (decrease) in foreign exchange remittance pending | (116,389) | 44,408 | (111,505) | 42,545 |
| Decrease in domestic exchange remittance pending | (165,520) | (89,109) | (158,575) | (85,370) |
| Increase (decrease) in borrowings from trust accounts | (1,373,990) | 1,438,630 | (1,316,335) | 1,378,262 |
| Increase (decrease) in accounts payable | (1,000,658) | 1,715,093 | (958,668) | 1,643,124 |
| Increase (decrease) in accrued expenses | 78,816 | (56,366) | 75,509 | (54,001) |
| Decrease in income tax payable | (689) | (2,893) | (660) | (2,772) |
| Decrease in unearned revenue | (5,547) | (34,952) | (5,314) | (33,485) |
| Increase (decrease) in deposits for letter of guarantees and others | (28,698) | 6,688 | (27,494) | 6,407 |
| Increase in deferred income tax liabilities | 2,250 | 1,930 | 2,156 | 1,849 |
| Decrease in accounts for agency businesses | (55,594) | (16,720) | (53,262) | (16,017) |
| Increase in liabilities incurred by agency relationship | 112,169 | 203,073 | 107,462 | 194,552 |
| Increase (decrease) in sundry liabilities | 115,795 | (78,811) | 110,936 | (75,504) |
| | (1,476,824) | 1,923,632 | (1,414,853) | 1,842,913 |
| Net cash provided by operating activities | 1,232,535 | 4,924,879 | 1,180,815 | 4,718,221 |

(continued)

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)****FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003**

| | Korean won | | U.S. dollars (Note 2) | |
|--|--------------------|---------------------|-----------------------|---------------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions) | | (In thousands) | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Net decrease (increase) in trading securities | (Won) (2,650,602) | (Won) 273,736 | US\$ (2,539,378) | US\$ 262,250 |
| Net decrease (increase) in available-for-sale securities | 2,533,222 | (756,668) | 2,426,923 | (724,917) |
| Net decrease in held-to-maturity securities | 1,483,343 | 357,485 | 1,421,099 | 342,484 |
| Net decrease (increase) in investments accounted for using the equity method | (314,705) | 982 | (301,499) | 941 |
| Net increase in equity linked securities | (592) | | (567) | |
| Net increase in loans | (6,292,404) | (15,089,082) | (6,028,362) | (14,455,913) |
| Net increase in tangible assets | (112,891) | (58,006) | (108,154) | (55,572) |
| Net increase in leased assets | (29,988) | (4,252) | (28,730) | (4,074) |
| Net decrease (increase) in intangible assets | 174,381 | (110,383) | 167,064 | (105,751) |
| Net decrease in non-operating assets | 178 | 805 | 171 | 771 |
| Net decrease in operating lease assets | 221 | 5,219 | 212 | 5,000 |
| Net decrease in sold equity linked securities | 42,601 | | 40,813 | |
| Net decrease in derivative instruments assets | 2,151,280 | 629,029 | 2,061,008 | 602,634 |
| Net decrease in derivative instruments liabilities | (1,806,996) | (719,235) | (1,731,171) | (689,054) |
| Net cash used in investing activities | (4,822,952) | (15,470,370) | (4,620,571) | (14,821,201) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Net increase in deposits | 988,605 | 10,113,271 | 947,121 | 9,688,897 |
| Net increase (decrease) in borrowings | 54,180 | (1,026,510) | 51,906 | (983,436) |
| Net increase in debentures in local currency | 1,381,770 | 35,792 | 1,323,788 | 34,290 |
| Net increase (decrease) in debentures in foreign currencies | (26,263) | 1,365,751 | (25,161) | 1,308,441 |
| Issuance of new shares | | 37,877 | | 36,288 |
| Disposal of treasury stocks by subsidiaries | 58,509 | 16,788 | 56,054 | 16,084 |
| Payment of dividends | (77,550) | (57,262) | (74,296) | (54,859) |
| Issuance cost of new shares | (934) | | (895) | |
| Increase in discount on stock issuance | (3,849) | (4,050) | (3,687) | (3,880) |
| Acquisition of treasury stocks by a subsidiary | (44,799) | (7,468) | (42,919) | (7,155) |
| Net decrease in minority interests | (20,727) | (25,681) | (19,857) | (24,603) |
| Net cash provided by financing activities | 2,308,942 | 10,448,508 | 2,212,054 | 10,010,067 |
| INCREASE (DECREASE) IN CASH DUE TO CHANGE IN THE SCOPE OF CONSOLIDATION | 1,659,735 | (14) | 1,590,089 | (13) |

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| | | | | |
|--|------------------------|------------------------|-----------------------|-----------------------|
| NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS | 378,260 | (96,997) | 362,387 | (92,926) |
| CASH AND DUE FROM BANKS, BEGINNING OF THE YEAR | <u>6,471,855</u> | <u>6,568,852</u> | <u>6,200,283</u> | <u>6,293,209</u> |
| CASH AND DUE FROM BANKS, END OF THE YEAR | <u>(Won) 6,850,115</u> | <u>(Won) 6,471,855</u> | <u>US\$ 6,562,670</u> | <u>US\$ 6,200,283</u> |

See accompanying notes to consolidated financial statements.

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WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

1. GENERAL

(1) Woori Finance Holdings Co., Ltd.

Woori Finance Holdings Co., Ltd. (the Company) was incorporated on March 27, 2001, to engage in the business of managing the following five financial institutions, Woori Bank (formerly Hanvit Bank), Kyongnam Bank, Kwangju Bank, Woori Credit Card Co., Ltd. (formerly Peace Bank of Korea and merged into Woori Bank on March 31, 2004) and Woori Investment Bank (merged into Woori Bank on July 31, 2003), whose shares were contributed to the Company by the Korea Deposit Insurance Corporation (the KDIC) in accordance with the provisions of the Financial Holding Company Act. As a result of its functional restructuring, the Company owns 11 subsidiaries and 13 2nd-tier subsidiaries as of December 31, 2004.

Upon incorporation, the Company's stock amounted to (Won) 3,637,293 million (US\$ 3,484,665 thousand), consisting of 727,458,609 common shares ((Won) 5,000 per share) issued and outstanding. As a result of several capital increase and exercise of warrants and conversion rights since incorporation, as of December 31, 2004, the Company's stock amounted to (Won) 3,982,278 million (US\$ 3,815,173 thousand), consisting of 796,455,558 common shares issued and outstanding of which the KDIC owns 628,458,609 shares (78.91%).

On June 24, 2002, the Company listed its common shares on the stock market opened by the Korea Exchange (formerly known as the Korea Stock Exchange) through a public offering at a price of (Won) 6,800 per share with 36,000,000 new shares and 54,000,000 issued shares.

The Company was registered with the Securities and Exchange Commission in the United States of America and listed its American Depositary Shares on the New York Stock Exchange on September 29, 2003.

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(2) The structure of the Company and its subsidiaries as of December 31, 2004 and 2003 is as follows:

| Parent companies | Subsidiaries | 2004 | | 2003 | | Financial statements as of |
|------------------------------------|---|------------------------|-----------------------------|------------------------|-----------------------------|----------------------------|
| | | Number of shares owned | Percentage of ownership (%) | Number of shares owned | Percentage of ownership (%) | |
| Woori Finance Holdings Co., Ltd. | Woori Bank (*1) | 635,956,580 | 100.0 | 570,567,520 | 100.0 | Dec. 31 |
| | Kyongnam Bank | 51,800,000 | 99.9 | 51,800,000 | 99.9 | Dec. 31 |
| | Kwangju Bank | 34,080,000 | 99.9 | 34,080,000 | 99.9 | Dec. 31 |
| " | Woori Credit Card Co., Ltd. (*1) | | | 22,600,000 | 100.0 | Dec. 31 |
| " | Woori Finance Information System Co., Ltd. | 900,000 | 100.0 | 900,000 | 100.0 | Dec. 31 |
| " | Woori F&I Co., Ltd. | 2,000,000 | 100.0 | 2,000,000 | 100.0 | Dec. 31 |
| " | Woori Second Asset Securitization Specialty Co., Ltd. | 1,900 | 95.0 | 1,900 | 95.0 | Dec. 31 |
| " | Woori Third Asset Securitization Specialty Co., Ltd. | 2,000 | 100.0 | 2,000 | 100.0 | Dec. 31 |
| " | Woori Investment Trust Management Co., Ltd. | 6,000,000 | 100.0 | 6,000,000 | 100.0 | Dec. 31 |
| " | Woori Securities Co., Ltd. (*2) | 32,956,413 | 100.0 | 17,372,300 | 52.7 | Dec. 31 |
| " | LG Investment Securities Co., Ltd. (*3) | 32,877,487 | 26.92 | | | Dec. 31 |
| Woori Bank | Woori Credit Information Co., Ltd. | 1,008,000 | 100.0 | 1,008,000 | 100.0 | Dec. 31 |
| " | Woori America Bank | 8,500,000 | 100.0 | 8,500,000 | 100.0 | Dec. 31 |
| " | PT. Bank Woori Indonesia (*4) | 1,618 | 95.2 | 1,387 | 81.6 | Dec. 31 |
| " | Woori First Private Equity Fund (*5) | | 52.38 | | | Dec. 31 |
| Woori F&I Co., Ltd. | Woori CA Asset Management Co., Ltd. | 408,000 | 51.0 | 408,000 | 51.0 | Dec. 31 |
| LG Investment Securities Co., Ltd. | LG Futures Co., Ltd. (*6) | 5,000,000 | 100.0 | | | Dec. 31 |
| " | LG Investment Trust Management Co., Ltd. (*6) | 5,400,000 | 90.0 | | | Dec. 31 |
| " | LG Securities Int'l Ltd. (*6) | 5,788,000 | 100.0 | | | Dec. 31 |
| " | LG Securities (H.K.) Limited (*6) | 22,500,000 | 100.0 | | | Dec. 31 |
| " | LG Securities America, Inc. (*6) | 300 | 100.0 | | | Dec. 31 |
| " | LG Investment Holding B.V. (Amsterdam) GG (*6) | 1,642,398,242 | 100.0 | | | Dec. 31 |
| " | High Technology Venture Investment (*6) | 1,500,000 | 42.86 | | | Dec. 31 |
| " | Global Technology Investment (*6) | 1,500,000 | 50.00 | | | Dec. 31 |

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- (*1) Woori Bank, a subsidiary of the Company, merged with WCC, also a subsidiary of the Company, on March 31, 2004. Woori Bank issued 0.3581 new common shares per one common share of WCC. Accordingly, the number of issued common shares and contributed capital of Woori Bank increased from 570.6 million and (Won) 2,852.8 billion (US\$2,733.1 million) to 636 million and (Won) 3,179.8 billion (US\$ 3,046.4 million).
- (*2) On June 18, 2004, the Company acquired Woori Securities Co., Ltd. s 15,584,113 shares of common stock, which represent 47.3% ownership. As a result, the number of issued common shares and contributed capital of the Company increased from 775.5 million and (Won) 3,877.5 billion (US\$ 3,714.8 million) to 784.1 million (Won) 3,920.4 billion (US\$ 3,755.9 million) and Woori Securities Co., Ltd. became a wholly owned subsidiary.
- (*3) On October 26, and December 24, 2004, the Company acquired 7,000,000 and 25,877,487 shares of LG Investment Securities Co., Ltd. (LG Securities) s common stock for (Won) 54,980 million (US\$ 52,673 thousand) and (Won) 297,591 million (US\$ 285,103 thousand), respectively. As a result, the Company owns 26.92% of the voting rights of LG Securities and is able to govern LG Securities; therefore, the Company includes it as a consolidated subsidiary.
- (*4) In 2004, Woori Bank acquired PT. Bank Woori Indonesia s 231 shares of common stock, which represent 13.6% ownership interest.
- (*5) On December 28, 2004, Woori Bank acquired 52.38% ownership interest in Woori First Private Equity Fund for (Won) 22,110 million (US\$ 21,182 thousand).
- (*6) As a result of the consolidation of LG Securities, the subsidiaries of LG Securities are included as 2nd-tier subsidiaries of the Company.
- (3) General information pertaining to the Company s subsidiaries as of December 31, 2004 is set forth below.

a. Woori Bank

Woori Bank (formerly Hanvit Bank) was established in 1899 and is engaged in the commercial banking business under the Korean Banking Law, trust business under the Trust Business Law, merchant bank services under the Merchant Bank Act and foreign exchange business with approval from the Bank of Korea (the BOK) and the Ministry of Finance and Economy (the MOFE). In connection with the infusion of public funds, Woori Bank and the KDIC have entered into an Agreement on the Implementation of the Business Plan. Hanvit Bank changed its name to Woori Bank on May 20, 2002. Its common stock amounts to (Won) 3,179,783 million (US\$ 3,046,353 thousand) consisting of 635,956,580 common shares issued and outstanding as of December 31, 2004. Woori Bank is wholly owned by the Company. The head office of Woori Bank is located in Seoul, Korea. Woori Bank has 698 branches and offices in Korea and 12 branches and offices in overseas.

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b. Kyongnam Bank

Kyongnam Bank was incorporated on April 18, 1970 and is engaged in the commercial banking business under the Korean Banking Law, trust business under the Trust Business Law and foreign exchange business with approval from the BOK and the MOFE. In connection with the infusion of public funds, Kyongnam Bank and the KDIC have entered into an Agreement on the Implementation of the Business Plan. As of December 31, 2004, Kyongnam Bank's common stock amounts to (Won) 259,000 million (US\$248,132 thousand) consisting of 51,800,043 shares of common stock issued and outstanding of which the Company owns 99.99%. The head office of Kyongnam Bank is located in Masan, Korea. Kyongnam Bank has 120 branches and offices in Korea.

c. Kwangju Bank

Kwangju Bank was established on October 7, 1968 and is engaged in the commercial banking business under the Korean Banking Law, trust business under the Trust Business Law and foreign exchange business with approval from the BOK and the MOFE. In connection with the infusion of public funds, Kwangju Bank and the KDIC have entered into an Agreement on the Implementation of the Business Plan. As of December 31, 2004, its common stock amounts to (Won) 170,403 million (US\$163,253 thousand) consisting of 34,080,517 common shares issued and outstanding of which the Company owns 99.99%. Kwangju Bank's head office is located in Kwangju City, Korea and has 116 domestic branches and offices in Korea.

d. Woori Finance Information System Co., Ltd.

Woori Finance Information System Co., Ltd. (WFIS , formerly Hanviteun System) was established on April 17, 1989 and is engaged in the business of installing computerized financial systems. On September 29, 2001, the Company purchased all of the common stock of WFIS from Woori Bank in accordance with the group's functional restructuring, making WFIS a subsidiary of the Company. On October 15, 2001, Hanviteun System changed its name to Woori Finance Information System Co., Ltd. As of December 31, 2004, its common stock amounts to (Won) 4,500 million (US\$4,311 thousand) consisting of 900,000 shares issued and outstanding, all of which are owned by the Company. The office of WFIS is located in Seoul, Korea.

e. Woori F&I Co., Ltd.

Woori F&I Co., Ltd. [WF&I , formerly Woori Asset Management Co., Ltd. (WAMC)] was established on November 16, 2001 to engage in the business of management, operation and disposition of securitization assets. On September 13, 2002, WF&I split off the asset management business segment and established Woori CA Asset Management Co., Ltd. (WCAAMC). As a result, WF&I is engaged in the business of acquisition and disposition of securities issued by asset securitization specialty corporations, which are established based on the Act on Asset-Backed Securitization for the purpose of non-performing assets securitization, and in the business of acquisition and disposition of equity of asset management corporations, which are established for the purpose of non-performing assets management. On September 16, 2002, WAMC changed its name to Woori F&I Co., Ltd. As of

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December 31, 2004, its common stock amounts to (Won)10,000 million (US\$9,580 thousand) consisting of 2,000,000 shares issued and outstanding, all of which are owned by the Company. The office of WF&I is located in Seoul, Korea.

f. Woori Second Asset Securitization Specialty Co., Ltd.

Woori Second Asset Securitization Specialty Co., Ltd. (WASS2) was established on December 22, 2001 under the Act on Asset-Backed Securitization of the Republic of Korea as a special purpose company. WASS2 is engaged in the business of management, operation and disposition of the securitization assets and issuance of asset-backed securities based on the securitization assets acquired from WCC. WASS2 changed its contractor in connection with the asset management and other activities from WF&I to WCAAMC as of September 14, 2002 due to the split off of WCAAMC from WAMC as explained above. As of December 31, 2004, its common stock amounts to (Won)10 million (US\$10 thousand) consisting of 2,000 shares issued and outstanding of which the Company owns 95%.

g. Woori Third Asset Securitization Specialty Co., Ltd.

Woori Third Asset Securitization Specialty Co., Ltd. (WASS3) was established on March 15, 2002 under the Act on Asset-Backed Securitization of the Republic of Korea as a special purpose company. WASS3 is engaged in the business of management, operation and disposition of the securitization assets and issuance of asset-backed securities based on the securitization assets acquired from Woori Bank, Kyongnam Bank and WCC. WASS3 changed its contractor in connection with the asset management and other activities from WF&I to WCAAMC as of September 14, 2002 due to the split off of WCAAMC from WAMC as explained above. As of December 31, 2004, its common stock amounts to (Won)10 million (US\$10 thousand) consisting of 2,000 shares issued and outstanding, all of which are owned by the Company.

h. Woori Investment Trust Management Co., Ltd.

Woori Investment Trust Management Co., Ltd. (WITM , formerly Hanvit Investment Trust Management Co., Ltd.) was established on June 24, 1988 and is engaged in the investment trust business under the Investment Trust Business Law with approval from the MOFE. In connection with the functional restructuring, on March 29, 2002, the Company purchased the entire common stock of WITM from Woori Bank, making WITM a subsidiary of the Company. On May 17, 2002, Hanvit Investment Trust Management Co., Ltd. changed its name to Woori Investment Trust Management Co., Ltd. As of December 31, 2004, its common stock amounts to (Won)30,000 million (US\$28,741 thousand) consisting of 6,000,000 shares issued and outstanding, all of which are owned by the Company. The office of WITM is located in Seoul, Korea.

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i. Woori Securities Co., Ltd.

Woori Securities Co., Ltd. (Woori Securities , formerly Hanvit Securities Co., Ltd.) was established on August 26, 1954 to engage in trading, agency, brokerage, and underwriting of securities and listed its shares on the stock market opened by the Korea Exchange (formerly known as the Korea Stock Exchange) on July 26, 1988. As the Company wholly owns it, Woori Securities delisted its shares on June 24, 2004. In connection with the functional restructuring, as of July 29, 2002, the Company acquired 40.2% (13,250,570 shares) of common stock of Woori Securities from Woori Bank, making Woori Securities a subsidiary of the Company. On June 1, 2002, Hanvit Securities Co., Ltd. changed its name to Woori Securities Co., Ltd. As of December 31, 2004, its common stock amounts to (Won)164,782 million (US\$157,867 thousand) consisting of 32,956,413 shares issued and outstanding of which the Company owns 100%. The head office of Woori Securities is located in Seoul, Korea. Woori Securities has 38 branches and 32 offices in Korea and one overseas office.

j. LG Investment Securities Co., Ltd.

LG Investment Securities Co., Ltd. (LG Securities) was established in January 1969 to engage in trading, agency, brokerage, and underwriting of securities, on September 30, 1975, listed its shares on the stock market opened by the Korea Exchange (formerly known as the Korea Stock Exchange). On October 1, 1999, LG Securities merged with LG Merchant Banking Co., Ltd. LG Securities became a subsidiary of the Company as of December 24, 2004 as Woori Finance Holdings Co., Ltd acquired 26.92% of the voting rights of LG Securities and is able to govern LG Securities. As of December 31, 2004, its common stock amounts to (Won) 625,458 million (US\$ 599,212 thousand) consisting of 122,116,369 issued shares and its preferred stock amounts (Won)99,354 million (US\$ 95,185 thousand) consisting of 19,870,968 issued shares. The head office of LG Securities is located in Seoul, Korea. LG Securities has 117 branches and 2 offices in Korea and one overseas office.

k. Woori Credit Information Co., Ltd.

Woori Credit Information Co., Ltd. (WCI , formerly Hanvit Credit Information Co., Ltd.) was established on March 15, 1991 and is engaged in the credit investigation business and credit collection business under the Act on Use and Protection of Credit Information of the Republic of Korea. On June 1, 2002, Hanvit Credit Information Co., Ltd. changed its name to Woori Credit Information Co., Ltd. As of December 31, 2004, the common stock of WCI amounts to (Won)5,040 million (US\$ 4,829 thousand) consisting of 1,008,000 shares issued and outstanding, and is wholly owned by Woori Bank. The head office of WCI is located in Seoul, Korea. WCI has 5 branches or 14 offices in Korea.

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l. Woori America Bank

Woori America Bank (WAB , formerly Hanvit America Bank) was established on January 7, 1984 and is engaged in the banking business in New York, U.S.A. On May 20, 2002, Hanvit America Bank changed its name to Woori America Bank. WAB merged with Panasia Bank N.A. on September 11, 2003. As of December 31, 2004, its common stock amounts to US\$42,500 thousand consisting of 8,500,000 shares issued and outstanding, and is wholly owned by Woori Bank.

m. P.T. Bank Woori Indonesia

PT. Bank Woori Indonesia (BWI , formerly P.T. Bank Hanvit Indonesia) was established on June 18, 1992 and is engaged in the banking business in Indonesia. P.T. Bank Hanvit Indonesia changed its name to PT. Bank Woori Indonesia on May 20, 2002. As of December 31, 2004, its common stock amounts to IDR 170,000 million consisting of 1,700 shares issued and outstanding of which Woori Bank owns 95.2%.

n. Woori CA Asset Management Co., Ltd.

Woori CA Asset Management Co., Ltd. (WCAAMC) was established on September 14, 2002 as an asset management company for asset securitization specialty companies established based on the Act on Asset-Backed Securitization and is engaged in the business of management, operation, and disposition of securitization assets. WCAAMC was established through split-off from WF&I in accordance with the Joint Venture Agreement entered into by the Company and Lehman Brothers Luxembourg Investment S.a.r.l. (LB Luxembourg). In addition, it took over the asset management and operation contracts from WAMC and therefore, is engaged in managing and operating the assets of WASS2, WASS3 and Woori LB First Second Third Fourth Fifth Sixth Seventh Eighth and Woori F&I First Second Fourth Asset Securitization Specialty Co., Ltd. As of December 31, 2004, WCAAMC s common stock amounts to (Won)4,000 million (US\$3,832 thousand) consisting of 800,000 shares issued and outstanding of which WF&I and LB Luxembourg own 51% and 49%, respectively. The office of WCAAMC is located in Seoul, Korea.

o. The information of the other subsidiaries is as follows (unit: Korean won in millions, U.S. dollar in thousands and EURO in thousands):

| Subsidiaries | Main | Capital | Number of issued shares | Date of establishment | Location |
|--|--------------------------------|--------------|----------------------------|--------------------------|-------------------------------|
| | business | | | | |
| Woori First Private Equity Fund | Securities investments | (Won) 42,210 | | 2004.12.20 | Seoul, Korea |
| LG Futures Co., Ltd. | Futures trading | (Won) 25,000 | 5,000,000 | 1992.7.10 | Seoul, Korea |
| LG Investment Trust Management Co., Ltd. | Investment advisory service | (Won) 30,000 | 6,000,000 | 1988.3.26 | Seoul, Korea |
| LG Securities Int'l Ltd. | Securities | USD 5,788 | 5,788,000 | 1991.8.15 | London, UK |
| LG Securities (H.K.) Limited | Securities | USD 22,500 | 22,500,000 | 1995.3.6 | Hong Kong, China |
| LG Securities America, Inc. | Securities | USD 3 dollar | 300 | 1992.6.18 | New York, United States |
| High Technology Venture Investment | Securities investments | USD 35 | 3,500,000 | 2000.2.28 | Malaysia |
| Global Technology Investment | Securities investments | USD 30 | 3,000,000 | 1999.6.28 | Malaysia |
| LG Investment Holding B.V. (Amsterdam) GG | Securities investments | EURO 16,424 | 1,642,398,242 | 1996.10.18 | Amsterdam, Holland |

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- (4) The structure of affiliates accounted for using the equity method of accounting of the Company and its subsidiaries as of December 31, 2004 and 2003 is as follows:

| Investors | Investees | 2004 | | 2003 | | Financial statements as of |
|--------------------------------------|--|------------------------|-----------------------------|------------------------|-----------------------------|----------------------------|
| | | Number of shares owned | Percentage of ownership (%) | Number of shares owned | Percentage of ownership (%) | |
| Woori Bank & Kyongnam Bank | BC Card Co., Ltd. | 1,303,920 | 29.6 | 1,303,920 | 29.6 | Dec. 31 |
| | Byucksan E&C Co., Ltd. (*1) | | | 11,552,500 | 30.6 | Dec. 31 |
| | Kyongun Mutual Saving Bank | 685,268 | 15.3 | | | Sep. 30 (*6) |
| Woori Bank | Korea Finance Security Co., Ltd. | 233,070 | 16.7 | 233,070 | 16.7 | Dec. 31 (*6) |
| Woori First Private Equity Fund | Woo Bang Housing Co., Ltd. | 8,400,000 | 30.9 | | | Dec. 31 (*6) |
| LG Securities | Connacht Capital Market Investment (*2) | 15,000,000 | 100.0 | | | Dec. 31 (*6) |
| High Technology Venture Investment | Athena Fund I (*3) | | 65.1 | | | Dec. 31 (*6) |
| Global Technology Venture Investment | Athena Fund II (*3) | | 69.0 | | | Dec. 31 (*6) |
| Woori F&I | Woori LB First Asset Securitization Specialty | 15,000 | 30.0 | 480,000 | 30.0 | Dec. 31 |
| " | Woori LB Second Asset Securitization Specialty | 66,000 | 30.0 | 138,000 | 30.0 | Dec. 31 |
| " | Woori LB Third Asset Securitization Specialty | 264,000 | 30.0 | 414,000 | 30.0 | Dec. 31 |
| " | Woori LB Fourth Asset Securitization Specialty | 432,000 | 30.0 | 432,000 | 30.0 | Dec. 31 |
| " | Woori LB Fifth Asset Securitization Specialty | 2,340,000 | 30.0 | 2,340,000 | 30.0 | Dec. 31 |
| " | Woori LB Sixth Asset Securitization Specialty | 234,000 | 30.0 | 234,000 | 30.0 | Dec. 31 |

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| Investors | Investees | 2004 | | 2003 | | Financial statements as of |
|-----------|---------------------------------------|------------------------|-----------------------------|------------------------|-----------------------------|----------------------------|
| | | Number of shares owned | Percentage of ownership (%) | Number of shares owned | Percentage of ownership (%) | |
| Woori F&I | Woori LB Eighth Asset Securitization | | | | | |
| | Specialty | 12,000 | 30.0 | 120,000 | 30.0 | Dec. 31 |
| " | Woori F&I First Asset Securitization | | | | | |
| | Specialty | 12,768 | 30.0 | 12,768 | 30.0 | Dec. 31 |
| " | Woori F&I Second Asset Securitization | | | | | |
| | Specialty | 10,824 | 30.0 | 10,824 | 30.0 | Dec. 31 |
| " | Woori F&I Fourth Asset Securitization | | | | | |
| | Specialty | 360 | 30.0 | 2,070 | 30.0 | Dec. 31 |
| " | Woori SB First Asset Securitization | | | | | |
| | Specialty (*4) | 1,867,800 | 30.0 | | | Dec. 31 |
| " | Woori SB Second Asset Securitization | | | | | |
| | Specialty (*4) | 210,912 | 30.0 | | | Dec. 31 |
| " | Woori BC Pegasus Asset Securitization | | | | | |
| | Specialty (*5) | 581,580 | 30.0 | | | Dec. 31 |

(*1) In 2004, Woori Bank sold 8,708,751 shares of Byucksan E&C Co., Ltd. and thereby, Woori Bank and Kyongnam Bank's ownership interest in Byucksan E&C Co., Ltd. decreased from 30.6% to 7.5%. As a result, Woori Bank and Kyongnam Bank discontinued applying the equity of method of accounting on this investee and reclassified it as available-for-sale securities.

(*2) Since it is due for liquidation within one year, it is accounted for using the equity method of accounting and excluded from consolidation.

(*3) Due to restriction of the voting rights on the investee, it is accounted for using equity method of accounting and excluded from consolidation.

(*4) Woori F&I acquired Woori SB First Asset Securitization Specialty and Woori SB Second Asset Securitization Specialty on March 31, 2004 and November 15, 2004, respectively.

(*5) Woori F&I acquired Woori BC Pegasus Securitization Specialty on September 10, 2004.

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(*6) In preparing the consolidated financial statements, unaudited financial statements of these investees were used.

(5) General information pertaining to the Company's affiliates accounted for using equity method of accounting is as follows:

a. BC Card Co., Ltd.

BC Card Co., Ltd. (BC Card) was established on September 7, 1983 to engage in the agency business such as managing card members for BC Card member banks, credit card business and other related businesses. As of December 31, 2004, its common stock amounts to (Won)44,000 million (\$42,154 thousand) consisting of 4,400,000 shares issued and outstanding. Woori Bank and Kyongnam Bank own 27.6% and 2.0%, respectively, of the common stock of BC Card. The head office of BC Card is located in Seoul, Korea, and BC Card has 21 branches or offices in Korea.

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b. Korea Finance Security Co., Ltd.

Korea Finance Security Co., Ltd. (KFS) was established on December 7, 1990 to engage in the business of protecting the cash, securities and important documents entrusted by financial institutions. As of December 31, 2004, its common stock amounts to (Won) 7,000 million (\$6,706 thousand) consisting of 1,400,000 shares issued and outstanding. Woori Bank owns 16.7% of KFS. The head office of KFS is located in Seoul, Korea.

c. The information of other affiliates are as follows (unit: Korean won in millions, U.S. dollar and EURO in thousands):

| Affiliates | Main business | Capital | | Number of issued shares | Date of foundation | Location |
|--|--------------------------|------------|------------|-------------------------------|-----------------------|----------|
| | | USD | 100 | | | |
| Kyongun Mutual Saving Bank | Mutual saving | 22,400 | 4,480,000 | Dec. 20, 1974 | Kyongnam, Korea | |
| Woo Bang Housing Co., Ltd. | Construction | 42,000 | 26,300,870 | Apr. 8, 1978 | Seoul, Korea | |
| Connacht Capital Market Investment (*2) | Securities investment | USD 100 | 15,000,000 | May 8, 1996 | Malaysia | |
| Athena Fund I (*3) | " | USD 50,000 | | Sep. 22, 1997 | United States | |
| Athena Fund II (*3) | " | USD 50,000 | | Mar. 31, 2000 | United States | |
| Woori LB First Asset Securitization Specialty | Securitization | 250 | 50,000 | Sep. 16, 2002 | Seoul, Korea | |
| Woori LB Second Asset Securitization Specialty | " | 1,100 | 220,000 | Dec. 9, 2002 | Seoul, Korea | |
| Woori LB Third Asset Securitization Specialty | " | 4,400 | 880,000 | Dec. 9, 2002 | Seoul, Korea | |
| Woori LB Fourth Asset Securitization Specialty | " | 7,200 | 1,440,000 | Dec. 9, 2002 | Seoul, Korea | |
| Woori LB Fifth Asset Securitization Specialty | " | 39,000 | 7,800,000 | Mar. 11, 2003 | Seoul, Korea | |
| Woori LB Sixth Asset Securitization Specialty | " | 3,900 | 780,000 | Mar. 11, 2003 | Seoul, Korea | |
| Woori LB Eighth Asset Securitization Specialty | " | 200 | 40,000 | Jul. 1, 2003 | Seoul, Korea | |
| Woori F&I First Asset Securitization Specialty | " | 426 | 42,560 | Jun. 18, 2003 | Seoul, Korea | |
| Woori F&I Second Asset Securitization Specialty | " | 361 | 36,080 | Jun. 18, 2003 | Seoul, Korea | |
| Woori F&I Fourth Asset Securitization Specialty | " | 12 | 1,200 | Jul. 15, 2003 | Seoul, Korea | |
| Woori SB First Asset Securitization Specialty (*4) | " | 31,130 | 6,226,000 | Mar. 18, 2004 | Seoul, Korea | |
| Woori SB Second Asset Securitization Specialty (*4) | " | 3,515 | 703,040 | Oct. 28, 2004 | Seoul, Korea | |
| Woori BC Pegasus Asset Securitization Specialty (*5) | " | 9,639 | 1,938,600 | Aug. 20, 2004 | Seoul, Korea | |

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidated Financial Statement Presentation

The Company and its subsidiaries (excluding foreign subsidiaries) maintain its official accounting records in Korean won and prepare statutory consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea, consisting of the Financial Accounting Standards, Banking Accounting Standards, the Rules for Preparation of Consolidated Financial Statements, banking regulations promulgated by the Financial Supervisory Commission in the Republic of Korea and the Trust Business Law. Certain accounting principles applied by the Company and its subsidiaries that conform with the accounting principles generally accepted in the Republic of Korea may not conform with accounting principles generally accepted in other countries. Accordingly, the accompanying financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been restructured and translated into English from the Korean language financial statements.

The U.S. dollar amounts presented in the accompanying financial statements were computed by translating Korean won into U.S. dollars using the Base Rate announced by Seoul Money Brokerage Service, Ltd. of (Won) 1,043.8 to US\$1.00 at December 31, 2004, solely for the convenience of the readers outside of the Republic of Korea. This convenience translation into U.S. dollars should not be construed as representations that the Korean won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

The significant accounting policies which the Company and its subsidiaries adopt are set forth below.

(1) Consolidation accounting

a. Investment and equity account elimination and inter-company transaction elimination

The Company's investments in subsidiaries and equity accounts of subsidiaries were eliminated as of the date the Company obtained control of the subsidiaries. The differences between acquisition costs and proportionate net assets value on the acquisition date are recorded either in goodwill or negative goodwill. Goodwill is amortized using the straight-line method over 20 years or less. Negative goodwill arising with respect to identifiable non-monetary assets is recognized as income, as economic benefit embodied therein flow to the acquirer (when the assets are amortized or disposed). Negative goodwill in excess of the fair value of non-monetary assets, which is deemed arising from purchasing monetary assets at lower price, is immediately recognized as a gain.

If additional shares are purchased after control of the subsidiaries having been obtained, the differences between acquisition costs and net assets acquired are credited or charged to capital surplus. If the acquisition date is not the year-end balance sheet date of subsidiaries, the nearest accounting closing date to the actual acquisition date is deemed as the acquisition date.

All significant inter-company transactions are eliminated in the consolidated financial statements.

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b. Overseas consolidated subsidiaries financial statements conversion rate

The Korean won amounts presented in the financial statements of the overseas consolidated subsidiaries were computed by translating U.S. dollar into Korean won based on the Base rate (\$1.00 to (Won) 1,043.80 and (Won) 1,197.80 at December 31, 2004 and 2003, respectively) published by Seoul Money Brokerage Service, Ltd. and cross rates.

c. Investment securities accounted for using the equity method of accounting Statement of Korean Accounting Standards No. 15

The Company early adopted Statement of Korea Accounting Standards No. 15 The Equity Method of Accounting in 2004 prospectively in order to improve the disclosures and accounting of investment securities using the equity method. There is no effect on net income and net equity in 2004 and 2003 resulting from this adoption.

Investment equity securities are initially stated at their acquisition costs including incidental costs incurred in connection with acquisition of the related securities.

The excess of the acquisition cost over the proportionate net asset value on the acquisition date is amortized using the straight-line method over 20 years or less. The excess of the proportionate net asset value over the acquisition cost arising with respect to identifiable non-monetary assets are recognized as income, as economic benefits embodied therein flow to the acquirer (when the assets are amortized or disposed). The amount of the excess of the proportionate net asset value over the acquisition cost in excess of the fair value of non-monetary assets, which is deemed arising from purchasing monetary assets at lower prices, is immediately recognized as a gain.

The Company and its subsidiaries interest in net assets of investees is added to or deducted from the investment securities. The Company and its subsidiaries interest in net income or net loss of investees are reflected in current operations. Changes in retained earnings of the investees are reflected in the retained earnings account and changes in capital surplus or other capital accounts of the investees are reflected in the capital adjustment account of the Company and its subsidiaries.

d. Date of the consolidated financial statements

The accompanying financial statements are stated as of December 31, 2004 and 2003, the balance sheets date of the Company. In case the balance sheet dates of affiliates differ from the Company's, the Company used the consolidated balance sheets of affiliates as of December 31, 2004 and 2003, and the related consolidated statements of income for the years ended December 31, 2004 and 2003.

e. Minority interests

Minority interests of consolidated subsidiaries gain or loss, net are deducted from or added to consolidated net income.

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(2) Securities (excluding investment securities accounted for using the equity method of accounting)

Debt and equity securities are initially stated at their acquisition costs (fair value of considerations paid) including incidental costs incurred in connection with acquisition of the related securities using the moving average method and classified into trading, available-for-sale or held-to-maturity securities, based on the intent with respect to those securities. The Company and its subsidiaries classify securities as trading securities when those securities are held principally for the purpose of selling them in the near term. When the Company and its subsidiaries have the positive intent to hold such securities to maturity and the ability to do so, the debt securities are classified as held-to-maturity securities. All other securities are classified as available-for-sales securities.

The Company's accounting for securities, except for the equity securities accounted for using the equity method of accounting, are as follows:

a. Trading securities

Trading securities are stated at fair value with gains or losses on valuation charged to current operations.

b. Available-for-sale securities

Securities classified as available-for-sale are stated at fair value. Unrealized gains or losses on valuation of available-for-sale securities are included in capital adjustments and the accumulated unrealized gains or losses are reflected to net income when the securities are sold or written down. Equity securities without readily determinable fair value can be stated at acquisition cost on the financial statement if the fair value of the securities is not credibly determinable.

The declines in the fair value (or recoverable value) of individual available-for-sale securities below their acquisition or amortized cost that are other than temporary, result in write-downs of the individual securities to their fair value. Factors in determining whether such declines in value are other than temporary are considered on each balance sheet date. The Company and its subsidiaries recognize the write-downs, estimating the recoverable value of individual available-for-sale securities unless there is a clear evidence to indicate that such write-downs are not deemed necessary. The related write-downs are recorded in current operations as loss on impairment of available-for-sale securities.

c. Held-to-maturity securities

Held-to-maturity securities are presented at acquisition cost after premiums or discounts for debt securities are amortized or accreted, respectively. The Company and its subsidiaries recognize write-downs resulting from the declines in the fair value, which is computed by discounting expected cash flows (recoverable cash flows) using the effective interest rate on the acquisition date, below their book value on balance sheet date and states those securities at the fair value. The related write-downs are recorded in current operations as loss on impairment of securities held-to-maturity.

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d. Reversal of loss on impairment of available-for-sale and held-to-maturity securities

For available-for-sale securities, the reversal is recorded in current operations up to the previously recognized impairment loss as a reversal of loss on impairment of available-for-sale securities, and any excess is included in capital adjustment as a gain on valuation of available-for-sale securities. However, if the increases in the fair value of the impaired securities are not regarded as a reversal of the impairment, the increases in the fair value are recorded in capital adjustments. For equity securities without readily determinable fair value, which were impaired based on the net asset value, the reversal is recorded up to their acquisition cost. For held-to-maturity securities, the reversal is recorded in current operations up to the amount previously recognized impairment loss as a reversal of loss on impairment of held-to-maturity securities.

e. Reclassification of securities

If the objective and ability to hold securities of the Company and its subsidiaries change, available-for-sale securities can be reclassified to held-to-maturity securities and held-to-maturity securities can be reclassified to available-for-sale securities. Whereas, if the Company and its subsidiaries sell held-to-maturity securities, exercise a right to prepay or reclassify held-to-maturity securities to available-for-sale securities within the three fiscal years, all debt securities that are owned or purchased cannot be classified as held-to-maturity securities. On the other hand, trading securities cannot be reclassified to available-for-sale securities or held-to-maturity securities and securities in the other categories cannot be reclassified to trading securities. Nevertheless, trading securities can be reclassified to available-for-sale securities only when the fair value of the trading securities cannot be readily determinable.

When held-to-maturity securities are reclassified to available-for-sale securities, those securities are stated at the fair value on the reclassification date and the difference between the fair value and book value are recorded in capital adjustment as gains or losses on valuation of available-for-sale securities. For available-for-sale securities reclassified to held-to-maturity securities, gains or losses on valuation of available-for-sale securities, which had been accumulated until the reclassification, continue to be stated on capital adjustment and will be amortized using the effective interest method and be charged to interest income on maturity. The difference between the fair value on the reclassification date and the face value of the securities reclassified to held-to-maturity securities is amortized using the effective interest method and charged to interest income. In case the fair value of trading securities cannot be readily determinable, the securities are reclassified to available-for-sale securities at the latest fair value.

(3) Convertible securities

The Company and its subsidiaries recognized the consideration for conversion rights by computing the issuance price of the convertible bonds less the market price of straight bonds as of the issuance date of the convertible bonds. The consideration for conversion rights is recorded in other capital surplus when the bonds are issued and it will be credited to additional paid-in capital if the right is exercised. Reconciliation for conversion rights is presented as a deduction from the bonds and the redemption premium, if any, is added to the debentures. In accordance with SKAS No. 9, the convertible bonds issued before December 31, 2002 are reported in accordance with the previous accounting standards for convertible bonds.

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(4) Interest income recognition

The Company and its subsidiaries recognize interest income on loans on the accrual basis, except for interest income on loans having overdue interest and principal, and loans to customers who are bankrupt. When a loan is reclassified as a non-interest-accrued loan, accrued interest income recorded in prior periods is reversed and future interest income is recognized on a cash basis.

(5) Allowance for possible losses on credits

a. Financial Supervisory Service regulatory criteria.

The Company and its subsidiaries record the allowance for possible loan losses in accordance with Practice Statement in Financial Reporting 2004-2, Accounting of allowance for possible losses on credits for financial institutions issued by the Financial Supervisory Service.

The Company and its subsidiaries classify corporate credits based on the borrowers' capacity to repay in consideration of the borrowers' business operations, financial position and future cash flows, past due period and status of any bankruptcy proceedings. Credits to small companies and households, however, are classified by past due period and status of bankruptcy proceedings and not by evaluating the debt repayment capability of a borrower or customer. The Company and its subsidiaries classify all credits to a single borrower in the same category of classification, but credits guaranteed or credits collateralized by bank deposits, real estate and other assets may be classified differently based on the borrowers' guarantor's capability to service such guarantee or based on the value of collateral securing such credits.

The classifications of the loans pursuant to the policies of the Company and its subsidiaries, and the minimum allowance ratio of possible loan losses in accordance with the Banking Regulations in the Republic of Korea as of December 31, 2004 are as follows:

| <u>Classification</u> | <u>Loans to corporate</u> | <u>Loans to households</u> | <u>Credit card accounts</u> |
|-----------------------|-------------------------------|--------------------------------|---------------------------------|
| Normal | Not less than 0.5% | Not less than 0.75% | Not less than 1% |
| Precautionary | Not less than 2% | Not less than 8% | Not less than 12% |
| Substandard | Not less than 20% | Not less than 20% | Not less than 20% |
| Doubtful | Not less than 50% | Not less than 55% | Not less than 60% |
| Loss | 100% | 100% | 100% |

b. Criteria of allowance for possible losses on confirmed acceptances and guarantees

Confirmed acceptances and guarantees are classified using the same criteria for loan classification and provided more than 20% of allowance for confirmed acceptance and guarantees classified substandard, more than 50% for doubtful amounts and 100% for loss amounts. The allowance for possible losses on confirmed acceptances and guarantees is presented in other liabilities.

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(6) Restructuring of loans

In accordance with SKAS No. 13 Troubled Debt Restructurings, a loan whose contractual terms are modified in a troubled debt restructuring program is accounted for at present value of future cash flows in the revised contract discounted using the effective interest rate in the original contract. If the present value differs from the face value of the loan, it is recorded as an allowance for possible loan loss. In addition, the allowance for possible loan loss is recorded based on the observable market value of the loan, if available, or the fair value of collateral of the loan, if the collection of the loan is likely to be made through a disposition of collateral.

A loan to be exchanged with an equity security, of which the number of shares is determined, is recorded at the lower of fair value of the shares to be exchanged or net book value of the loan until it is actually converted. The valuation losses are recorded as an allowance for possible loan losses.

In accordance with the transitional provision of SKAS No. 13, the unamortized present value discount of loans, which was reported as a discount in conformity with the previous accounting standards in 2003, is reclassified to allowance for possible loan losses in the accompanying balance sheet as of December 31, 2003. However, there is no effect on the total assets and net assets as of December 31, 2003.

(7) Change in the accounting practice for gain (loss) on disposition of loan receivables

Prior to 2004???, as the Company and its subsidiaries sold loans at fair value based on independent appraisals, the gain (loss) on disposition was charged to the allowance for possible losses on loans and recorded in operating income. In accordance with the new accounting practice for gain (loss) on disposition of loan receivables, the Company and its subsidiaries record the gain (loss) in non-operating income (expense). As the result of retroactive adoption of this practice, the reclassification is summarized as follows (unit: Korean won in millions). There is no effect on net consolidated income and net equity in 2004 and 2003.

| | <u>Before</u> | <u>After</u> | |
|------|---|---|---|
| | <u>Provision for possible loan losses</u> | <u>Loss on disposition of loans</u> | <u>Gain on disposition of loans</u> |
| 2004 | 135,104 | 167,337 | 32,233 |
| 2003 | 200,902 | 254,518 | 53,616 |

(8) Valuation of receivables and payables at present value

Receivables and payables incurred through long-term installment transactions, long-term borrowing and lending transactions, and other similar transactions are stated at present value of expected future cash flows with the gain or loss on disposition of related receivables and payables reflected in current operations, unless the difference between nominal value and present value is immaterial. Present value discount or premium is amortized using the effective interest rate method with the amortization recorded as interest income or interest expense.

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(9) Tangible assets and depreciation

Tangible assets included in fixed assets are recorded at acquisition cost, except for assets revalued upward in accordance with the Asset Revaluation Law. Routine maintenance and repairs are expensed as incurred. Expenditures that result in enhancement of the value or extension of the useful lives of the facilities involved are capitalized as additions to tangible assets. The estimated useful lives and depreciation methodology applied by the Company and its subsidiaries are as follows:

| <u>Assets</u> | <u>Depreciation methodology</u> | <u>Estimated useful lives</u> |
|----------------------------|--|-------------------------------|
| Buildings | Straight line method | 20~50 years |
| Structure in leased office | Straight line method | 4~5, 40 years |
| Other operating assets | Declining method or straight line method | 4~20 years |
| Leased assets | Declining method | 5 year |

(10) Intangible assets and amortization

Intangible assets included in fixed assets are recorded at the production cost or acquisition cost, plus incidental expenses. Expenditures incurred in conjunction with development of new products or technology and others, in which the elements of costs can be individually identified and future economic benefits are probably expected, are capitalized as development costs under intangible assets. If the Company or its subsidiaries donate assets such as buildings to the national government or to the local government and is given a right to use or benefit from the assets, the donated assets are recorded as beneficial donated assets under intangible assets. Intangible assets are amortized using the straight-line method over the estimated useful lives or contractual benefit period.

(11) Valuation allowance for non-business use property

Non-business use property included in fixed assets is recorded when the Company acquires collateral by foreclosure. If the auction-bidding price is lower than book value, the difference is provided as a valuation allowance with the valuation loss charged to current operations.

(12) Amortization of discount (premium) on debentures

Discounts or premiums on debentures issued are accreted or amortized over the period from issuance to maturity using the effective interest rate method. Accretion or amortization of discounts or premiums is recognized as interest expense or interest income on the debentures.

(13) Recognition of asset impairment

When the book value of assets (except for trading securities, investment securities and assets valued at present value) exceeds the recoverable value of the assets due to obsolescence, physical damage or a sharp decrease in market value and the difference is material, those assets are adjusted to recoverable value in the balance sheet with the resulting impairment loss charged to current operations. If the recoverable value of assets increases in subsequent years, the increase in value is credited to

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operations as a gain until the recoverable value equals the book value of the assets before the impairment loss was recognized.

(14) Accrued severance benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company and its subsidiaries. The accrued severance benefits that would be payable assuming all eligible employees and directors were to terminate as of December 31, 2004 and 2003 amount to (Won) 365,154 million (US\$ 349,831 thousand) and (Won) 219,672 million (US\$210,454 thousand), respectively (Note 22).

(15) Bonds under resale or repurchase agreements

Bonds purchased under resale agreements are recorded as loans and bonds sold under repurchase agreements are recorded as borrowings when the Company's subsidiaries purchase or sell securities under resale or repurchase agreements.

(16) Accounting for derivative instruments

Derivative instruments are classified as either trading or hedging depending on their transaction purpose. Derivative instruments are accounted for at fair value with the valuation gain or loss recorded as assets or liabilities. The accounting for derivative transactions that are part of a qualified hedge, which is determined based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting, differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations.

Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustment is added to or deducted from the asset or the liability.

(17) Income tax expense

Income tax expense consists of the amount currently payable and changes for the year in deferred income tax assets and liabilities. However, deferred income tax assets are recognized only if the future tax benefits from accumulated temporary differences and tax loss carry forwards are realizable. Deferred income tax assets or liabilities are to be offset against income tax assets and liabilities in next

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periods. The deferred income tax assets and liabilities from the individual financial statements of consolidated subsidiaries are not netted against each other in the accompanying balance sheets.

(18) Accounting for foreign currency translation

The Korean won equivalent of assets and liabilities denominated in foreign currencies are translated in these consolidated financial statements based on Base Rate announced by Seoul Money Brokerage Service Ltd. ((Won) 1,043.80 and (Won) 1,197.80 to \$1.00 at December 31, 2004 and 2003, respectively) or cross rates as of the balance sheets date. Translation gains and losses on foreign currencies denominated assets and liabilities are credited or charged to operations.

(19) Stock options

The Company and its subsidiaries value the stock options at fair value. The fair value of stock options is charged to compensation expense (included in administration expense) in the consolidated statement of income and credited to capital adjustment in the consolidated balance sheet over the contract term of the services provided.

(20) Earnings per common share

Basic ordinary income per common share and basic net income per common share are computed by dividing the ordinary income (after deducting the tax effect) and net income, respectively, by the weighted average number of common shares outstanding during the year.

Diluted ordinary income per common share and diluted earnings per common share are computed by dividing the ordinary income and net income including the effects of expenses related to diluted securities on net income by the weighted average number of common shares plus the number of dilutive potential common shares.

Table of Contents**3. CASH AND DUE FROM BANKS**

(1) Cash and due from banks as of December 31, 2004 and 2003 are as follows:

| | Korean won | | U.S. dollars (Note 2) | |
|--|-----------------|-----------------|-----------------------|----------------|
| | Dec. 31, 2004 | Dec. 31, 2003 | Dec. 31, 2004 | Dec. 31, 2003 |
| | (In millions) | | (In thousands) | |
| Cash | (Won) 2,080,827 | (Won) 2,140,506 | US\$ 1,993,511 | US\$ 2,050,686 |
| Foreign currencies | 168,289 | 153,004 | 161,227 | 146,584 |
| Due from banks in local currency | | | | |
| Due from Bank of Korea | 1,900,388 | 2,634,748 | 1,820,644 | 2,524,189 |
| Due from depository institutions | 816,815 | 718,245 | 782,540 | 688,106 |
| Due from non-depository financial institutions | 60,000 | 19,950 | 57,482 | 19,113 |
| Due from the Korea Stock Exchange | 1,261,198 | 146,450 | 1,208,276 | 140,305 |
| Others | 44,772 | 52,410 | 42,893 | 50,210 |
| | 4,083,173 | 3,571,803 | 3,911,835 | 3,421,923 |
| Due from banks in foreign currencies | | | | |
| Due from banks on demand | 199,829 | 372,607 | 191,444 | 356,972 |
| Due from banks on time | 206,336 | 97,281 | 197,678 | 93,199 |
| Off-shore due from financial institutions | 106,130 | 130,737 | 101,677 | 125,251 |
| Others | 5,531 | 5,917 | 5,298 | 5,668 |
| | 517,826 | 606,542 | 496,097 | 581,090 |
| | (Won) 6,850,115 | (Won) 6,471,855 | US\$ 6,562,670 | US\$ 6,200,283 |

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(2) Restricted due from banks as of December 31, 2004 and 2003 are as follows (unit: Korean won in millions):

| Financial institution | Dec. 31, 2004 | Dec. 31, 2003 | Reason of restriction |
|--|--------------------------|--------------------------|--------------------------------------|
| Due from banks in local currency | | | |
| Bank of Korea | (Won) 1,900,388 | (Won) 2,634,748 | Banking law |
| Korea Stock Exchange and others | 5,845 | 400 | Indemnity fund and others |
| Korea Securities Finance Corporation and others | 1,260,881 | 146,450 | Regulation of securities supervision |
| Korea Securities Depository | 315 | 190 | Indemnity fund and others |
| Samsung Securities and others | 23,166 | | Subscription for futures |
| ING Bank | 39,798 | | Collateral for borrowing |
| Others | 565 | 48 | Collateral for guarantees and others |
| | <u>3,230,958</u> | <u>2,781,836</u> | |
| Due from banks in foreign currencies | | | |
| Bank of Korea | 68,621 | 209,230 | Banking law |
| Bank of Japan | 316 | 970 | Reserve deposits on overseas banks |
| Lehman Brothers | 25,217 | 47,912 | Collateral for credit derivatives |
| Bangladesh Bank and others | 17,471 | 17,966 | Reserve deposits on overseas banks |
| Bank of Indonesia and others | 7,689 | 6,964 | Reserve deposits on overseas banks |
| Federal Reserve Bank (FRB) | | 3,593 | Guarantee for FRB discount window |
| Industrial & Commercial Bank of China and others | 16,792 | 17,841 | Reserve deposits on overseas banks |
| Federal Tennessee National Bank | | 11,978 | Line of credit |
| HSBC | 913 | | Collateral for guarantees |
| Broadcorf Capital | 2,402 | | Collateral for overdraft |
| | <u>139,421</u> | <u>316,454</u> | |
| | <u>(Won) 3,370,379</u> | <u>(Won) 3,098,290</u> | |

(3) The maturity structure of due from bank as of December 31, 2004 is as follows (unit: Korean won in billions):

| | Less than 3 months | Less than 6 months | Less than 1 year | Less than 3 years | More than 3 years | Total |
|--------------------------------------|-------------------------------|-------------------------------|-----------------------------|------------------------------|------------------------------|--------------------|
| Due from banks in local currency | (Won) 1,991 | (Won) 261 | (Won) 209 | (Won) 2 | (Won) 1,620 | (Won) 4,083 |
| Due from banks in foreign currencies | 443 | 31 | 3 | 25 | 16 | 518 |
| | <u>(Won) 2,434</u> | <u>(Won) 292</u> | <u>(Won) 212</u> | <u>(Won) 27</u> | <u>(Won) 1,636</u> | <u>(Won) 4,601</u> |

Table of Contents**4. TRADING SECURITIES**

(1) Trading securities as of December 31, 2004 and 2003 are as follows:

| | Korean won | | U.S. dollars (Note 2) | |
|--------------------------|-----------------|-----------------|-----------------------|----------------|
| | Dec. 31, 2004 | Dec. 31, 2003 | Dec. 31, 2004 | Dec. 31, 2003 |
| <In local currency> | (In millions) | | (In thousands) | |
| Equity securities | (Won) 252,206 | (Won) 108,091 | US\$ 241,622 | US\$ 103,555 |
| Government bonds | 2,652,352 | 684,432 | 2,541,055 | 655,712 |
| Financial debentures | 1,947,298 | 626,851 | 1,865,586 | 600,547 |
| Corporate bonds | 768,316 | 580,765 | 736,075 | 556,395 |
| Beneficiary certificates | 316,444 | 600,471 | 303,165 | 575,274 |
| Others | 705,487 | 103,017 | 675,884 | 98,694 |
| | 6,642,103 | 2,703,627 | 6,363,387 | 2,590,177 |
| <In foreign currencies> | | | | |
| Equity securities | 11,534 | | 11,050 | |
| Bonds and others | 47,536 | 24,216 | 45,541 | 23,200 |
| | 59,070 | 24,216 | 56,591 | 23,200 |
| | (Won) 6,701,173 | (Won) 2,727,843 | US\$ 6,419,978 | US\$ 2,613,377 |

(2) The details of trading securities as of December 31, 2004 and 2003 are as follows (unit: Korean won in millions):

| | Face value | Acquisition cost | Fair value |
|--------------------------|-----------------|------------------|-----------------|
| <2004> | | | |
| <In local currency> | | | |
| Equity securities | | (Won) 232,624 | (Won) 252,206 |
| Government bonds | (Won) 2,450,090 | 2,642,818 | 2,652,352 |
| Financial debentures | 1,939,805 | 1,939,818 | 1,947,298 |
| Corporate bonds | 815,467 | 813,921 | 768,316 |
| Beneficiary certificates | | 386,945 | 316,444 |
| Others | | 707,385 | 705,487 |
| | | 6,723,511 | 6,642,103 |
| <In foreign currencies> | | | |
| Equity securities | | 11,534 | 11,534 |
| Bonds and others | 47,411 | 50,044 | 47,536 |
| | | 61,578 | 59,070 |
| | | (Won) 6,785,089 | (Won) 6,701,173 |

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| | Face value | Acquisition cost | Fair value |
|--------------------------|---------------|---------------------|-----------------|
| <2003> | | | |
| <In local currency> | | | |
| Equity securities | | (Won) 99,136 | (Won) 108,091 |
| Government bonds | (Won) 692,270 | 686,287 | 684,432 |
| Financial debentures | 652,012 | 640,267 | 626,851 |
| Corporate bonds | 583,273 | 581,104 | 580,765 |
| Beneficiary certificates | | 574,147 | 600,471 |
| Others | | 102,137 | 103,017 |
| | | 2,683,078 | 2,703,627 |
| <In foreign currencies> | | | |
| Bonds | 24,332 | 24,245 | 24,216 |
| | | (Won) 2,707,323 | (Won) 2,727,843 |

5. AVAILABLE-FOR-SALE SECURITIES

(1) Available-for-sale securities as of December 31, 2004 and 2003 are as follows:

| | Korean won | | U.S. dollars (Note 2) | |
|--------------------------|------------------|------------------|-----------------------|-----------------|
| | Dec. 31, 2004 | Dec. 31, 2003 | Dec. 31, 2004 | Dec. 31, 2003 |
| | (In millions) | | (In thousands) | |
| <In local currency> | | | | |
| Equity securities | (Won) 1,856,397 | (Won) 1,149,975 | US\$ 1,778,499 | US\$ 1,101,720 |
| Capital contributions | 36,835 | 58,905 | 35,289 | 56,433 |
| Government bonds | 898,020 | 728,525 | 860,337 | 697,955 |
| Financial debentures | 4,641,735 | 4,626,482 | 4,446,958 | 4,432,345 |
| Corporate bonds | 3,919,329 | 4,004,416 | 3,754,866 | 3,836,382 |
| Beneficiary certificates | 122,378 | 2,097,998 | 117,243 | 2,009,962 |
| Other | 59,255 | 140,317 | 56,768 | 134,429 |
| | 11,533,949 | 12,806,618 | 11,049,960 | 12,269,226 |
| <In foreign currencies> | | | | |
| Equity securities | 536 | 7,297 | 514 | 6,991 |
| Bonds | 1,037,133 | 1,330,563 | 993,613 | 1,274,730 |
| | 1,037,669 | 1,337,860 | 994,127 | 1,281,721 |
| | (Won) 12,571,618 | (Won) 14,144,478 | US\$ 12,044,087 | US\$ 13,550,947 |

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(2) Details of equity securities in available-for-sale securities as of December 31, 2004 and 2003 are as follows (unit: Korean won in millions):

| | No. of shares owned | Percentage of ownership (%) | Acquisition cost | Net asset value/market value | Book value |
|---|------------------------|-----------------------------------|---------------------|------------------------------------|------------------|
| <2004> | | | | | |
| <Marketable equity Securities> | | | | | |
| Kia Motors Corporation | 201,301 | 0.06 | (Won) 2,852 | (Won) 2,194 | (Won) 2,194 |
| Daerim Corporation (*1) | 5,217 | 20.52 | 14,022 | 35,632 | 35,632 |
| Daewoo Engineering & Construction Co., Ltd. | 19,022 | 5.61 | 73,371 | 120,029 | 120,029 |
| Daewoo International Corporation | 1,875 | 1.97 | 4,602 | 19,497 | 19,497 |
| Ssangyong Engineering & Construction Co., Ltd. | 192 | 0.65 | 5,907 | 1,281 | 1,281 |
| Ssangyong Cement Industrial Co., Ltd. | 885,917 | 0.24 | 1,707 | 1,432 | 1,432 |
| Ssangyong Motor Company | 39,833 | 6.06 | 32,601 | 43,915 | 43,915 |
| LG Insurance Co., Ltd. | 1,665 | 2.78 | 11,098 | 9,491 | 9,491 |
| KP Chemical Corporation | 8,383 | 8.63 | 17,256 | 41,497 | 41,497 |
| Kocref-Cr-Reit 1 (*2) | 403,700 | 15.41 | 20,500 | 26,855 | 26,855 |
| Hynix Semiconductor Inc. | 3,327,374 | 11.25 | 182,643 | 475,802 | 474,821 |
| Hyundai Eng. & Const. Co., Ltd. | 15,952 | 14.61 | 232,204 | 248,061 | 248,061 |
| Hyundai Corporation (*1) | 3,923 | 17.09 | 10,015 | 13,495 | 13,495 |
| LG Card Co., Ltd. | 53,146 | 10.28 | 65,925 | 211,415 | 211,415 |
| SK Networks Co., Ltd. | 11,009 | 3.10 | 47,265 | 74,155 | 74,155 |
| Others | | | 117,770 | 79,920 | 79,830 |
| | | | 839,738 | 1,404,671 | 1,403,600 |
| <Non-marketable securities> | | | | | |
| Stocks subject to fair value valuation; | | | | | |
| The Kyongnam Shinmun | 300,000 | 12.63 | 1,070 | 1,054 | 1,054 |
| Korea Housing Guarantee Co., Ltd. | 5,006,940 | 0.82 | 5,753 | 11,771 | 11,771 |
| Renault Samsung Motors Co., Ltd. | 142,103 | 0.16 | 524 | 922 | 922 |
| Moogoonghwa Restructuring Fund | 5,400 | 8.10 | 12,611 | 9,509 | 9,509 |
| Seoul Debt Restructuring Fund | 9,800 | 8.18 | 12,010 | 8,510 | 8,510 |
| Shinwoo Corporate Restructuring Vehicles | 25 | 4.44 | 1,266 | 435 | 435 |
| Arirang Restructuring Fund | 5,400 | 8.10 | 14,806 | 10,757 | 10,757 |
| Korea Securities Finance Corporation | 8,818 | 12.97 | 44,781 | 55,136 | 47,985 |
| Korea Aerospace Industries Ltd. | 4,468 | 4.83 | 22,338 | 16,539 | 16,539 |
| SK Networks Co., Ltd. (preferred stock) | 920 | 0.27 | 33,957 | 50,865 | 50,865 |
| Others | | | 59,901 | 84,662 | 84,662 |
| Stocks excluded from fair value valuation; | | | | | |
| Kwangju Information Center | 42 | 10.00 | 210 | 210 | 210 |
| Realty Advisor Korea | 200,000 | 14.29 | 1,000 | 728 | 1,000 |
| ChonNam Corporation Co., Ltd. | 60 | 9.77 | 300 | 300 | 300 |

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| | No. of shares owned | Percentage | Acquisition cost | Net asset | | Book Value |
|---|------------------------|--------------|---------------------|-----------------|-----------------|------------|
| | | of ownership | | value/market | | |
| | | (%) | | value | | |
| <2004> | | | | | | |
| KOSDAQ Stock MKT | 112 | 2.66 | (Won) 560 | (Won) 3,812 | (Won) 3,812 | |
| The Korea Economics | 540 | 4.33 | 2,709 | 1,439 | 1,439 | |
| Kyongnam Trading Inc. | 60,000 | 10.00 | 300 | 450 | 300 | |
| Kohap Corp. | 574,200 | 1.54 | | | | |
| Kyobo Investment Trust Management | 300 | 5.00 | 1,500 | 2,553 | 2,553 | |
| Kookmin Asset Invest Trust Co., Ltd. | 24 | 1.32 | 236 | 1,563 | 1,563 | |
| KiHyup Technology Banking Corp. | 400 | 6.90 | 2,000 | 2,295 | 2,295 | |
| My Asset Invest Management Advisory Co., Ltd. | 230,000 | 7.45 | 1,150 | 650 | 1,150 | |
| Samsung Life Insurance Co., Ltd. | 59,601 | 2.78 | 159,262 | 278,604 | 159,262 | |
| I Venture Capital | 140,000 | 7.00 | 700 | 642 | 700 | |
| I Investment Trust Management | 100,000 | 3.16 | 500 | 408 | 500 | |
| Eagon Floor Co., Ltd. | 80 | 8.00 | 1,360 | 1,212 | 1,212 | |
| Taekwang Investment Trust Management Co., Ltd. | 100,000 | 5.00 | 500 | 598 | 500 | |
| Korea Securities Depository | 124 | 2.07 | 1,094 | 7,161 | 7,161 | |
| Korea Securities Computer Corporation | 218 | 4.07 | 1,097 | 4,925 | 4,925 | |
| Korea ECN Securities Co., Ltd. | 159,999 | 3.12 | 800 | 416 | 800 | |
| Badbank Harmony (preferred stock) | 219 | | 219 | | 219 | |
| Capital Partner | 100,000 | 7.1 | 500 | 555 | 500 | |
| CJ Investment Securities Co., Ltd. | 317,777 | 0.61 | 407 | 133 | 133 | |
| KIDB Bonds Brokerage Corp. | 100,000 | 12.50 | 500 | 589 | 500 | |
| MVP Capital | 200,000 | 10.00 | 1,000 | 1,075 | 1,000 | |
| Others | | | 255,089 | 24,830 | 17,754 | |
| | | | 642,010 | 585,308 | 452,797 | |
| | | | (Won) 1,481,748 | (Won) 1,989,979 | (Won) 1,856,397 | |

(*1) Not accounted for using the equity method of accounting since these investees are under corporate restructuring and the Company and its subsidiaries do not have significant influence over the investees.

(*2) Not accounted for using the equity method of accounting since the Company and its subsidiaries have no voting rights.

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| | No. of shares owned | Percentage of ownership (%) | Acquisition cost | Net asset value/market value | Book value |
|--|------------------------|-----------------------------------|---------------------|------------------------------------|-------------|
| <2003> | | | | | |
| <Marketable equity securities> | | | | | |
| Kia Motors Corporation | 201 | 0.05 | (Won) 2,852 | (Won) 2,194 | (Won) 2,194 |
| Kia Steel Co., Ltd. | 16 | 0.04 | 209 | 158 | 158 |
| Nam-Kwang Engineering & Construction Co., Ltd. | 642 | 2.53 | 3,212 | 1,522 | 1,522 |
| Daerim Corporation (*1) | 2,669 | 23.20 | 6,981 | 10,675 | 10,675 |
| Daewoo Engineering & Construction Co., Ltd. | 19,022 | 5.80 | 73,371 | 105,953 | 105,953 |
| Daewoo International Corporation | 1,875 | 2.00 | 4,602 | 13,685 | 13,685 |
| Daewoo Precision Industries Co., Ltd. | 736 | 7.60 | 3,057 | 11,410 | 11,410 |
| Daewoo Securities Co. Ltd. | 3,130 | 1.50 | 55,215 | 13,303 | 13,303 |
| Ssangyong Corporation (*1) | 2,831 | 16.30 | 38,821 | 11,040 | 11,040 |
| Ssangyong Engineering & Construction Co., Ltd. | 74 | 0.25 | 202 | 176 | 176 |
| Ssangyong Cement Industrial Co., Ltd. | 886 | 0.41 | 1,084 | 1,302 | 1,302 |
| Ssangyong Motor Company | 3,433 | 3.10 | 9,512 | 35,355 | 35,355 |
| Woobang Housing & Construction Co., Ltd. | 515 | 3.96 | 2,474 | 598 | 598 |
| KP Chemical Corporation (*1) | 15,819 | 16.72 | 25,412 | 32,350 | 32,350 |
| Kocref Cr- Reit 1 | 4,100 | 15.40 | 20,500 | 21,197 | 21,197 |
| Kocref Cr- Reit 2 | 1,400 | 12.50 | 7,000 | 6,958 | 6,958 |
| Kocref Cr- Reit 3 | 2,000 | 14.70 | 10,000 | 10,200 | 10,200 |
| Hynix Semiconductor Inc. | 64,529 | 13.60 | 248,060 | 361,360 | 361,360 |
| HanKang Restructuring Fund | 4,160 | 3.30 | 7,392 | 7,571 | 7,571 |
| Hyundai Eng & Const Co., Ltd. | 14,235 | 9.56 | 130,943 | 52,572 | 52,572 |
| Hyundai Corporation (*1) | 3,923 | 17.10 | 10,015 | 11,847 | 11,847 |
| INI Steel Co., Ltd. | 175 | 0.20 | 628 | 1,839 | 1,839 |
| SK Networks Co., Ltd. | 13,691 | 4.10 | 27,383 | 46,784 | 46,784 |
| YTN | 3,190 | 7.60 | 15,950 | 4,594 | 4,594 |
| Others | | | 44,188 | 18,341 | 18,341 |
| | | | 749,063 | 782,984 | 782,984 |

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| | No. of shares owned | Percentage of ownership (%) | Acquisition cost | Net asset value/market value | Book value |
|---|------------------------|-----------------------------------|---------------------|------------------------------------|-----------------|
| <2003> | | | | | |
| <Non-marketable equity securities> | | | | | |
| The Kyongnam Shinmun | 200 | 14.07 | 970 | 1,072 | 970 |
| Korea Housing Guarantee Co., Ltd. | 5,007 | 0.86 | 5,053 | 8,782 | 3,504 |
| DongWon Capital Co., Ltd. | 1,200 | 9.23 | 6,000 | 4,687 | 4,687 |
| Renault Samsung Motors Co., Ltd. | 142 | 0.16 | 524 | 792 | 524 |
| Realty Advisors | 200 | 14.28 | 1,000 | 798 | 1,000 |
| My Asset Investment Management Advisory Co., Ltd. | 230 | 7.45 | 1,150 | 689 | 1,150 |
| Moogoonghwa Restructuring Fund | 5,400 | 8.13 | 17,156 | 13,443 | 13,443 |
| Samsung Life Insurance Co., Ltd. | 555 | 2.80 | 159,262 | 216,688 | 159,262 |
| Seoul Debt Restructuring Fund | 9,800 | 8.23 | 15,248 | 13,974 | 13,974 |
| Arirang Restructuring Fund | 5,400 | 8.13 | 17,372 | 15,216 | 15,216 |
| CJ Investment Trust & Securities Co., Ltd. | 318 | 0.61 | 1,189 | 407 | 407 |
| K-WON | 200 | 2.00 | (Won) 1,000 | (Won) 1,298 | (Won) 1,298 |
| Kiwoon.com Securities Co., Ltd. | 180 | 1.80 | 900 | 1,000 | 900 |
| Korea Securities Corporation | 5,908 | 8.68 | 30,356 | 39,833 | 30,356 |
| Korea Aerospace Industries, Ltd. (Preferred stocks) | 4,468 | 4.80 | 22,338 | 14,842 | 14,842 |
| Korea ECN Securities Co., Ltd. | 160 | 3.12 | 800 | 603 | 800 |
| Capital Partner | 100 | 7.10 | 500 | 456 | 900 |
| MVP capital | 200 | 10.00 | 1,000 | 1,078 | 1,000 |
| SK Networks Co., Ltd. (Preferred stocks) | 1,433 | 0.40 | 28,663 | 42,575 | 42,575 |
| Others | | | 105,523 | 69,372 | 60,183 |
| | | | 416,004 | 447,605 | 366,991 |
| | | | (Won) 1,165,067 | (Won) 1,230,589 | (Won) 1,149,975 |

(*1) Not accounted for using the equity method of accounting since these investees are under corporate restructuring and the Company and its subsidiaries do not have significant influence over the investees.

(*2) Not accounted for using the equity method of accounting since the Company and its subsidiaries have no voting rights.

(3) Details of capital contribution in available-for-sale securities as of December 31, 2004 and 2003 are as follows (unit: Korean won in millions):

| | Dec. 31, 2004 | | Dec. 31, 2003 | |
|---------------------------------|-------------------------------|-------------|-------------------------------|-------------|
| | Percentage of ownership(%) | Book value | Percentage of ownership(%) | Book value |
| Korea Stock Exchange | 6.96 | (Won) 4,096 | 3.38 | (Won) 2,438 |
| Stock Market Stabilization Fund | 6.89 | 11,777 | 12.05 | 35,736 |
| Korea Futures Exchange | 0.4 | 3,000 | | |
| Korea Asset Management Corp. | 4.29 | 6,923 | 4.33 | 6,473 |
| LG Investment Seventh Fund | 8 | 1,000 | | |

| | | |
|--------|---------------------|---------------------|
| Others | <u>10,039</u> | <u>14,258</u> |
| | <u>(Won) 36,835</u> | <u>(Won) 58,905</u> |

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- (4) Details of debt securities in available-for-sale securities as of December 31, 2004 and 2003 are as follows (unit: Korean won in millions):

| | <u>Face value</u> | <u>Acquisition cost</u> | <u>Fair value</u> |
|----------------------|------------------------|-------------------------|------------------------|
| <2004> | | | |
| Government bonds | (Won) 874,903 | (Won) 894,999 | (Won) 898,020 |
| Financial debentures | 4,650,524 | 4,594,179 | 4,641,735 |
| Corporate bonds | 3,969,373 | 3,949,263 | 3,919,329 |
| | <u>(Won) 9,494,800</u> | <u>(Won) 9,438,441</u> | <u>(Won) 9,459,084</u> |
| | | | |
| | <u>Face value</u> | <u>Acquisition cost</u> | <u>Fair value</u> |
| <2003> | | | |
| Government bonds | (Won) 721,846 | (Won) 733,431 | (Won) 728,525 |
| Financial debentures | 4,778,739 | 4,631,486 | 4,626,482 |
| Corporate bonds | 4,331,049 | 4,229,712 | 4,004,416 |
| | <u>(Won) 9,831,634</u> | <u>(Won) 9,594,629</u> | <u>(Won) 9,359,423</u> |

- (5) Details of beneficial certificates in available-for-sale securities as of December 31, 2004 and 2003 are as follows (unit: Korean won in millions):

| | <u>Dec. 31, 2004</u> | | <u>Dec. 31, 2003</u> |
|--------------------------------------|-------------------------|----------------------|------------------------|
| | <u>Acquisition cost</u> | <u>Fair value</u> | <u>Fair value</u> |
| Management | | | |
| Kyobo Investment Trust Management | (Won) 770 | (Won) 845 | (Won) 61,482 |
| Daehan Investment Trust Management | | | 20,483 |
| Deutsche Securities Korea Co. | | | 61,771 |
| Dongbu Securities | 138 | 180 | |
| Dongwon Investment Trust Management | | | 77,687 |
| Landmark Investment Trust Management | 2,794 | 2,794 | |
| Korea Development Bank | 54,011 | 49,691 | |
| KDB Asset Management | 4,219 | 4,643 | |
| LG Investment Trust Management | 222 | 335 | |
| Korea Foreign Exchange Bank | 6,015 | 5,635 | |
| Woori Investment Trust Management | 37,506 | 43,157 | 1,386,716 |
| I Investment Trust Management | | | 60,141 |
| Korea Investment Trust Management | | | 649 |
| Hanil Investment Trust Management | 9,193 | 8,083 | |
| Hyundai Investment Trust Management | | | 176 |
| CJ Investment Trust Management | 2,051 | 4,765 | |
| Others | 2,789 | 2,250 | 428,893 |
| | <u>(Won) 119,708</u> | <u>(Won) 122,378</u> | <u>(Won) 2,097,998</u> |

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- (6) Details of other available-for-sale securities as of December 31, 2004 are as follows (unit: Korean won in millions):

| | <u>Acquisition cost</u> | <u>Fair value</u> |
|---------------------------------|-------------------------|---------------------|
| Bills bought in local currency | (Won) 41,971 | (Won) 41,525 |
| Commercial paper | 2,356 | 1,944 |
| Corporate restructuring vehicle | 19,226 | 15,786 |
| | <u>(Won) 63,553</u> | <u>(Won) 59,255</u> |

- (7) Details of available-for-sales securities in foreign currencies as of December 31, 2004 and 2003 are as follows (unit: Korean won in millions):

| | <u>Face value</u> | <u>Acquisition cost</u> | <u>Fair value</u> |
|---------------------|-------------------|-------------------------|------------------------|
| <2004> | | | |
| Equity securities | | (Won) 1,899 | (Won) 536 |
| Bonds | (Won) 1,229,648 | 1,126,751 | 1,037,133 |
| | | <u>(Won) 1,128,650</u> | <u>(Won) 1,037,669</u> |

| | <u>Face value</u> | <u>Acquisition cost</u> | <u>Fair value</u> |
|---------------------|-------------------|-------------------------|------------------------|
| <2003> | | | |
| Equity securities | | (Won) 39,957 | (Won) 7,297 |
| Bonds | (Won) 1,366,521 | 1,332,061 | 1,330,563 |
| | | <u>(Won) 1,372,018</u> | <u>(Won) 1,337,860</u> |

6. HELD-TO-MATURITY SECURITIES

- (1) Held-to-maturity securities as of December 31, 2004 and 2003 and are as follows:

| | <u>Korean won</u> | | <u>U.S. dollars (Note 2)</u> | |
|-------------------------------|---------------------|----------------------|------------------------------|----------------------|
| | <u>Dec 31, 2004</u> | <u>Dec. 31, 2003</u> | <u>Dec. 31, 2004</u> | <u>Dec. 31, 2003</u> |
| | (In millions) | | (In thousands) | |
| <Bonds in local currency> | | | | |
| Government bonds | (Won) 2,189,077 | (Won) 1,728,484 | US\$ 2,097,219 | US\$ 1,655,953 |
| Financial debentures | 786,127 | 1,067,045 | 753,139 | 1,022,270 |
| Corporate bonds | 5,159,687 | 6,830,143 | 4,943,176 | 6,543,536 |
| Other | 16,200 | | 15,520 | |
| <Bonds in foreign currencies> | 313,611 | 263,061 | 300,451 | 252,022 |
| <Loaned securities> | 20,578 | 103,181 | 19,715 | 98,852 |

| | | | |
|-----------------|-----------------|----------------|----------------|
| (Won) 8,485,280 | (Won) 9,991,914 | US\$ 8,129,220 | US\$ 9,572,633 |
|-----------------|-----------------|----------------|----------------|

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(2) Details of held-to-maturity securities as of December 31, 2004 and 2003 are as follows (unit: Korean won in millions):

| <u><2004></u> | <u>Face value</u> | <u>Acquisition cost</u> | <u>Amortized cost (book value)</u> | <u>Fair value</u> |
|--|-------------------------|-------------------------|--|-------------------------|
| <Bonds in local currency> | | | | |
| Government bonds | (Won) 2,290,565 | (Won) 2,139,126 | (Won) 2,189,077 | (Won) 2,429,709 |
| Financial debentures | 787,000 | 776,279 | 786,127 | 796,795 |
| Corporate bonds | 5,151,652 | 5,166,938 | 5,159,687 | 5,334,265 |
| Other | 20,000 | 16,200 | 16,200 | 16,200 |
| | <u>8,249,217</u> | <u>8,098,543</u> | <u>8,151,091</u> | <u>8,576,969</u> |
| <Bonds in foreign currencies> | | | | |
| Foreign government bonds | 25,453 | 27,201 | 25,489 | 25,489 |
| Other | 314,274 | 314,953 | 288,122 | 288,122 |
| | <u>339,727</u> | <u>342,154</u> | <u>313,611</u> | <u>313,611</u> |
| <Loaned securities> | | | | |
| | <u>20,578</u> | <u>20,578</u> | <u>20,578</u> | <u>20,578</u> |
| | <u>(Won) 8,609,522</u> | <u>(Won) 8,461,275</u> | <u>(Won) 8,485,280</u> | <u>(Won) 8,911,158</u> |
| | | | | |
| <u><2003></u> | <u>Face value</u> | <u>Acquisition cost</u> | <u>Amortized cost (book value)</u> | <u>Fair value</u> |
| <Bonds in local currency> | | | | |
| Government bonds | (Won) 1,823,300 | (Won) 1,707,436 | (Won) 1,728,484 | (Won) 1,794,580 |
| Financial debentures | 1,094,500 | 1,065,463 | 1,067,045 | 1,068,320 |
| Corporate bonds | 6,899,162 | 6,900,729 | 6,830,143 | 7,085,274 |
| | <u>9,816,962</u> | <u>9,673,628</u> | <u>9,625,672</u> | <u>9,948,174</u> |
| <Bonds in foreign currencies> | | | | |
| | 291,153 | 290,522 | 263,061 | 263,061 |
| <Loaned securities> | | | | |
| | 103,181 | 103,181 | 103,181 | 108,353 |
| | <u>(Won) 10,211,296</u> | <u>(Won) 10,067,331</u> | <u>(Won) 9,991,914</u> | <u>(Won) 10,319,588</u> |

7. EQUITY LINKED SECURITIES

The equity linked securities as of December 31, 2004 are as follows (unit: Korean won in millions):

| | <u>Acquisition cost</u> | <u>Fair value</u> |
|--------------------------|-------------------------|-------------------|
| Equity linked securities | (Won) 594,048 | (Won) 609,557 |

Table of Contents**8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

- (1) Details of valuation of investment equity securities accounted for using the equity method of accounting for the year ended December 31, 2004 are as follows (unit: Korean won in millions):

| | Acquisition | | Gain (loss) | Other | Dec. 31, 2004 |
|---|---------------|---------------|--------------|---------------------|---------------|
| | cost | Jan. 1, 2004 | on valuation | increase (decrease) | |
| BC Card | (Won) 12,472 | (Won) 43,238 | (Won) 2,555 | (Won) (191) | (Won) 45,602 |
| Korea Finance Security | 1,452 | 1,656 | 346 | (70) | 1,932 |
| Byucksan E&C | 39,078 | 54,383 | 4,747 | (59,130) | |
| Kyongun Mutual Saving Bank | 599 | | (351) | 738 | 387 |
| Woo Bang Housing Co., Ltd. | 42,000 | | 142 | 42,000 | 42,142 |
| Connacht Capital | 17,897 | | | 17,897 | 17,897 |
| Athena Fund I | 9,543 | | | 9,543 | 9,543 |
| Athena Fund II | 3,632 | | | 3,632 | 3,632 |
| Woori LB First Asset Securitization Specialty | 2,400 | 12,189 | 8,286 | (9,193) | 11,282 |
| Woori LB Second Asset Securitization Specialty | 690 | 2,698 | 335 | (2,394) | 639 |
| Woori LB Third Asset Securitization Specialty | 2,070 | 2,086 | 129 | (932) | 1,283 |
| Woori LB Fourth Asset Securitization Specialty | 2,160 | 2,659 | 2,361 | (2,417) | 2,603 |
| Woori LB Fifth Asset Securitization Specialty | 11,700 | 11,582 | 6,008 | (2,630) | 14,960 |
| Woori LB Sixth Asset Securitization Specialty | 1,170 | 464 | 11,613 | (1,098) | 10,979 |
| Woori LB Eighth Asset Securitization Specialty | 600 | 848 | 668 | (1,163) | 353 |
| Woori F&I First Asset Securitization Specialty | 6,237 | 5,579 | (2,719) | | 2,860 |
| Woori F&I Second Asset Securitization Specialty | 5,265 | 2,833 | (1,812) | | 1,021 |
| Woori F&I Fourth Asset Securitization Specialty | 888 | 2,227 | 2,591 | (4,780) | 38 |
| Woori SB First Asset Securitization Specialty | 9,339 | | (691) | 9,204 | 8,513 |
| Woori SB Second Asset Securitization Specialty | 6,901 | | (521) | 6,885 | 6,364 |
| Woori BC Pegasus Asset Securitization Specialty | 2,908 | | 645 | 2,865 | 3,510 |
| | (Won) 179,001 | (Won) 142,442 | (Won) 34,332 | (Won) 8,766 | (Won) 185,540 |

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(2) Details of other increases or decreases for the year ended December 31, 2004 are as follows (unit: Korean won in millions):

| | Acquisition | | Capital | | Retained | Capital | | Total | | |
|---|--------------|------------------|---------------|-------|---------------|----------------|---------------|-------|-------|----------|
| | (disposal) | Reclassification | adjustment | | earnings | Dividends | reduction | | | |
| BC Card | (Won) | (Won) | (Won) | (191) | (Won) | (Won) | (Won) | (Won) | (Won) | (191) |
| Korea Finance Security | | | | | | | (70) | | | (70) |
| Byucksan E&C | (36,307) | (13,759) | (5,663) | | (1,698) | (1,703) | | | | (59,130) |
| Kyongseun Mutual Saving Bank | | 604 | | 134 | | | | | | 738 |
| Woo Bang Housing Co., Ltd. | 42,000 | | | | | | | | | 42,000 |
| Connacht Capital | 17,897 | | | | | | | | | 17,897 |
| Athena Fund (Won) | 9,543 | | | | | | | | | 9,543 |
| Athena Fund (Won) | 3,632 | | | | | | | | | 3,632 |
| Woori LB First Asset Securitization Specialty | | | | 4,155 | | (11,023) | (2,325) | | | (9,193) |
| Woori LB Second Asset Securitization Specialty | | | | | | (2,034) | (360) | | | (2,394) |
| Woori LB Third Asset Securitization Specialty | | | | | | (182) | (750) | | | (932) |
| Woori LB Fourth Asset Securitization Specialty | | | | (61) | | (2,356) | | | | (2,417) |
| Woori LB Fifth Asset Securitization Specialty | | | | | | (2,630) | | | | (2,630) |
| Woori LB Sixth Asset Securitization Specialty | | | | | | (1,098) | | | | (1,098) |
| Woori LB Eighth Asset Securitization Specialty | | | | | | (623) | (540) | | | (1,163) |
| Woori F&I Fourth Asset Securitization Specialty | | | | | | (3,925) | (855) | | | (4,780) |
| Woori SB First Asset Securitization Specialty | 9,339 | | | (135) | | | | | | 9,204 |
| Woori SB Second Asset Securitization Specialty | 6,901 | | | (16) | | | | | | 6,885 |
| Woori BC Pegasus Asset Securitization Specialty | 2,908 | | | (43) | | | | | | 2,865 |
| | (Won) 55,913 | (Won) (13,155) | (Won) (1,820) | | (Won) (1,698) | (Won) (25,644) | (Won) (4,830) | | (Won) | 8,766 |

(3) Changes in the difference between the acquisition cost and the proportionate net asset value on the acquisition date for the year ended December 31, 2004 are as follows (unit: Korean won in millions):

| | Jan. 1, 2004 | Increase | Amortization | Dec. 31, 2004 |
|--------------|--------------|----------|--------------|---------------|
| BC Card | (Won) 208 | (Won) | (Won) 208 | (Won) |
| Byucksan E&C | (36,096) | | (36,096) | |

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| | | | | |
|----------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Woo Bang Housing Co., Ltd. | | (52,874) | 142 | (52,732) |
| | <u>(Won) (35,888)</u> | <u>(Won) (52,874)</u> | <u>(Won) (35,746)</u> | <u>(Won) (52,732)</u> |

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- (4) Details of valuation of investment equity securities accounted for using the equity method of accounting for the year ended December 31, 2003 are as follows (unit: Korean won in millions):

| | Acquisition cost | Balance of Jan. 1, 2003 | Gain (loss) on valuation | Other increase (decrease) | Balance of Dec. 31, 2003 |
|--|---------------------|----------------------------|--------------------------------|---------------------------------|-----------------------------|
| BC Card | (Won) 12,472 | (Won) 42,613 | (Won) 2,214 | (Won) (1,589) | (Won) 43,238 |
| Korea Finance Security | 1,452 | 2,600 | 178 | (1,122) | 1,656 |
| Byucksan E&C | 39,078 | 38,202 | 12,769 | 3,412 | 54,383 |
| Woori LB First Asset Securitization Specialty | 2,400 | 10,019 | 11,967 | (9,797) | 12,189 |
| Woori LB Second Asset Securitization Specialty | 690 | 658 | 2,198 | (158) | 2,698 |
| Woori LB Third Asset Securitization Specialty | 2,070 | 2,003 | 2,530 | (2,447) | 2,086 |
| Woori LB Fourth Asset Securitization Specialty | 2,160 | 2,081 | 1,213 | (635) | 2,659 |
| Woori LB Fifth Asset Securitization Specialty | 11,700 | | 3,120 | 8,462 | 11,582 |
| Woori LB Sixth Asset Securitization Specialty | 1,170 | | (706) | 1,170 | 464 |
| Woori LB Eighth Asset Securitization Specialty | 600 | | 248 | 600 | 848 |
| Woori F&I First Asset Securitization Specialty | 6,237 | | (658) | 6,237 | 5,579 |
| Woori F&I Second Asset Securitization Specialty | 5,265 | | (2,432) | 5,265 | 2,833 |
| Woori F&I Fourth Asset Securitization Specialty | 888 | | 1,339 | 888 | 2,227 |
| Total | (Won) 86,182 | (Won) 98,176 | (Won) 33,980 | (Won) 10,286 | (Won) 142,442 |

Table of Contents**9. CLASSIFICATION OF SECURITIES**

(1) Securities in foreign currencies by countries as of December 31, 2004 (unit: Korean won in millions):

| | <u>Dec. 31, 2004</u> | <u>Ratio (%)</u> |
|---|------------------------|------------------|
| <Trading securities> | | |
| Korea | (Won) 34,908 | 59.09 |
| United States | 3 | 0.01 |
| Other | 24,159 | 40.90 |
| | <u>59,070</u> | |
| <Available-for-sales securities> | | |
| Korea | 667,622 | 64.34 |
| United States | 259,085 | 24.97 |
| Japan | 25,051 | 2.41 |
| China | 15,987 | 1.54 |
| Hong Kong | 39,258 | 3.78 |
| United Kingdom | 3,163 | 0.31 |
| Malaysia | 5,236 | 0.50 |
| Mexico | 5,871 | 0.57 |
| Thailand | 8,350 | 0.80 |
| Philippines | 1,566 | 0.15 |
| Egypt | 275 | 0.03 |
| Indonesia | 104 | 0.01 |
| Other | 6,101 | 0.59 |
| | <u>1,037,669</u> | |
| <Held-to-maturity securities> | | |
| Korea | 200,313 | 63.87 |
| United States | 20,574 | 6.56 |
| China | 3,783 | 1.21 |
| Singapore | 2,099 | 0.67 |
| Indonesia | 86,842 | 27.69 |
| | <u>313,611</u> | |
| <Securities accounted for using equity method of accounting> | | |
| United States | 31,072 | 100.00 |
| | <u>(Won) 1,441,422</u> | |

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(2) Securities by classes as of December 31, 2004 (unit: Korean won in millions):

| | In local currency | | In foreign currencies | | Total | |
|---|-------------------------|----------|------------------------|----------|-------------------------|----------|
| | Dec.31, 2004 | Ratio(%) | Dec.31, 2004 | Ratio(%) | Dec.31, 2004 | Ratio(%) |
| <Trading securities> | | | | | | |
| Securities | (Won) 252,206 | 3.80 | (Won) 11,534 | 19.53 | (Won) 263,740 | 3.94 |
| Floating rate bonds | 166,582 | 2.51 | | | 166,582 | 2.49 |
| Fixed rate bonds | 5,301,785 | 79.82 | 44,754 | 75.76 | 5,346,539 | 79.78 |
| Beneficiary certificates | 316,444 | 4.76 | | | 316,444 | 4.72 |
| Other | 605,086 | 9.11 | 2,782 | 4.71 | 607,868 | 9.07 |
| | <u>(Won) 6,642,103</u> | | <u>(Won) 59,070</u> | | <u>(Won) 6,701,173</u> | |
| <Available-for-sales securities> | | | | | | |
| Securities | (Won) 1,856,397 | 16.09 | (Won) 536 | 0.05 | (Won) 1,856,933 | 14.77 |
| Capital contribution | 36,835 | 0.32 | | | 36,835 | 0.29 |
| Floating rate bonds | 2,136,845 | 18.53 | 517,652 | 49.89 | 2,654,496 | 21.12 |
| Fixed rate bonds | 7,278,947 | 63.11 | 428,980 | 41.34 | 7,707,927 | 61.31 |
| Convertible bonds | 43,292 | 0.38 | 13,120 | 1.26 | 56,412 | 0.45 |
| Exchangeable bonds | | | 67,132 | 6.47 | 67,132 | 0.54 |
| Certificate beneficial | 122,378 | 1.06 | | | 122,378 | 0.97 |
| Other | 59,255 | 0.51 | 10,249 | 0.99 | 69,504 | 0.55 |
| | <u>(Won) 11,533,949</u> | | <u>(Won) 1,037,669</u> | | <u>(Won) 12,571,618</u> | |
| <Held-to-maturity securities> | | | | | | |
| Floating rate bonds | (Won) 4,049,636 | 49.56 | (Won) 108,303 | 34.53 | (Won) 4,157,939 | 49 |
| Fixed rate bonds | 4,122,033 | 50.44 | 144,827 | 46.18 | 4,266,860 | 50.29 |
| Other | | | 60,481 | 19.29 | 60,481 | 0.71 |
| | <u>(Won) 8,171,669</u> | | <u>(Won) 313,611</u> | | <u>(Won) 8,485,280</u> | |

(3) Bonds by issuer and others by industry as of December 31, 2004 (unit: Korean won in millions):

| | In local currency | | In foreign currencies | | Total | |
|-----------------------------------|------------------------|----------|-----------------------|----------|------------------------|----------|
| | Dec.31, 2004 | Ratio(%) | Dec.31, 2004 | Ratio(%) | Dec.31, 2004 | Ratio(%) |
| <Trading securities> | | | | | | |
| Others excluding bonds: | | | | | | |
| Manufacturing | (Won) 59,696 | 4.74 | (Won) 14,313 | 99.98 | (Won) 74,009 | 5.82 |
| Construction | 4,481 | 0.36 | | | 4,481 | 0.35 |
| Retail | 1,841 | 0.15 | | | 1,841 | 0.14 |
| Finance & Insurance | 947,732 | 75.32 | 3 | 0.02 | 947,735 | 74.48 |
| Others | 244,458 | 19.43 | | | 244,458 | 19.21 |
| | <u>(Won) 1,258,208</u> | | <u>(Won) 14,316</u> | | <u>(Won) 1,272,524</u> | |

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| Bonds: | | | | | | | |
|--|-----------------|-------|--------------|-------|-----------------|-------|--|
| Government & Government owned corporate | (Won) 3,310,276 | 61.49 | (Won) 5,204 | 11.63 | (Won) 3,315,480 | 61.07 | |
| Financial institutions | 1,355,654 | 25.18 | 39,550 | 88.37 | 1,395,204 | 25.7 | |
| Corporations | 581,646 | 10.8 | | | 581,646 | 10.72 | |
| Others | 136,319 | 2.53 | | | 136,319 | 2.51 | |
| | (Won) 5,383,895 | | (Won) 44,754 | | (Won) 5,428,649 | | |

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| | In local currency | | In foreign currencies | | Total | |
|---|------------------------|----------|------------------------|----------|-------------------------|----------|
| | Dec.31, 2004 | Ratio(%) | Dec.31, 2004 | Ratio(%) | Dec.31, 2004 | Ratio(%) |
| <Available-for-sales securities> | | | | | | |
| Others excluding bonds: | | | | | | |
| Manufacturing | (Won) 692,072 | 33.36 | (Won) | | (Won) 692,072 | 33.35 |
| Construction | 392,581 | 18.92 | | | 392,581 | 18.91 |
| Retail | 740 | 0.04 | | | 740 | 0.04 |
| Finance & Insurance | 688,526 | 33.18 | 536 | 100 | 689,062 | 33.2 |
| Others | 300,946 | 14.5 | | | 300,946 | 14.5 |
| | <u>(Won) 2,074,865</u> | | <u>(Won) 536</u> | | <u>(Won) 2,075,401</u> | |
| Bonds: | | | | | | |
| Government & Government owned corporate | | | | | | |
| Financial institutions | (Won) 6,069,443 | 64.17 | (Won) 180,138 | 17.37 | (Won) 6,249,581 | 59.54 |
| Corporations | 1,957,431 | 20.69 | 310,949 | 29.98 | 2,268,380 | 21.61 |
| Others | 373,349 | 3.95 | 329,364 | 31.76 | 702,713 | 6.7 |
| | 1,058,861 | 11.19 | 216,682 | 20.89 | 1,275,543 | 12.15 |
| | <u>(Won) 9,459,084</u> | | <u>(Won) 1,037,133</u> | | <u>(Won) 10,496,217</u> | |
| <Held-to-maturity securities> | | | | | | |
| Government & Government owned corporate | | | | | | |
| Financial institutions | (Won) 7,589,701 | 92.88 | (Won) 93,809 | 29.91 | (Won) 7,683,510 | 90.55 |
| Corporations | 461,977 | 5.65 | 31,529 | 10.06 | 493,506 | 5.82 |
| Others | 110,000 | 1.35 | 35,226 | 11.23 | 145,226 | 1.71 |
| | 9,991 | 0.12 | 153,047 | 48.8 | 163,038 | 1.92 |
| | <u>(Won) 8,171,669</u> | | <u>(Won) 313,611</u> | | <u>(Won) 8,485,280</u> | |
| <Equity linked securities> | | | | | | |
| | <u>(Won) 609,557</u> | 100 | <u>(Won)</u> | | <u>(Won) 609,557</u> | 100 |

- (4) Securities in foreign currencies by currencies as of December 31, 2004 (unit: Korean won in millions, U.S. dollar in thousands, Japanese yen in millions, Chinese yuan in thousands, Indonesia Rupiah in millions and Singapore dollar in thousands):

| | Currencies | Amounts in currencies | Translation to USD | Korean won equivalent |
|---|------------|-----------------------|---------------------|------------------------|
| <Available-for-sales securities> | | | | |
| Equity securities | USD | 514 | US\$ 514 | (Won) 536 |
| Bonds | USD | 978,547 | 978,547 | 1,021,407 |
| " | JPY | 1,180 | 11,441 | 11,942 |
| " | CNY | 30,000 | 3,625 | 3,784 |
| | | | <u>US\$ 994,127</u> | <u>(Won) 1,037,669</u> |
| <Held-to-maturity securities> | | | | |

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| | | | | |
|-------|-----|---------|---------------------|----------------------|
| Bonds | USD | 211,617 | US\$ 211,617 | (Won) 220,886 |
| " | IDR | 775,371 | 83,198 | 86,842 |
| " | SGD | 3,250 | 2,011 | 2,099 |
| " | CNY | 30,000 | 3,625 | 3,784 |
| | | | <u>US\$ 300,451</u> | <u>(Won) 313,611</u> |

Table of Contents**10. MATURITY STRUCTURE OF DEBT SECURITIES**

Maturity structures of debt securities as of December 31, 2004 are as follows (unit: Korean won in billions):

| | <u>Less than 3 months</u> | <u>Less than 6 months</u> | <u>Less than 1 year</u> | <u>Less than 5 years</u> | <u>Less than 10 years</u> | <u>More than 10 years</u> | <u>Total</u> |
|---|-------------------------------|-------------------------------|-----------------------------|------------------------------|-------------------------------|-------------------------------|--------------|
| <Available-for-sales securities> | | | | | | | |
| Book value | (Won) 646 | (Won) 312 | (Won) 2,705 | (Won) 6,402 | (Won) 321 | (Won) 110 | (Won) 10,496 |
| <Held-to-maturity securities> | | | | | | | |
| Book value | 750 | 150 | 4,111 | 3,364 | 108 | 2 | 8,485 |
| Fair value | 759 | 152 | 4,255 | 3,519 | 224 | 2 | 8,911 |

11. LOSS ON IMPAIRMENT OF SECURITIES AND RECOVERY OF IMPAIRMENT

The details of losses on impairment and recovery of impairment of available-for-sale and held-to-maturity securities by subsidiaries for the year ended December 31, 2004 are as follows (unit: Korean won in millions):

| | <u>Before</u> | <u>Loss</u> | <u>Recovery</u> | <u>After</u> |
|---|---------------|-------------|-----------------|--------------|
| <Available-for-sales securities> | | | | |
| Equity securities in local currency: | | | | |
| Ssangyong Corporation | (Won) 11,040 | (Won) 1,359 | (Won) | (Won) 9,681 |
| Hyundai Eng. & Const Co., Ltd. | 124,000 | 5,414 | | 118,586 |
| Nano & Giga | 510 | 384 | | 126 |
| Seahan Industries Inc. | 91 | 28 | | 63 |
| Ssangyong Dement Industrial Co., Ltd. | 1,302 | 248 | | 1,054 |
| CJ Investment Securities | 407 | 274 | | 133 |
| Korea Housing Guarantee Co., Ltd. | 5,053 | | 1,868 | 6,921 |
| Dongwon Capital | 4,687 | 4,143 | | 544 |
| Daewon Culture Industry Inc. | 700 | 633 | | 67 |
| Seah Besteel Corporation | 986 | 851 | | 135 |
| Others | 3,105 | 3,387 | | 102 |
| Debt securities in local currency: | | | | |
| LG Card 1022 | 9,556 | 1,162 | | 6,860 |
| LG Card 1023 | 2,300 | 4,602 | | 1,863 |
| LG Card 928 | | 5,200 | | |
| Daewoo Motors 135 | | | 588 | |
| Hanvit 7th Securitization | | | 10,830 | |
| Hanvit 11th Securitization | | | 52,688 | |
| Hynix Semiconductor Inc. | | | 894 | |
| Credipia 37th Securitization | | | 3,798 | |
| Shinwoo Corporate Restructuring Vehicles | 19,023 | 3,334 | | 15,689 |
| Hyundai Eng. & Const. 253-4 | (Won) 2,886 | (Won) 549 | (Won) | (Won) 2,337 |
| Other | 6,871 | 111 | 195 | |
| Equity securities in foreign currencies: | | | | |
| Han-ea Joint Bank | 1,591 | 1,316 | | 275 |

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Debt securities in foreign currencies:

| | | | | |
|----------------------|----------------------|---------------------|---------------------|----------------------|
| Hycon Tech Co., Ltd. | | | 199 | |
| S.P.I.C | 1,132 | | 952 | |
| Laisun Development | 1,251 | | 1,113 | |
| | <u>(Won) 196,491</u> | <u>(Won) 32,995</u> | <u>(Won) 73,125</u> | <u>(Won) 164,436</u> |

<Held-to-maturity securities>

Debt securities in local currency:

| | | | | |
|--------------------------------|----------------------|---------------------|---------------------|----------------------|
| Kyongeun 2nd Securitization1-5 | (Won) 7,650 | (Won) 7,650 | (Won) | (Won) |
| Kyongeun 2nd Securitization1-6 | 15,641 | 15,641 | | |
| | <u>(Won) 23,291</u> | <u>(Won) 23,291</u> | | |
| | <u>(Won) 219,782</u> | <u>(Won) 56,286</u> | <u>(Won) 73,125</u> | <u>(Won) 164,436</u> |

Table of Contents**12. LOANS AND ALLOWANCE FOR POSSIBLE LOAN LOSSES**

(1) Loans as of December 31, 2004 and 2003 are as follows:

| | Korean won | | U.S. dollars (Note 2) | |
|---|-------------------------|-------------------------|------------------------|------------------------|
| | Dec. 31, 2004 | Dec. 31, 2003 | Dec. 31, 2004 | Dec. 31, 2003 |
| | (In millions) | | (In thousands) | |
| Loans in local currency | (Won) 77,687,482 | (Won) 72,907,422 | US\$ 74,427,555 | US\$ 69,848,076 |
| Loans in foreign currencies | 7,091,255 | 7,129,394 | 6,793,691 | 6,830,230 |
| Bills bought in local currency | 228,075 | 490,386 | 218,505 | 469,808 |
| Bills bought in foreign currencies | 3,927,547 | 3,798,134 | 3,762,739 | 3,638,756 |
| Advances for customers on guarantees | 67,875 | 98,769 | 65,027 | 94,624 |
| Credit card accounts | 2,127,976 | 1,919,060 | 2,038,682 | 1,838,532 |
| Bonds purchased under resale agreements | 82,513 | 154,000 | 79,051 | 147,539 |
| Call loans | 1,553,382 | 897,963 | 1,488,199 | 860,283 |
| Privately placed bonds | 457,264 | 586,257 | 438,076 | 561,656 |
| Loans to be converted to equity securities | 80,960 | 31,232 | 77,563 | 29,921 |
| Financing leases | 156,273 | 189,788 | 149,715 | 181,824 |
| Other | 335,646 | 139,269 | 321,561 | 133,426 |
| | <u>93,796,248</u> | <u>88,341,674</u> | <u>89,860,364</u> | <u>84,634,675</u> |
| Allowance for possible loan losses | (2,027,633) | (2,264,377) | (1,942,549) | (2,169,359) |
| | <u>(Won) 91,768,615</u> | <u>(Won) 86,077,297</u> | <u>US\$ 87,917,815</u> | <u>US\$ 82,465,316</u> |

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(2) Details of loans subject to allowance for possible loan losses as of December 31, 2004 are as follows (unit: Korean won in billions):

| | <u>Normal</u> | <u>Precautionary</u> | <u>Substandard</u> | <u>Doubtful</u> | <u>Loss</u> | <u>Total</u> |
|--|---------------------|----------------------|--------------------|------------------|------------------|---------------------|
| Loans in local currency | (Won) 73,324 | (Won) 2,075 | (Won) 966 | (Won) 291 | (Won) 344 | (Won) 77,000 |
| Loans in foreign currencies | 4,120 | 247 | 77 | 14 | 13 | 4,471 |
| Usance | 2,081 | 20 | 22 | | | 2,123 |
| Bills bought in local currency | 103 | 125 | | | | 228 |
| Bills bought in foreign currencies | 3,750 | 36 | 58 | | 94 | 3,938 |
| Advances for customers on guarantees | 2 | 5 | 10 | 4 | 47 | 68 |
| Credit card accounts | 1,809 | 193 | | 68 | 58 | 2,128 |
| Privately placed bonds | 453 | 3 | 1 | | | 457 |
| Loans to be converted to equity securities | | | | 72 | 9 | 81 |
| Financing leases | 95 | 22 | 3 | 35 | 1 | 156 |
| Suspense receivable as credit | | 1 | 3 | 6 | 11 | 21 |
| Others | 323 | | | | 13 | 336 |
| | <u>(Won) 86,060</u> | <u>(Won) 2,727</u> | <u>(Won) 1,140</u> | <u>(Won) 490</u> | <u>(Won) 590</u> | <u>(Won) 91,007</u> |

(3) Reconciliation of the loans subject to allowance for the possible loan losses with total loans as of December 31, 2004 are as follows (unit: Korean won in billions):

| | |
|---|---------------------|
| Total loans | (Won) 93,796 |
| Reconciliation items: | |
| () Inter-bank loans | (1,185) |
| () Bonds purchased under resale agreements | (83) |
| () Call loans | (1,553) |
| (+) Suspense receivable as credit | 21 |
| (+) Receivables related to non-performing bills bought | 11 |
| | <u>(2,789)</u> |
| The loans subject to allowance for possible loan losses | <u>(Won) 91,007</u> |

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- (4) Allowances for possible loan losses as of December 31, 2004 and 2003 are as follows (unit: Korean won in billions):

| | <u>Dec. 31, 2004</u> | <u>Dec. 31, 2003</u> |
|--|----------------------|----------------------|
| Loans in local currency | (Won) 1,399 | (Won) 1,179 |
| Loans in foreign currencies | 138 | 235 |
| Bills bought in local currency | 26 | |
| Bills bought in foreign currencies | 148 | 132 |
| Advances for customers on guarantees | 65 | 51 |
| Credit card accounts | 140 | 392 |
| Privately placed bonds | 4 | 45 |
| Loans to be converted to equity securities | 76 | |
| Financing leases | 30 | 2 |
| Other | 2 | 213 |
| | <u>2,028</u> | <u>2,249</u> |
| Present value discount | | 15 |
| | <u>(Won) 2,028</u> | <u>(Won) 2,264</u> |

- (5) Allowances for possible loan losses compared to the loans subject to allowance for possible loan losses as of December 31, 2004, 2003 and 2002 are as follows (unit: Korean won in billions):

| | <u>Loans subject to allowance</u> | | |
|---------------|-----------------------------------|------------------|------------------|
| | <u>for possible loan losses</u> | <u>Allowance</u> | <u>Ratio (%)</u> |
| Dec. 31, 2004 | (Won) 91,007 | (Won) 2,028 | 2.23 |
| Dec. 31, 2003 | 87,290 | 2,264 | 2.59 |
| Dec. 31, 2002 | 75,743 | 2,712(*1) | 3.58 |

(*1) Present value discount is excluded.

- (6) The changes in allowances for possible loan losses for the year ended December 31, 2004 are as follows (unit: Korean won in billions):

| | |
|---|--------------------|
| January 1, 2004 | (Won) 2,264 |
| Reconciliation items: | |
| Provision for possible loan losses | 1,331 |
| Increases due to repurchase non-performing loans | 124 |
| Reversal due to recovery of write-off loans | 203 |
| Write-off of loans | (1,883) |
| Other | (198) |
| Increase due to changes in the scope of consolidation | 187 |
| December 31, 2004 | <u>(Won) 2,028</u> |

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(7) Classification of loans in local currency by industries is as follows (unit: Korean won in billions):

| | <u>Dec. 31, 2004</u> | <u>Ratio (%)</u> |
|---|----------------------|------------------|
| <Loans for corporate> | | |
| Manufacturing | (Won) 14,379 | 31.98 |
| Dealing with real estate & leasing | 8,541 | 18.99 |
| Retail | 6,935 | 15.42 |
| Construction | 4,227 | 9.40 |
| Hotel & Food | 3,068 | 6.82 |
| Transportation, warehouse & telecommunication | 1,081 | 2.40 |
| Finance & Insurance | 1,324 | 2.95 |
| Others | 5,411 | 12.04 |
| | <u>44,966</u> | |
| <Loans for household> | <u>32,721</u> | |
| | <u>(Won) 77,687</u> | |

(8) Classification of loans in foreign currencies by industries is as follows (unit: Korean won in billions):

| | <u>Dec. 31, 2004</u> | <u>Ratio (%)</u> |
|---------------|----------------------|------------------|
| Korea | (Won) 5,048 | 71.19 |
| United States | 910 | 12.83 |
| Indonesia | 286 | 4.03 |
| Japan | 177 | 2.50 |
| Russia | 15 | 0.21 |
| China | 54 | 0.76 |
| Holland | 10 | 0.14 |
| Thailand | 2 | 0.03 |
| Others | 589 | 8.31 |
| | <u>(Won) 7,091</u> | |

(9) The details of disposal of loans for the year ended December 31, 2004 are as follows (unit: Korean won in billions):

| <u>Seller</u> | <u>Buyers</u> | <u>Nominal amount</u> | <u>Allowance at disposition date</u> | <u>Consideration</u> | <u>Gain on sales of loans</u> |
|---------------------------|--|---------------------------|--|----------------------|---------------------------------------|
| Woori Bank & Kwangju Bank | Korea Asset Management Corporation | (Won) 767 | (Won) 86 | (Won) 512 | (Won) (169) |
| Woori Bank | Woori SB First Asset Securitization Specialty | 296 | 97 | 207 | 8 |
| " | Woori SB Second Asset Securitization Specialty | 200 | 90 | 124 | 14 |
| " | ABN AMRO | 62 | 11 | 59 | 8 |

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| | | | | | |
|---|-----------------------|-------------|-----------|-----------|-------------|
| " | Lippo Securities Ltd. | 39 | 8 | 34 | 3 |
| " | Deutsche Bank | 5 | 2 | 3 | |
| | | | | | |
| | Total | (Won) 1,369 | (Won) 294 | (Won) 939 | (Won) (136) |

Table of Contents**13. RESTRUCTURING OF LOANS**

(1) Restructuring of loans made for the year ended December 31, 2004 is as follows (unit: Korean won in millions):

| Companies | | Restructuring | | | | |
|---------------------------------|---------------------------------|----------------|----------------------|------------------------------|-------------------|-----------------------|
| | | Nominal amount | Discharge securities | Loan to be swapped to equity | Equity securities | Modification of terms |
| Hanil Synthetic Fiber Co., Ltd. | Court receivership | (Won) 284,027 | (Won) | (Won) | (Won) 111,046 | (Won) 172,981 |
| New Core Co., Ltd. | Court receivership | 13,815 | | | 12,621 | 1,194 |
| Dureme Tech Co., Ltd. | Court receivership | 3,474 | | | 3,474 | |
| Woobo Telecom co., Ltd. | Mediation | 814 | | | | 814 |
| Seyong Ind. Co. Ltd. | Mediation | 506 | | | | 506 |
| Dong Sung Co., Ltd. | Mediation | 12,573 | | | 12,573 | |
| LG Card Co., Ltd. | Workout | 351,800 | | | 351,800 | |
| Daerim Corporation, Ltd. | Workout | 12,741 | | | 12,741 | |
| SK Networks Co., Ltd. | Workout | 8,880 | | | 8,880 | |
| Others | Court receivership or mediation | 2,082 | | | 501 | 1,581 |
| | | (Won) 690,712 | (Won) | (Won) | (Won) 513,636 | (Won) 177,076 |

(2) Loans to be converted to equity securities as of December 31, 2004 are as follows (unit: Korean won in millions):

| | Nominal amount | Allowance | Fair value | Book value |
|---------------------------------------|----------------|--------------|----------------------|-------------|
| | | | of equity securities | |
| Ssangyong Cement Industrial Co., Ltd. | (Won) 21,094 | (Won) 16,444 | (Won) 5,020 | (Won) 4,650 |
| Dongkook Corp. | 51,327 | 51,255 | 5,133 | 72 |
| Kookmin Asset Investment Trust | 1,837 | 1,837 | (*1) | |
| Kohap Corp. | 3,200 | 3,200 | (*2) | |
| Daewoo Precision Industries Co., Ltd. | 105 | 94 | (*1) | 11 |
| Daewoo Telecom Ltd. | 3,397 | 3,397 | (*2) | |
| | | (Won) 80,960 | (Won) 76,227 | (Won) 4,733 |

(*1) The number of shares to be converted is not decided.

(*2) To be liquidated

Table of Contents**14. FIXED ASSETS INCLUDING INTANGIBLE ASSETS**

(1) Fixed assets as of December 31, 2004 and 2003 are as follows:

| | Korean won | | U.S. dollar (Note 2) | |
|----------------------|------------------------|------------------------|-----------------------|-----------------------|
| | Dec. 31, 2004 | Dec. 31, 2003 | Dec. 31, 2004 | Dec. 31, 2003 |
| | (in millions) | | (in thousands) | |
| Tangible assets | (Won) 2,369,351 | (Won) 2,242,965 | US\$ 2,269,928 | US\$ 2,148,846 |
| Leased assets | 40,755 | 10,749 | 39,045 | 10,298 |
| Intangible assets | 236,690 | 480,498 | 226,758 | 460,335 |
| Non-operating assets | 183 | 404 | 175 | 387 |
| | <u>(Won) 2,646,979</u> | <u>(Won) 2,734,616</u> | <u>US\$ 2,535,906</u> | <u>US\$ 2,619,866</u> |

(2) Tangible assets and leased assets as of December 31, 2004 and 2003 are as follows (unit: Korean won in millions):

| <2004> | Acquisition cost | Accumulated depreciation | Accumulated impairment | Book value |
|-----------------------------|------------------------|-----------------------------|---------------------------|------------------------|
| Fixed assets: | | | | |
| Land | (Won) 1,308,422 | (Won) | (Won) 874 | (Won) 1,307,548 |
| Buildings | 995,795 | 216,271 | 128 | 779,396 |
| Structures in leased office | 148,649 | 99,323 | | 49,326 |
| Equipment and furniture | 950,075 | 718,871 | | 231,204 |
| Construction in process | 1,877 | | | 1,877 |
| | <u>(Won) 3,404,818</u> | <u>(Won) 1,034,465</u> | <u>(Won) 1,002</u> | <u>(Won) 2,369,351</u> |
| Leased assets | (Won) 56,404 | (Won) 15,649 | (Won) | (Won) 40,755 |
| | <u>(Won) 56,404</u> | <u>(Won) 15,649</u> | <u>(Won)</u> | <u>(Won) 40,755</u> |
| <2003> | Acquisition cost | Accumulated depreciation | Accumulated impairment | Book value |
| Fixed assets: | | | | |
| Land | (Won) 1,219,222 | (Won) | (Won) 992 | (Won) 1,218,230 |
| Buildings | 915,158 | 172,245 | 146 | 742,767 |
| Structures in leased office | 113,155 | 82,077 | | 31,078 |
| Equipment and furniture | 712,488 | 466,264 | | 246,224 |
| Construction in process | 4,666 | | | 4,666 |
| | <u>(Won) 2,964,689</u> | <u>(Won) 720,586</u> | <u>(Won) 1,138</u> | <u>(Won) 2,242,965</u> |
| Leased assets | (Won) 16,908 | (Won) 6,159 | (Won) | (Won) 10,749 |
| | <u>(Won) 16,908</u> | <u>(Won) 6,159</u> | <u>(Won)</u> | <u>(Won) 10,749</u> |

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(3) Changes of tangible assets for the year ended December 31, 2004 are as follows (unit: Korean won in millions):

| | Jan. 1, 2004 | Acquisition | Consolidation of LG Securities | Disposition | Depreciation | Translation | Others | Dec. 31, 2004 |
|-----------------------------|-------------------------|----------------------|---|-----------------------|------------------------|----------------------|----------------------|--------------------------|
| Land | (Won) 1,218,230 | (Won) 1,365 | (Won) 112,286 | (Won) (24,085) | (Won) | (Won) (87) | (Won) (161) | (Won) 1,307,548 |
| Buildings | 742,767 | 51,030 | 61,257 | (46,896) | (27,908) | (152) | (702) | 779,396 |
| Structures in leased office | 31,078 | 37,122 | | (1,046) | (19,689) | (442) | 2,303 | 49,326 |
| Equipment and furniture | 246,224 | 105,049 | 21,984 | (5,163) | (132,799) | (655) | (3,436) | 231,204 |
| Construction in process | 4,666 | 3,360 | | (5,189) | | | (960) | 1,877 |
| Leased assets | 10,749 | 47,428 | 12 | (2,618) | (14,816) | | | 40,755 |
| | (Won) 2,253,714 | (Won) 245,354 | (Won) 195,539 | (Won) (84,997) | (Won) (195,212) | (Won) (1,336) | (Won) (2,956) | (Won) 2,410,106 |

(4) Intangible assets as of December 31, 2004 and 2003 are as follows (unit: Korean won in millions):

| | Dec. 31, 2004 | Dec. 31, 2003 |
|---------------------------|--------------------------|--------------------------|
| Goodwill: | | |
| The Company | (Won) 80 | (Won) 312,531 |
| Woori Bank | 21,426 | 24,600 |
| LG Securities | 3,369 | |
| | 24,875 | 337,131 |
| Negative goodwill: | | |
| The Company | (15,405) | |
| Deferred development cost | 145,892 | 105,314 |
| Software | 36,293 | 25,745 |
| Other intangible assets | 45,035 | 12,308 |
| | (Won) 236,690 | (Won) 480,498 |

(5) Goodwill and negative goodwill of the Company are recognized at the acquisition date and the changes in goodwill and negative goodwill during the period from acquisition to December 31, 2004 are as follows (unit: Korean won in millions):

| | Acquisition date | Amortiza- tion | Jan. 1, 2004 | Increase | Amortiza- tion | Adjusted in tax expense (*1) | Dec. 31, 2004 |
|------------------|-----------------------------|---------------------------|-------------------------|-----------------|---------------------------|---|--------------------------|
| Woori Bank | (Won) 363,023 | (Won) (74,583) | (Won) 288,440 | (Won) | (Won) (16,963) | (Won) (271,477) | (Won) |
| Kyongnam Bank | 8,900 | (1,335) | 7,565 | | (445) | (7,120) | |
| Kwangju Bank | 19,343 | (2,901) | 16,442 | | (967) | (15,475) | |
| WFIS | (110) | 110 | | | | | |
| WF&I | 94 | (10) | 84 | | (4) | | 80 |
| Woori Securities | 473 | (473) | | | | | |

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| | | | | | | | |
|---------------|---------------|----------------|---------------|----------------|----------------|-----------------|----------------|
| WITM | (5) | 5 | | | | | |
| LG Securities | | | | (15,405) | | | (15,405) |
| (*2) | | | | | | | |
| | (Won) 391,718 | (Won) (79,187) | (Won) 312,531 | (Won) (15,405) | (Won) (18,379) | (Won) (294,072) | (Won) (15,325) |

(*1) When the Company acquired Woori Bank, Kyongnam Bank and Kwanju Bank, it was unable to recognize certain deferred tax assets related to deductible timing differences. In 2004, the Company was able to recognize a portion of these deferred tax assets which resulted in a reduction of goodwill and tax expense.

(*2) The Company recognized identifiable assets and liabilities of LG Securities at fair value on the acquisition date applying purchase accounting for business combinations and recorded negative goodwill based on the difference between (Won)355,201 million of acquisition cost and (Won)370,606 million of proportionate net asset fair value of LG Securities.

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(6) The changes in intangible assets for the year ended December 31, 2004 are as follows: (unit: Korean won in millions):

| | Consolidated | | | | | | | | |
|--------------------|-----------------|------------------|--------------------------|------------------|-------------------|-----------------|------------------|-----------------|------------------|
| | Jan. 1, 2004 | Acquisi- tion | tion of LG Securities | Disposi- tion | Amortiza- tion | Impair- ment | Transla- tion | Others | Dec. 31, 2004 |
| Goodwill | (Won) 337,131 | (Won) | (Won) 3,369 | (Won) | (Won) (18,384) | (Won) | (Won) (3,159) | (Won) (294,082) | (Won) 24,875 |
| Negative goodwill | | (15,405) | | | | | | | (15,405) |
| Deferred Dev. cost | 105,314 | 64,406 | | (66) | (16,487) | (5,247) | | (2,028) | 145,892 |
| Software | 25,745 | 18,920 | | (57) | (8,488) | | | 173 | 36,293 |
| Others | 12,308 | 40,550 | 175 | (25) | (8,891) | | (250) | 1,168 | 45,035 |
| | (Won) 480,498 | (Won) 108,471 | (Won) 3,544 | (Won) (148) | (Won) (52,250) | (Won) (5,247) | (Won) (3,409) | (Won) (294,769) | (Won) 236,690 |

15. OTHER ASSETS

Other assets as of December 31, 2004 and 2003 are as follows:

| | Korean won | | U.S. dollars (Note 2) | |
|---|-----------------|-----------------|-----------------------|----------------|
| | Dec. 31, 2004 | Dec. 31, 2003 | Dec. 31, 2004 | Dec. 31, 2003 |
| | (In millions) | | (In thousands) | |
| Guarantee deposits | (Won) 1,088,894 | (Won) 992,209 | US\$ 1,043,202 | US\$ 950,574 |
| Other accounts receivable | 1,879,089 | 3,225,454 | 1,800,239 | 3,090,107 |
| Accrued income | 580,545 | 727,632 | 556,184 | 697,099 |
| Prepaid expenses | 22,993 | 17,572 | 22,028 | 16,835 |
| Deferred income tax assets (Note 26) | 841,533 | 274,368 | 806,221 | 262,855 |
| Accounts receivable on disposal of assets | 4,944 | 6,189 | 4,737 | 5,929 |
| Derivative instruments assets | 1,452,606 | 505,224 | 1,391,652 | 484,024 |
| Domestic exchange settlements debits | 298,377 | 383,320 | 285,856 | 367,235 |
| Operating lease assets | 345 | 844 | 330 | 809 |
| Sundry assets | 684,024 | 430,359 | 655,321 | 412,300 |
| | 6,853,350 | 6,563,171 | 6,565,770 | 6,287,767 |
| Present value discount | (41,666) | (85,896) | (39,918) | (82,293) |
| | (Won) 6,811,684 | (Won) 6,477,275 | US\$ 6,525,852 | US\$ 6,205,474 |

Table of Contents**16. INSURANCE**

Insurance coverage as of December 31, 2004 and 2003 are as follows (unit: Korean won in millions):

| | Dec. 31, 2004 | | Dec. 31, 2003 | |
|--|---------------------------|-----------------|---------------------------|-----------------|
| | Balance of covered assets | Coverage | Balance of covered assets | Coverage |
| Insurance for losses: | | | | |
| Buildings used for business purposes | (Won) 564,159 | (Won) 565,560 | (Won) 665,870 | (Won) 783,357 |
| Equipment and furniture | 221,565 | 272,474 | 266,135 | 267,763 |
| Insurance for fire: | | | | |
| Real estate not used for business purposes | 226 | 226 | 404 | 404 |
| Equipment and furniture | 19,969 | 16,930 | 5,842 | 5,237 |
| Buildings used for business purposes | 286,599 | 370,295 | 95,639 | 95,304 |
| Tangible asset overseas | 4,397 | 14,885 | 19,003 | 18,615 |
| Structures in leased assets | 2,819 | 3,131 | 663,860 | 646,095 |
| Insurance for liability of: | | | | |
| Reparation of directors | | 134,000 | | 30,000 |
| Reparation of professionals | | 1,000 | | |
| Insurance for security of Employees | | 2,200 | | |
| | (Won) 1,099,734 | (Won) 1,380,701 | (Won) 1,716,753 | (Won) 1,846,775 |

17. COLLATERALIZED ASSETS

Collateralized assets as of December 31, 2004 and 2003 are as follows (unit: Korean won in millions):

| Financial institution | Collateralized assets | Dec. 31, 2004 | Dec. 31, 2003 | Reason |
|----------------------------|--------------------------------------|-----------------|-----------------|---------------------------------------|
| | | | | |
| Bank of Korea | Securities | (Won) 5,377,042 | (Won) 4,803,431 | Borrowings, settlement risk and other |
| Deutsche Bank and others | Securities | | 1,104,800 | Borrowings in foreign currencies |
| Lehman Brothers and others | Securities | 129,311 | 322,036 | Trading credit |
| Federal Reserve Bank | | | | derivatives |
| | | | | Guarantee for FRB |
| HSBC and other | Securities | 3,131 | 3,593 | discount window |
| | | | | Guarantee for |
| | Due from banks in foreign currencies | 913 | 1,577 | receivables |
| | Securities | 97,966 | 28,600 | Futures maintenance |

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| | | | | |
|---|------------|--------|--------|-----------------------------------|
| Dongwon Securities Co., Ltd. and other | | | | margin |
| Samsung Futures Trading Co. and other | | | | Futures maintenance |
| | Securities | | 1,003 | margin |
| Nova Scotia Bank | Securities | 33,033 | 60,010 | Borrowings in foreign currency |

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| Financial institution | Collateralized | | Reason | |
|--|--------------------|------------------------|------------------------|--------------------------------|
| | assets | Dec. 31, 2004 | | Dec. 31, 2003 |
| Sumitomo Mitsui Banking Co. | Securities | (Won) 308,576 | (Won) 131,923 | Borrowings in foreign currency |
| American Express Bank | Securities | | 15,000 | Borrowings in foreign currency |
| Bank of America | Securities | 15,000 | 15,000 | Borrowings in foreign currency |
| Hana Bank | MMDA & loans | 99,909 | | Borrowings |
| Mizuho Corporate Bank | Securities | 130,113 | | Borrowings in foreign currency |
| Korea Futures Inc. | | | | Futures maintenance |
| | Securities | 3,855 | | margin |
| First Tennessee National Bank | Securities | 5,219 | | Collateral for credit line |
| Trust accounts of Kwangju Bank and Kyongnam Bank | Securities | 2,470,501 | 915,468 | Repurchase agreed transactions |
| Citibank | Land and buildings | 103,881 | | Leasehold deposits |
| Others | | | | Futures maintenance |
| | Securities | 39,264 | | margin |
| Total | | (Won) 8,817,714 | (Won) 7,402,441 | |

18. DEPOSITS

(1) Deposits as of December 31, 2004 and 2003 are as follows:

| | Korean won | | U.S. dollars (Note 2) | |
|--|-------------------------|-------------------------|------------------------|------------------------|
| | Dec. 31, 2004 | Dec. 31, 2003 | Dec. 31, 2004 | Dec. 31, 2003 |
| | (In millions) | | (In thousands) | |
| Deposits in local currency; | | | | |
| Demand deposits | (Won) 6,203,572 | (Won) 7,256,065 | US\$ 5,943,257 | US\$ 6,951,586 |
| Time and saving deposits | 69,896,775 | 70,491,971 | 66,963,762 | 67,533,983 |
| Installment deposits for the loans granted | 270,813 | 319,019 | 259,449 | 305,632 |
| Mutual installment for housing | 584,329 | 568,252 | 559,810 | 544,407 |
| Deposit for security customer | 1,328,427 | 145,361 | 1,272,684 | 139,261 |
| Other | 4,378,904 | 2,562,457 | 4,195,156 | 2,454,931 |
| | 82,662,820 | 81,343,125 | 79,194,118 | 77,929,800 |
| Deposits in foreign currencies; | 3,429,576 | 3,855,870 | 3,285,664 | 3,694,070 |
| Negotiable certificates of deposits; | 6,056,511 | 3,850,630 | 5,802,367 | 3,689,049 |
| | (Won) 92,148,907 | (Won) 89,049,625 | US\$ 88,282,149 | US\$ 85,312,919 |

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(2) Maturities of deposits as of December 31, 2004 and 2003 are as follows (unit: Korean won in billions):

| <u><2004></u> | <u>Less than 3 months</u> | <u>Less than 6 months</u> | <u>Less than 1 year</u> | <u>Less than 3 years</u> | <u>More than 3 years</u> | <u>Total</u> |
|-------------------------------------|-------------------------------|-------------------------------|-----------------------------|------------------------------|------------------------------|---------------------|
| Deposits in local currency (*1) | (Won) 26,275 | (Won) 10,418 | (Won) 17,188 | (Won) 3,922 | (Won) 25,094 | (Won) 82,897 |
| Deposits in foreign currencies (*2) | 1,813 | 158 | 943 | 30 | 488 | 3,432 |
| | <u>(Won) 28,088</u> | <u>(Won) 10,576</u> | <u>(Won) 18,131</u> | <u>(Won) 3,952</u> | <u>(Won) 25,582</u> | <u>(Won) 86,329</u> |

(*1) Before eliminating (Won) 235 billion of inter-company transactions.

(*2) Before eliminating (Won) 2 billion of inter-company transactions.

| <u><2003></u> | <u>Less than 3 months</u> | <u>Less than 6 months</u> | <u>Less than 1 year</u> | <u>Less than 3 years</u> | <u>More than 3 years</u> | <u>Total</u> |
|--|-------------------------------|-------------------------------|-----------------------------|------------------------------|------------------------------|---------------------|
| Deposits in local currency (*1) | (Won) 28,801 | (Won) 9,994 | (Won) 15,316 | (Won) 4,378 | (Won) 22,315 | (Won) 80,804 |
| Deposits in foreign currencies | 2,511 | 117 | 673 | 49 | 506 | 3,856 |
| Negotiable certificates of deposits (*2) | 1,303 | 2,203 | 370 | 4 | | 3,880 |
| | <u>(Won) 32,615</u> | <u>(Won) 12,314</u> | <u>(Won) 16,359</u> | <u>(Won) 4,431</u> | <u>(Won) 22,821</u> | <u>(Won) 88,540</u> |

(*1) Before eliminating (Won) 523 billion of inter-company transactions and excluding (Won) 1,062 billion of other deposits.

(*2) Before eliminating (Won) 29 billion of inter-company transactions.

(3) Deposits from other financial institutions as of December 31, 2004 are as follows (unit: Korean won in millions):

| | <u>Banks</u> | <u>Credit specialized financial institutions</u> | <u>Other institutions</u> | <u>Total</u> |
|-------------------------------------|----------------------|--|-------------------------------|------------------------|
| Deposits in local currency | (Won) 272,526 | (Won) 137,156 | (Won) 1,784,338 | (Won) 2,194,020 |
| Deposits in foreign currencies | 1 | 26 | 32,598 | 32,625 |
| Negotiable certificates of deposits | 99,080 | 15,000 | 597,551 | 711,631 |
| | <u>(Won) 371,607</u> | <u>(Won) 152,182</u> | <u>(Won) 2,414,487</u> | <u>(Won) 2,938,276</u> |

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(1) Borrowings as of December 31, 2004 and 2003 are as follows:

| | Korean won | | U.S. dollars (Note 2) | |
|---|-------------------------|-------------------------|------------------------|------------------------|
| | Dec. 31, 2004 | Dec. 31, 2003 | Dec. 31, 2004 | Dec. 31, 2003 |
| | (In millions) | | (In thousands) | |
| Borrowings in local currency: | | | | |
| Bank of Korea | (Won) 1,229,695 | (Won) 1,239,424 | US\$ 1,178,094 | US\$ 1,187,415 |
| Borrowings from government funds | 1,474,768 | 1,730,773 | 1,412,884 | 1,658,146 |
| Others | 2,963,490 | 2,689,152 | 2,839,136 | 2,576,310 |
| | <u>5,667,953</u> | <u>5,659,349</u> | <u>5,430,114</u> | <u>5,421,871</u> |
| Borrowings in foreign currencies: | | | | |
| Borrowings in foreign currencies | 5,149,825 | 4,926,626 | 4,933,728 | 4,719,895 |
| Off-shore borrowings in foreign currencies | 76,928 | 19,405 | 73,700 | 18,590 |
| | <u>5,226,753</u> | <u>4,946,031</u> | <u>5,007,428</u> | <u>4,738,485</u> |
| Bonds sold under repurchase agreements: | | | | |
| In local currency | 1,609,173 | 680,188 | 1,541,649 | 651,646 |
| In foreign currencies | 78,285 | 976,752 | 75,000 | 935,765 |
| | <u>1,687,458</u> | <u>1,656,940</u> | <u>1,616,649</u> | <u>1,587,411</u> |
| Bills sold: | <u>55,157</u> | <u>115,678</u> | <u>52,842</u> | <u>110,824</u> |
| Due to the Bank of Korea in foreign currencies: | <u>120</u> | <u>4,801</u> | <u>115</u> | <u>4,600</u> |
| Call money: | | | | |
| Local currency | 542,000 | 69,500 | 519,257 | 66,584 |
| Foreign currencies | 105,610 | 342,299 | 101,178 | 327,935 |
| Inter-bank reconciliation funds | 722 | 18,506 | 692 | 17,730 |
| | <u>648,332</u> | <u>430,305</u> | <u>621,127</u> | <u>412,249</u> |
| | <u>(Won) 13,285,773</u> | <u>(Won) 12,813,104</u> | <u>US\$ 12,728,275</u> | <u>US\$ 12,275,440</u> |

(2) Detail of borrowings in local currency as of December 31, 2004 are as follows (unit: Korean won in millions):

| Lender | Interest rate(%) | Korean won |
|--------|------------------|------------|
|--------|------------------|------------|

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| | | | |
|--|---|---------|-----------------|
| Borrowings from the B.O.K | Bank of Korea | 2.0 | (Won) 1,229,695 |
| Borrowings from central government funds | Small Business Corporation | 3.6~4.9 | 297,660 |
| | Ministry of Labor | 0.0~4.5 | 254,870 |
| | Ministry of Information and Communication | 2.1 | 198,317 |
| | Ministry of Commerce, Industry and Energy | 4.1~4.5 | 120,399 |
| | Korea Energy Management Corporation | 1.5~2.4 | 91,193 |
| | Environmental Management Corporation etc. | 4.0 | 34,505 |
| | Other | 0.0~6.0 | 477,824 |
| | | | 1,474,768 |
| Others | Seoul City | 0.0~4.7 | 690,504 |
| | Busan City & other | 0.0~8.0 | 353,734 |
| | Kwangju City & other | 3.3 | 307,083 |
| | Ulsan City & other | 2.0~4.9 | 52,215 |
| | others | 0.8~8.6 | 1,559,954 |
| | | | 2,963,490 |
| | | | (Won) 5,667,953 |

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(3) Detail of borrowings in foreign currency as of December 31, 2004 are as follows:

| | Lender | Interest rate (%) | U.S. dollars | Korean won equivalent |
|--|-------------------------------|-------------------------|----------------|--------------------------|
| | | | (In thousands) | (In millions) |
| Borrowing in foreign currencies | Overdraft | | US\$ 426,168 | (Won) 444,834 |
| | Foreign financial institution | 0.2~7.3 | 2,172,821 | 2,267,990 |
| | Local bank | 2.0~3.0 | 993,480 | 1,036,995 |
| | Others | 1.4~3.0 | 1,341,259 | 1,400,006 |
| | | | 4,933,728 | 5,149,825 |
| Off-shore borrowings in foreign currencies | ABU Dhabi Commercial Bank | 2.5 | 60,000 | 62,628 |
| | Sumitomo Mitsui Banking Co. | 2.5 | 10,000 | 10,438 |
| | Wachovia, Philadelphia | 2.7~2.8 | 3,700 | 3,862 |
| | | | 73,700 | 76,928 |
| | | | US\$ 5,007,428 | (Won) 5,226,753 |

(4) Borrowings from other financial institutions as of December 31, 2004 and 2003 are as follows (unit: Korean won in millions):

| <2004> | Bank of Korea | General bank | Other financial institution | Total |
|--|------------------|-----------------|-----------------------------------|------------------|
| Borrowings in local currency | (Won) 1,229,695 | (Won) 429,409 | (Won) 3,357,012 | (Won) 5,016,116 |
| Borrowings in foreign currencies | | 5,114,223 | 74,158 | 5,188,381 |
| Bonds sold under repurchase agreements | | 115,932 | 34,630 | 150,562 |
| Due to the Bank of Korea in foreign currencies | 120 | | | 120 |
| Call money | | 626,350 | 73,700 | 700,050 |
| | (Won) 1,229,815 | (Won) 6,285,914 | (Won) 3,539,500 | (Won) 11,055,229 |
| <2003> | Bank of Korea | General bank | Other financial institution | Total |
| Borrowings in local currency | (Won) 1,239,424 | (Won) 989,131 | (Won) 2,831,022 | (Won) 5,059,577 |
| Borrowings in foreign currencies | | 1,872,566 | 3,040,475 | 4,913,041 |
| Bonds sold under repurchase agreements | | | 110,450 | 110,450 |
| Due to the Bank of Korea in foreign currencies | 4,715 | | 86 | 4,801 |
| Call money | | 191,461 | 238,844 | 430,305 |
| | (Won) 1,244,139 | (Won) 3,053,158 | (Won) 6,220,877 | (Won) 10,518,174 |

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(5) Maturities of borrowings as of December 31, 2004 and 2003 are as follows (unit: Korean won in billions):

| <u><2004></u> | <u>Less than 3 months</u> | <u>Less than 6 months</u> | <u>Less than 1 year</u> | <u>Less than 3 years</u> | <u>More than 3 years</u> | <u>Total</u> |
|--|-------------------------------|-------------------------------|-----------------------------|------------------------------|------------------------------|---------------------|
| Borrowings in local currency (*1) | (Won) 1,568 | (Won) 131 | (Won) 576 | (Won) 1,624 | (Won) 1,973 | (Won) 5,872 |
| Borrowings in foreign currencies | 2,552 | 1,721 | 534 | 349 | 71 | 5,227 |
| Bonds sold under repurchase agreements | 1,019 | 482 | 187 | | | 1,688 |
| Due to the Bank of Korea in foreign currencies | 34 | 20 | 1 | | | 55 |
| Call money | 648 | | | | | 648 |
| Total | (Won) 5,821 | (Won) 2,354 | (Won) 1,298 | (Won) 1,973 | (Won) 2,044 | (Won) 13,490 |

(*1) Before eliminating (Won) 204 billion of inter-company transactions.

| <u><2003></u> | <u>Less than 3 months</u> | <u>Less than 6 months</u> | <u>Less than 1 year</u> | <u>Less than 3 years</u> | <u>More than 3 years</u> | <u>Total</u> |
|--|-------------------------------|-------------------------------|-----------------------------|------------------------------|------------------------------|---------------------|
| Borrowings in local currency (*1) | (Won) 1,664 | (Won) 270 | (Won) 392 | (Won) 1,377 | (Won) 2,159 | (Won) 5,862 |
| Borrowings in foreign currencies | 2,618 | 1,176 | 602 | 476 | 74 | 4,946 |
| Bonds sold under repurchase agreements (*2) | 853 | 701 | 117 | 1 | | 1,672 |
| Due to the Bank of Korea in foreign currencies | 92 | 17 | 6 | | | 115 |
| Due to the Bank of Korea in foreign currencies | 2 | | 2 | 1 | | 5 |
| Call money | 430 | | | | | 430 |
| Total | (Won) 5,659 | (Won) 2,164 | (Won) 1,119 | (Won) 1,855 | (Won) 2,233 | (Won) 13,030 |

(*1) Before eliminating (Won) 227 billion of inter-company transactions and excluding W 25 billion of borrowings, which were transferred from WIB to Woori Bank.

(*2) Before eliminating (Won) 15 billion of inter-company transactions.

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20. DEBENTURES

(1) Debentures as of December 31, 2004 and 2003 are as follows:

| | Korean won | | U.S. dollars (Note 2) | |
|---|------------------|------------------|-----------------------|-----------------|
| | Dec. 31, 2004 | Dec. 31, 2003 | Dec. 31, 2004 | Dec. 31, 2003 |
| | (In millions) | | (In thousands) | |
| Debentures in local currency | (Won) 10,584,375 | (Won) 9,582,428 | US\$ 10,140,233 | US\$ 9,180,330 |
| Add: redemption premium | | 2,314 | | 2,217 |
| Less: reconciliation for conversion right | | (2,509) | | (2,404) |
| Less: discounts | (55,387) | (632,729) | (53,063) | (606,179) |
| Debentures in foreign currencies | 3,154,797 | 3,262,951 | 3,022,415 | 3,126,031 |
| Add: long-term accrued interest | 3,498 | 2,154 | 3,351 | 2,064 |
| Add: redemption premium | 65 | 3,258 | 63 | 3,121 |
| Less: reconciliation for conversion right | (53) | (4,179) | (51) | (4,004) |
| Less: discounts | | (18,529) | | (17,751) |
| | (Won) 13,687,295 | (Won) 12,195,159 | US\$ 13,112,948 | US\$ 11,683,425 |

(2) Details of debentures in local currency as of December 31, 2004 and 2003 are as follows (unit: Korean won in millions):

| | Dec. 31, 2004 | | Dec. 31, 2003 | |
|---------------------|------------------|-------------------|-----------------|-------------------|
| | Face value | Interest rate (%) | Face value | Interest rate (%) |
| Ordinary bonds | (Won) 8,698,025 | 3.35 ~ 6.70 | (Won) 7,787,612 | 4.18 ~ 9.00 |
| Convertible bonds | | | 20,000 | |
| Bonds with warrants | | | 614,816 | 15.00 |
| Subordinated bonds | 1,886,350 | 5.40 ~ 13.50 | 1,160,000 | 7.20 ~ 13.50 |
| | (Won) 10,584,375 | | (Won) 9,582,428 | |

(3) Details of debentures in foreign currencies as of December 31, 2004 and 2003 are as follows (unit: Korean won in millions, U.S. dollars in thousands and Japanese Yen in millions):

| <2004> | Currencies | Face value in foreign currencies | Korean won equivalent | Interest rate (%) |
|-------------------|------------|----------------------------------|-----------------------|-------------------|
| Ordinary bonds | USD | 1,100,000 | (Won) 1,148,180 | 3.60~ 5.40 |
| | JPY | 43,000 | 435,190 | 1.20 ~ 1.50 |
| Convertible bonds | USD | 53,000 | 55,322 | |

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| | | | |
|---------------------------------|-----|-----------|------------------------|
| Subordinated bonds | USD | 1,450,000 | 1,513,510 |
| | | | <u>3,152,202</u> |
| Gains on hedging for fair value | | | 2,595 |
| | | | <u>(Won) 3,154,797</u> |

| <u><2003></u> | <u>Currencies</u> | <u>Face value in foreign currencies</u> | <u>Korean won equivalent</u> | <u>Interest rate (%)</u> |
|---------------------|-------------------|---|----------------------------------|----------------------------------|
| Ordinary bonds | USD | 2,491,855 | (Won) 2,984,744 | 1.2 ~ 12.8 |
| | JPY | 150,000 | 168,009 | |
| Convertible bonds | USD | 92,001 | 110,198 | |
| Subordinated bonds | USD | | | |
| | | | <u>(Won) 3,262,951</u> | |

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(4) Details of convertible bond of December 31, 2004 are as follows:

| | <u>Convertible bond 6-1</u> | <u>Convertible bond 6-2</u> | <u>Convertible bond 6-5</u> |
|---------------------------------|--|--|--|
| Issuance date | Sep. 27, 2002 | Dec. 20, 2002 | Jul. 10, 2003 |
| Maturity date | Sep. 27, 2005 | Dec. 20, 2005 | Jul. 10, 2006 |
| Face value | USD 36,000 | USD 16,000 | USD 1,000 |
| Purchaser | Lehman Brothers International Europe | Lehman Brothers International Europe | Lehman Brothers International Europe |
| Shares to be converted | Common share of the Company | Common share of the Company | Common share of the Company |
| Conversion price per share | (Won) 7,313 | (Won) 5,588 | (Won) 7,228 |
| Conversion-exchange rate | (Won) 1,201.4 | (Won) 1,215.8 | (Won) 1,188.5 |
| Convertible duration | From one year after the issuance date to one month before the maturity date | From one year after the issuance date to one month before the maturity date | From one year after the issuance date to one month before the maturity date |
| Holding obligation of purchaser | One and half year after issuance date | One and half year after issuance date | Until Jan. 10, 2005 |
| Yield to maturity | 2.9245% | 2.7335% | 2.0340% |
| Number of convertible shares | 5,914,180 shares | 3,481,173 shares | 164,429 shares |

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(5) Maturities of debentures in local currency as of December 31, 2004 and 2003 are as follows (unit: Korean won in billions):

| <u><2004></u> | <u>Less than 3 months</u> | <u>Less than 6 months</u> | <u>Less than 1 year</u> | <u>Less than 3 years</u> | <u>More than 3 years</u> | <u>Total</u> |
|----------------------------------|-------------------------------|-------------------------------|-----------------------------|------------------------------|------------------------------|---------------------|
| Debentures in local currency | | | | | | |
| Ordinary bonds | (Won) 1,478 | (Won) 920 | (Won) 1,340 | (Won) 3,310 | (Won) 1,650 | (Won) 8,698 |
| Subordinated bonds | | 300 | | 430 | 1,156 | 1,886 |
| | <u>1,478</u> | <u>1,220</u> | <u>1,340</u> | <u>3,740</u> | <u>2,806</u> | <u>10,584</u> |
| Debentures in foreign currencies | | | | | | |
| Ordinary bonds | | | 157 | 389 | 1,038 | 1,584 |
| Convertible bonds | | | 54 | 1 | | 55 |
| Subordinated bonds | | | | | 1,513 | 1,513 |
| | | | <u>211</u> | <u>390</u> | <u>2,551</u> | <u>3,152</u> |
| | <u>(Won) 1,478</u> | <u>(Won) 1,220</u> | <u>(Won) 1,551</u> | <u>(Won) 4,130</u> | <u>(Won) 5,357</u> | <u>(Won) 13,736</u> |
| <u><2003></u> | <u>Less than 3 months</u> | <u>Less than 6 months</u> | <u>Less than 1 year</u> | <u>Less than 3 years</u> | <u>More than 3 years</u> | <u>Total</u> |
| Debentures in local currency(*1) | (Won) 1,110 | (Won) 640 | (Won) 2,245 | (Won) 3,178 | (Won) 3,097 | (Won) 10,270 |
| Debentures in foreign currencies | 168 | | 179 | 549 | 2,367 | 3,263 |
| | <u>(Won) 1,278</u> | <u>(Won) 640</u> | <u>(Won) 2,424</u> | <u>(Won) 3,727</u> | <u>(Won) 5,464</u> | <u>(Won) 13,533</u> |

(*1) Before eliminating (Won)688 billion of inter-company transactions.

21. OTHER LIABILITIES

Other liabilities as of December 31, 2004 and 2003 are as follows:

| | <u>Korean won</u> | | <u>U.S. dollars (Note 2)</u> | |
|--|----------------------|----------------------|------------------------------|----------------------|
| | <u>Dec. 31, 2004</u> | <u>Dec. 31, 2003</u> | <u>Dec. 31, 2004</u> | <u>Dec. 31, 2003</u> |
| | <u>(In millions)</u> | | <u>(In thousands)</u> | |
| Accrued severance benefits (Note 22) | (Won) 365,154 | (Won) 219,672 | US\$ 349,831 | US\$ 210,454 |
| Less: deposits in employee retirement trust | (211,490) | (127,932) | (202,615) | (122,564) |
| Less: transfers to the National Pension Fund | (371) | (436) | (355) | (418) |
| Allowances for possible losses on confirmed acceptances and guarantees (Note 32) | 11,443 | 38,641 | 10,963 | 37,020 |

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| | | | | |
|---|------------------------|------------------------|-----------------------|-----------------------|
| Other allowances (Note 32) | 177,114 | 223,347 | 169,682 | 213,975 |
| Foreign exchange remittances pending | 277,296 | 393,685 | 265,660 | 377,165 |
| Domestic exchange remittances pending | 274,283 | 439,803 | 262,774 | 421,348 |
| Borrowings from trust accounts | 841,503 | 2,215,493 | 806,192 | 2,122,526 |
| Sold equity linked securities | 920,572 | | 881,943 | |
| Accounts payable | 1,414,071 | 2,375,409 | 1,354,734 | 2,275,732 |
| Accrued expenses | 1,626,239 | 1,530,542 | 1,557,999 | 1,466,317 |
| Income taxes payable | (Won) 13,955 | (Won) 13,384 | US\$ 13,369 | US\$ 12,822 |
| Unearned revenues | 96,393 | 99,993 | 92,348 | 95,797 |
| Deposits for letter of guarantees and other | 137,357 | 143,636 | 131,592 | 137,609 |
| Derivative liabilities (Note 33) | 1,635,804 | 420,508 | 1,567,162 | 402,863 |
| Deferred income tax liabilities (Note 26) | 6,613 | 4,363 | 6,336 | 4,180 |
| Accounts for agency businesses | 207,865 | 263,459 | 199,143 | 252,404 |
| Liabilities incurred by agency relationship | 702,903 | 590,466 | 673,407 | 565,689 |
| Sundry liabilities | 318,197 | 167,499 | 304,844 | 160,470 |
| | <u>(Won) 8,814,901</u> | <u>(Won) 9,011,532</u> | <u>US\$ 8,445,009</u> | <u>US\$ 8,633,389</u> |

Table of Contents**22. ACCRUED SEVERANCE BENEFITS**

The accrued severance benefits that would be payable assuming all eligible employees and directors were to terminate as of December 31, 2004 and 2003 amount to (Won)365,154 million (US\$ 349,831 thousand) and (Won)219,672 million (US\$210,454 thousand), respectively. The change in severance benefit payables the year ended December 31, 2004 is as follows (unit: Korean won in millions)

| | |
|--|---------------|
| Jan. 1, 2004 | (Won) 219,672 |
| Provision for severance benefits | 110,151 |
| Payments of accrued severance benefits | (21,416) |
| Changes in scope of consolidation | 56,747 |
| Dec. 31, 2004 | (Won) 365,154 |

23. SHAREHOLDERS EQUITY

- (1) The Company has 2,400,000,000 authorized shares of common stock with (Won) 5,000 par value, of which 796,455,558 shares [(Won) 3,982,278 million (US\$ 3,815,173 thousand)] and 775,504,910 shares [(Won) 3,877,525 million (US\$ 3,714,816 thousand)] are issued and outstanding as of December 31, 2004 and 2003, respectively.
- (2) The changes in the capital stock of the Company during the period from the incorporation to December 31, 2004 are as follows (unit: Korean won in millions):

| <u>Date of issuance</u> | <u>Description</u> | <u>Number of shares issued</u> | <u>Capital stock</u> |
|-------------------------|-----------------------------------|--------------------------------|----------------------|
| March 27, 2001 | Establishment | 727,458,609 | (Won) 3,637,293 |
| June 12, 2002 | Issuance of new shares | 36,000,000 | 180,000 |
| In 2002 | Exercise of warrants | 4,356,188 | 21,781 |
| 2002.12.31 | | 767,814,797 | 3,839,074 |
| In 2003 | Exercise of warrants | 7,690,113 | (Won) 38,451 |
| 2003.12.31 | | 775,504,910 | 3,877,525 |
| In 2004 | Issuance of new shares (*1) | 8,571,262 | 42,856 |
| | Exercise of convertible bond (*2) | 12,379,386 | 61,897 |
| 2004.12.31 | | 796,455,558 | (Won) 3,982,278 |

- (*1) On June 18, 2004, the Company issued its new common shares to Woori Securities, one of its subsidiaries. Those new common shares were offered in exchange for 15,584,113 common shares of Woori Securities.

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(*2) On November 4, December 2, and December 21, 2004, convertible bonds were converted. The details are as follows;

| | Nov. 4, 2004 | Dec. 2, 2004 | Dec. 21, 2004 |
|--|--|--|--|
| Converted on | Convertible bonds in foreign currencies 6-3 | Convertible bonds in foreign currencies 6-3 | Convertible bonds in local currency 6-4 |
| Converted by | Lehman Brothers International Europe Limited | Lehman Brothers International Europe Limited | Lehman Brothers International Europe Limited |
| Issued common share | 666,301 shares | 7,995,613 shares | 3,717,472 shares |
| Conversion price | (Won) 5,380 | (Won) 5,380 | (Won) 5,380 |
| Conversion-exchange rate applied | (Won) 1,194.9 : US\$ 1 | (Won) 1,194.9 : US\$ 1 | |
| Increased capital stock | (Won) 3,332 million | (Won) 39,978 million | (Won) 18,587 million |
| Increased paid-in capital in excess of par share | (Won) 677 million | (Won) 9,084 million | (Won) 3,273 million |

(3) Dividends to net income ratio for the years ended December 31, 2004 and 2003 is as follows:

| | Korean won | | US dollars (Note 2) | |
|------------------------------|--|-----------------|---|----------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions, except for par value) | | (In thousands, except for par value) | |
| The number of issued shares | 796,455,558 | 775,504,910 | 796,455,558 | 775,504,910 |
| Par value | (Won) 5,000 | (Won) 5,000 | US\$ 4.79 | US\$ 4.79 |
| Contributed capital | (Won) 3,982,278 | (Won) 3,877,525 | US\$ 3,815,173 | US\$ 3,714,816 |
| Dividend ratio per share | 3.0% | 2.0% | 3.0% | 2.0% |
| Dividend | (Won) 119,468 | (Won) 77,550 | US\$ 114,455 | US\$ 74,296 |
| Net income | (Won) 1,292,493 | (Won) 56,279 | US\$ 1,238,257 | US\$ 53,917 |
| Dividend to net income ratio | 9.24% | 137.80% | 9.24% | 137.80% |

Table of Contents**24. STOCK OPTIONS**

- (1) On December 4, 2002, the Company granted stock options to 62 directors of the Company and its subsidiaries. The exercise price of 60 percent of the total number of stock options granted will be determined depending on the Korean banking industry stock index (at minimum (Won) 6,800 per share). In addition, for the remaining 40 percent of the total number of stock options granted, of which the exercise price is (Won) 6,800 per share, the number of stock options to be vested will be dependent on the Company's management performance target levels; non-performing loans ratio, capital adequacy ratio and net income to total asset ratio by 15%, 15%, and 10%, respectively. The stock options are exercisable during a three-year period beginning after three years from the grant date. If the stock options are exercised, the Company has the option either to issue new shares or shares held as treasury stock, or to pay the difference between the market price and the exercise price in cash or with treasury stock.
- (2) The stock options (300,000 shares) granted to 10 directors of the Company and its subsidiaries, who subsequently retired, were cancelled by the resolutions of the Company's board of directors in 2003 and 2004.
- (3) The summary of stock options granted as of December 31, 2004 is summarized as follows:

| Description | The Company | Subsidiaries | Total |
|------------------------------|-------------------------------------|-------------------------------------|------------------|
| Exercisable number of shares | 405,000 shares | 855,000 shares | 1,260,000 shares |
| Type | Share issue or balance compensation | Share issue or balance compensation | |
| Valuation method | Fair value approach | Fair value approach | |

- (4) The Company estimated stock option costs using the Black-Scholes Option Pricing Model and the details are summarized as follows:

| Description | Application |
|------------------------------------|--|
| Risk free rate | Yield (5.70%) of treasury bond, which has the same residual maturity as the expected exercise period, as of December 4, 2002 |
| Expected exercise period | 4.5 year (average holding period) |
| Expected dividend income ratio | 0% |
| Expected lapse ratio | 0% |
| Expected volatility of stock price | 56.72%, that is the annualized standard deviation of expected stock investment yield based on the continuous compounded method |
| Exercise price | (Won) 6,800 per share |
| Fair value | (Won) 2,081 per share |

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- (5) The summary of stock option costs over the exercise period is summarized as follows (unit: Korean won in millions):

| Description | The Company | Subsidiaries | Total |
|---------------------------|----------------|--------------|-------------|
| Total stock option costs | (Won) 780 | (Won) 1,842 | (Won) 2,622 |
| Recorded in 2002 and 2003 | 507 | 1,015 | 1,522 |
| Recorded in 2004 | 273 | 827 | 1,100 |

25. NON-OPERATING INCOME AND EXPENSES

- (1) Non-operating income for the years ended December 31, 2004 and 2003 are as follows:

| | Korean won | | U.S. dollars (Note 2) | |
|---|---------------|---------------|-----------------------|--------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions) | | (In thousands) | |
| Gain on disposal of tangible assets | (Won) 17,934 | (Won) 17,718 | US\$ 17,181 | US\$ 16,975 |
| Gain on valuation using the equity method of accounting (Note 8) | 34,683 | 33,980 | 33,228 | 32,554 |
| Rental income | 6,779 | 6,664 | 6,495 | 6,384 |
| Gain on disposal of available-for-sale securities | 171,184 | 76,323 | 164,001 | 73,120 |
| Reversal of loss on impairment of available-for-sale securities (Note 11) | 73,125 | 212,873 | 70,057 | 203,940 |
| Reversal of loss on impairment of held-to maturity securities (Note 11) | | 2,620 | | 2,510 |
| Gain on sale of loans (Notes 2 and 12) | 33,837 | 54,601 | 32,417 | 52,310 |
| Other | 120,735 | 235,104 | 115,668 | 225,239 |
| | (Won) 458,277 | (Won) 639,883 | US\$ 439,047 | US\$ 613,032 |

- (2) Non-operating expenses for the years ended December 31, 2004 and 2003 are as follows:

| | Korean won | | U.S. dollars (note 2) | |
|---|---------------|-------------|-----------------------|-------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions) | | (In thousands) | |
| Loss on disposal of tangible assets | (Won) 4,748 | (Won) 1,661 | (Won) 4,549 | (Won) 1,591 |
| Loss on valuation using the equity method of accounting | 351 | | 336 | |
| Loss on disposal of available-for-sale securities | 8,272 | 26,502 | 7,924 | 25,390 |
| Loss on impairment of available-for-sale securities (Note 11) | 32,995 | 270,390 | 31,610 | 259,044 |
| Loss on impairment of held-to-maturity securities (Note 11) | 23,291 | 63,762 | 22,314 | 61,086 |
| Loss on sale of loans (Notes 2 and 12) | 179,994 | 271,418 | 172,441 | 260,029 |

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| | | | | |
|--|----------------------|----------------------|----------------------|----------------------|
| Loss on valuation of investment in funds | | 1,250 | | 1,198 |
| Loss on impairment of intangible assets | 5,247 | 37,052 | 5,027 | 35,497 |
| Donations | 7,107 | 2,013 | 6,809 | 1,929 |
| Loss on impairment of other assets | | 2,193 | | 2,101 |
| Others | 128,799 | 75,816 | 123,395 | 72,634 |
| | <u>(Won) 390,804</u> | <u>(Won) 752,057</u> | <u>(Won) 374,405</u> | <u>(Won) 720,499</u> |

Table of Contents**26. INCOME TAX EXPENSE**

Details of income tax as of and for years ended December 31, 2004 and 2003 are as follows (unit: Korean won in millions):

| <u><2004></u> | <u>Income tax expense (benefits)</u> | <u>Deferred income tax assets</u> | <u>Deferred income tax liabilities</u> |
|---------------------|--|---------------------------------------|--|
| Woori Bank | (Won) (121,780) | (Won) 707,947 | (Won) |
| Kyongnam Bank | 9,715 | 27,898 | |
| Kwangju Bank | 43,151 | | 3,165 |
| Woori Securities | 854 | 4,831 | |
| WFIS | 540 | 1,234 | |
| WF&I | 9,491 | 77 | 3,448 |
| WITM | 1,145 | 330 | |
| LG Securities | | 99,216 | |
| | <u>(Won) (56,884)</u> | <u>(Won) 841,533</u> | <u>(Won) 6,613</u> |

| <u><2003></u> | <u>Income tax expense (benefits)</u> | <u>Deferred income tax assets</u> | <u>Deferred income tax liabilities</u> |
|---------------------|--|---------------------------------------|--|
| Woori Bank | (Won) 105,515 | (Won) 211,395 | (Won) 430 |
| WCC | 120,960 | | |
| Kyongnam Bank | (30,493) | 30,493 | |
| Kwangju Bank | (24,510) | 24,510 | |
| Woori Securities | (3,997) | 6,448 | |
| WFIS | 1,865 | 310 | |
| WF&I | 8,741 | 35 | 3,933 |
| WITM | 607 | 1,177 | |
| | <u>(Won) 178,688</u> | <u>(Won) 274,368</u> | <u>(Won) 4,363</u> |

Table of Contents**27. EARNINGS PER COMMON SHARE**

- (1) Basic ordinary income and net income per common share for the years ended December 31, 2004 and 2003 are as follows:

| | Korean won | | U.S. dollars (Note 2) | |
|--|--|--------------|---|-------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions, except for per share data) | | (In thousands, except for per share data) | |
| Consolidated net income on common shares | (Won) 1,292,493 | (Won) 56,279 | US\$ 1,238,257 | US\$ 53,917 |
| Extraordinary gain | | | | |
| Income tax effect on extraordinary gain | | | | |
| Consolidated ordinary income on common shares | (Won) 1,292,493 | (Won) 56,279 | US\$ 1,238,257 | US\$ 53,917 |
| Weighted average number of common shares (in shares) | 780,946,131 | 771,723,994 | 780,946,131 | 771,723,994 |
| Basic ordinary income per common share | (Won) 1,655 | (Won) 73 | US\$ 1.586 | US\$ 0.070 |
| Basic net income per common share | (Won) 1,655 | (Won) 73 | US\$ 1.586 | US\$ 0.070 |

- (2) Diluted ordinary income and net income per common share for the years ended December 31, 2004 and 2003 are as follows:

| | Korean won | | U.S. dollars (Note 2) | |
|---|--|--------------|---|-------------|
| | 2004 | 2003 | 2004 | 2003 |
| | (In millions, except for per share data) | | (In thousands, except for per share data) | |
| Diluted consolidated net income on common shares | (Won) 1,287,345 | (Won) 56,279 | US\$ 1,233,325 | US\$ 53,917 |
| Extraordinary gain | | | | |
| Income tax effect on extraordinary gain | | | | |
| Diluted consolidated ordinary income on common shares | (Won) 1,287,345 | (Won) 56,279 | US\$ 1,233,325 | US\$ 53,917 |
| | 798,428,507 | 776,091,925 | 798,428,507 | 776,091,925 |

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| | | | | | | | | |
|--|-------|-------|-------|----|-------|-------|------|-------|
| Weighted average number of diluted common shares equivalents (in shares) | | | | | | | | |
| <hr/> | | | | | | | | |
| Diluted ordinary income per common share | (Won) | 1,612 | (Won) | 72 | US\$ | 1.544 | US\$ | 0.069 |
| | | <hr/> | | | <hr/> | | | <hr/> |
| Diluted net income per common share | (Won) | 1,612 | (Won) | 72 | US\$ | 1.544 | US\$ | 0.069 |
| | | <hr/> | | | <hr/> | | | <hr/> |

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(3) Common stock equivalents as of December 31, 2004 are as follows (unit: Korean won in millions and U.S. dollars in thousands):

| Item | Face value | Exercise period | Common stock to be issued | Remarks |
|-------------------|-------------|----------------------------------|---------------------------------|--|
| Convertible bonds | US\$ 36,000 | Sep. 28, 2003 ~ Aug. 27, 2005 | 5,914,180 shares | Using exchange rate of (Won)1,201.4, convert 1 share at (Won)7,313. |
| Convertible bonds | US\$ 16,000 | Dec. 21, 2003 ~ Nov. 20, 2005 | 3,481,173 shares | Using exchange rate of (Won)1,215.8, convert 1 share at (Won)5,588. |
| Convertible bonds | US\$ 1,000 | Jul.10, 2004 ~ Jun.10, 2006 | 164,429 shares | Using exchange rate of (Won)1,188.5, convert 1 share at (Won)7,228. |
| Stock options | | Dec. 5, 2005 ~ Dec. 4, 2008 | 1,260,000 shares | (Note 24) |

28. CONSOLIDATED STATEMENTS OF CASH FLOWS

Increases and decreases in cash flows from investing activities and financing activities in the consolidated statements of cash flows for the years ended December 31, 2004 and 2003 are presented at net amounts.

29. CONSOLIDATED OPERATIONAL RESULTS FOR THE THREE-MONTH PERIODS ENDED DECEMBER 31, 2004 AND 2003

| | Korean won | | U.S. dollars (Note 2) | |
|---|---------------------------------|-----------------|----------------------------------|----------------|
| | Three months | Three months | Three months | Three months |
| | ended | ended | ended | ended |
| | Dec. 31, 2004 | Dec. 31, 2003 | Dec. 31, 2004 | Dec. 31, 2003 |
| | (In millions, except for income | | (In thousands, except for income | |
| | per share data) | | per share data) | |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Operating revenue | (Won) 4,955,555 | (Won) 2,566,674 | US\$ 4,747,610 | US\$ 2,458,971 |
| Operating expense | (4,231,095) | (2,648,954) | (4,053,550) | (2,537,798) |
| Operating income (loss) | 724,460 | (82,280) | 694,060 | (78,827) |
| Non-operating revenue | 152,404 | 14,526 | 146,009 | 13,916 |
| Non-operating expense | (203,008) | (245,607) | (194,489) | (235,301) |
| Income (loss) before income tax expense and minority interests | 673,856 | (313,361) | 645,580 | (300,212) |
| Tax benefits | 192,538 | 9,827 | 184,458 | 9,415 |
| Income before minority interests | 866,394 | (303,534) | 830,038 | (290,797) |

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| | | | | |
|------------------------------------|---------------|-----------------|--------------|----------------|
| Minority interests loss (gain) net | (684) | 181 | (655) | 173 |
| Net income (loss) | (Won) 865,710 | (Won) (303,353) | US\$ 829,383 | US\$ (290,624) |
| Net income (loss) per common share | (Won) 1,099 | (Won) (393) | US\$ 1,053 | US\$ (377) |

Table of Contents**30. INTERCOMPANY TRANSACTIONS**

A. Significant balances as of December 31, 2004 and transactions for the years ended December 31, 2004 with and among the Company, its subsidiaries, equity method investees and related parties, some of which have been eliminated in the consolidation, are as follows (unit: Korean won in millions):

(1) Assets and liabilities

1) Due from Banks

| | <u>The Company</u> | <u>Woori Bank</u> | <u>Kyongnam Bank</u> | <u>Kwangju Bank</u> | <u>WFIS</u> | <u>WF&I</u> | <u>WITM</u> | <u>Woori Securities</u> | <u>WCI</u> | <u>Others</u> |
|---------------|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|-------------------------|--------------------|---------------------|
| Woori Bank | (Won) 35,852 | (Won) | (Won) | (Won) 7,983 | (Won) 8,306 | (Won) 20,208 | (Won) 2,504 | (Won) 24,086 | (Won) 4,153 | (Won) 30,108 |
| Kyongnam Bank | 9,938 | 5,000 | 11,657 | 4 | 1,864 | 15,012 | 5,500 | 10,043 | | 291 |
| Kwangju Bank | 10,309 | 2,593 | 5 | | 1,436 | | 9,300 | 4,958 | | 20,053 |
| Others | 1,230 | 13,285 | | | 1,983 | | 408 | 5,274 | 856 | 749 |
| | <u>(Won) 57,329</u> | <u>(Won) 20,878</u> | <u>(Won) 11,662</u> | <u>(Won) 7,987</u> | <u>(Won) 13,589</u> | <u>(Won) 35,220</u> | <u>(Won) 17,712</u> | <u>(Won) 44,361</u> | <u>(Won) 5,009</u> | <u>(Won) 51,201</u> |

2) Deposits

| | <u>Woori Bank</u> | <u>Kyongnam Bank</u> | <u>Kwangju Bank</u> | <u>Others</u> |
|------------------|----------------------|----------------------|---------------------|---------------------|
| The Company | (Won) 35,852 | (Won) 9,938 | (Won) 10,309 | (Won) 1,230 |
| Woori Bank | | 5,000 | 2,593 | 13,285 |
| Kyongnam Bank | 11,657 | | 5 | |
| Kwangju Bank | 7,983 | 4 | | |
| WFIS | 8,306 | 1,864 | 1,436 | 1,983 |
| WF&I | 20,208 | 15,012 | | |
| WITM | 2,504 | 5,500 | 9,300 | 408 |
| Woori Securities | 24,086 | 10,043 | 4,958 | 5,274 |
| WCI | 4,153 | | | 856 |
| Others | 30,108 | 291 | 20,053 | 749 |
| | <u>(Won) 144,857</u> | <u>(Won) 47,652</u> | <u>(Won) 48,654</u> | <u>(Won) 23,785</u> |

3) Loans

| <u>The Company</u> | <u>Woori Bank</u> | <u>Kyongnam Bank</u> | <u>Kwangju Bank</u> | <u>Others</u> |
|--------------------|-------------------|----------------------|---------------------|---------------|
|--------------------|-------------------|----------------------|---------------------|---------------|

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| | | | | | |
|--------------|---------------|--------------|--------------|--------------|---------------|
| Woori Bank | (Won) | (Won) | (Won) 29,736 | (Won) 22,542 | (Won) 126,195 |
| Kwangju Bank | 50,000 | | | | |
| WFIS | 30,000 | | | | |
| WF&I | 121,850 | | | | |
| Others | 17,890 | 54,270 | | | 12,377 |
| | (Won) 219,740 | (Won) 54,270 | (Won) 29,736 | (Won) 22,542 | (Won) 138,572 |

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4) Borrowings

| | Kwangju | | | | |
|---------------|---------------|--------------|--------------|---------------|--------------|
| | Woori Bank | Bank | WFIS | WF&I | Others |
| The Company | (Won) | (Won) 50,000 | (Won) 30,000 | (Won) 121,850 | (Won) 17,890 |
| Woori Bank | | | | | 54,270 |
| Kyongnam Bank | 29,736 | | | | |
| Kwangju Bank | 22,542 | | | | |
| Others | 126,195 | | | | 12,377 |
| | (Won) 178,473 | (Won) 50,000 | (Won) 30,000 | (Won) 121,850 | (Won) 84,537 |

5) Other assets

| | The Company | Woori Bank | Kyongnam Bank | Kwangju Bank | WFIS | WF&I | WITM | Woori Securities | WCI | Others |
|------------------|--------------|---------------|---------------|--------------|--------------|---------------|-----------|------------------|-------------|---------------|
| The Company | (Won) | (Won) 15,525 | (Won) | (Won) | (Won) 443 | (Won) | (Won) | (Won) | (Won) | (Won) |
| Woori Bank | 5,862 | | 26,781 | 37 | 26,275 | 14 | 184 | 4,801 | 6,046 | 296,974 |
| Kyongnam Bank | 11 | 79 | | 952 | 1,911 | 176 | 74 | 93 | 9 | 23,856 |
| Kwangju Bank | 4,511 | 5,819 | | | 1,322 | | 270 | | 2 | 23,135 |
| WFIS | 596 | 167 | | | | | | | | |
| WITM | 73 | 16 | | | | | | | | |
| Woori securities | | | | | 127 | | | | | |
| WCI | 166 | 22 | | | | | | | | |
| Others | 525 | 143,871 | 426 | 754 | | 123,697 | | | | 5,509 |
| | (Won) 11,744 | (Won) 165,499 | (Won) 27,207 | (Won) 1,743 | (Won) 30,078 | (Won) 123,887 | (Won) 528 | (Won) 4,894 | (Won) 6,057 | (Won) 349,474 |

6) Other liabilities

| | The Company | Woori Bank | Kyongnam Bank | Kwangju Bank | WFIS | WITM | Woori Securities | WCI | Others |
|------------------|-------------|-------------|---------------|--------------|-----------|----------|------------------|-----------|-----------|
| The Company | (Won) | (Won) 5,862 | (Won) 11 | (Won) 4,511 | (Won) 596 | (Won) 73 | (Won) | (Won) 166 | (Won) 525 |
| Woori Bank | | 15,525 | 79 | 5,819 | 167 | 16 | | 22 | 143,871 |
| Kyongnam Bank | | 26,781 | | | | | | | 426 |
| Kwangju Bank | | 37 | 952 | 1,322 | | | | | 754 |
| WFIS | 443 | 26,275 | 1,911 | | | | 127 | | |
| WF&I | | 14 | 176 | | | | | | 123,697 |
| WITM | | 184 | 74 | 270 | | | | | |
| Woori Securities | | 4,801 | 93 | | | | | | |

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| | | | | | | | | |
|--------|--------------|---------------|--------------|--------------|-----------|----------|-----------|---------------|
| WCI | 6,046 | 9 | 2 | | | | | |
| Others | 296,974 | 23,856 | 23,135 | | | | | 5,509 |
| | (Won) 15,968 | (Won) 366,974 | (Won) 27,161 | (Won) 35,059 | (Won) 763 | (Won) 89 | (Won) 127 | (Won) 188 |
| | | | | | | | | (Won) 274,782 |

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(2) Income and Expenses

1) Interest income

| | The Company | Woori Bank | Kyongnam Bank | Kwangju Bank | WFIS | WF&I | WITM | Woori Securities | WCI | Others |
|------------------|--------------|-------------|---------------|--------------|-----------|--------------|-----------|------------------|-----------|--------------|
| Woori Bank | (Won) 14,992 | (Won) | (Won) 2,026 | (Won) 960 | (Won) 325 | (Won) 520 | (Won) 109 | (Won) 1,389 | (Won) 102 | (Won) 12,044 |
| Kyongnam Bank | 781 | 2 | | 22 | 62 | 176 | 74 | 93 | | 404 |
| Kwangju Bank | 2,811 | | 53 | | | | 290 | 113 | | 629 |
| WFIS | 2,199 | | | | | | | | | |
| WF&I | 9,163 | | | | | | | | | |
| Woori Securities | | 8 | 1 | | | 88 | | | | |
| Others | 2,075 | 3,200 | 21 | 60 | 17 | 10,332 | 15 | 72 | 38 | 184 |
| | (Won) 32,021 | (Won) 3,210 | (Won) 2,101 | (Won) 1,042 | (Won) 404 | (Won) 11,116 | (Won) 488 | (Won) 1,667 | (Won) 140 | (Won) 13,261 |

2) Interest expense

| | Woori Bank | Kyongnam Bank | Kwangju Bank | WFIS | WF&I | Woori Securities | Others |
|------------------|--------------|---------------|--------------|-------------|-------------|------------------|--------------|
| The Company | (Won) 14,992 | (Won) 781 | (Won) 2,811 | (Won) 2,199 | (Won) 9,163 | (Won) | (Won) 2,075 |
| Woori Bank | | 2 | | | | 8 | 3,200 |
| Kyongnam Bank | | 2,026 | | 53 | | 1 | 21 |
| Kwangju Bank | | 960 | 22 | | | | 60 |
| WFIS | | 325 | 62 | | | | 17 |
| WF&I | | 520 | 176 | | | 88 | 10,332 |
| WITM | | 109 | 74 | 290 | | | 15 |
| Woori Securities | | 1,389 | 93 | 113 | | | 72 |
| WCI | | 102 | | | | | 38 |
| Others | | 12,044 | 404 | 629 | | | 184 |
| | (Won) 32,467 | (Won) 1,614 | (Won) 3,896 | (Won) 2,199 | (Won) 9,163 | (Won) 97 | (Won) 16,014 |

3) Fees (income)

| | Woori Bank | Kyongnam Bank | Kwangju Bank | WITM | Woori Securities | WCI | Others |
|---------------|------------|---------------|--------------|-----------|------------------|--------------|--------|
| Woori Bank | (Won) | (Won) 21 | (Won) | (Won) 272 | (Won) 944 | (Won) 11,391 | (Won) |
| Kyongnam Bank | | | | | 4 | 88 | |

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| | | | | | | | |
|------------------|---------------------|-----------------|--------------------|------------------|--------------------|---------------------|---------------------|
| Kwangju Bank | | | | 10 | | 32 | |
| WITM | | | | 81 | | | |
| Woori Securities | 80 | | | | | 10 | |
| Other | 16,923 | | 1,029 | | | 1,963 | 16,883 |
| | <u>(Won) 17,003</u> | <u>(Won) 21</u> | <u>(Won) 1,029</u> | <u>(Won) 272</u> | <u>(Won) 1,039</u> | <u>(Won) 13,484</u> | <u>(Won) 16,883</u> |

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4) Fees (expense)

| | Woori Bank | Kyongnam Bank | Kwangju Bank | WITM | Woori Securities | Others |
|------------------|---------------|------------------|-----------------|----------|---------------------|--------------|
| Woori Bank | (Won) | (Won) | (Won) | (Won) | (Won) 80 | (Won) 16,923 |
| Kyongnam Bank | 21 | | | | | |
| Kwangju Bank | | | | | | 1,029 |
| WITM | 272 | | | | | |
| Woori Securities | 944 | 4 | 10 | 81 | | |
| WCI | 11,391 | 88 | 32 | | 10 | 1,963 |
| Others | | | | | | 16,883 |
| | (Won) 12,628 | (Won) 92 | (Won) 42 | (Won) 81 | (Won) 90 | (Won) 36,798 |

5) Other income

| | The Company | Woori Bank | Kwangju Bank | WFIS | Others |
|------------------|----------------|---------------|-----------------|---------------|-----------|
| The Company | (Won) | (Won) 33,013 | (Won) | (Won) 2,694 | (Won) |
| Woori Bank | 405 | | | 226,462 | |
| Kyongnam Bank | | 77 | | 19,874 | |
| Kwangju Bank | | | | 12,984 | |
| WFIS | 42 | 4,943 | | | |
| WF&I | | | | | 15 |
| WITM | | | | 75 | |
| Woori Securities | | 390 | | 3,243 | |
| WCI | | 252 | | 1 | |
| Others | | 47,608 | 655 | 5,806 | 212 |
| | (Won) 447 | (Won) 86,283 | (Won) 655 | (Won) 271,139 | (Won) 227 |

6) Other expenses

| | The Company | Woori Bank | Kyungnam Bank | Kwangju Bank | WFIT | WF&I | WITM | Woori Securities | WCI | Others |
|--------------|----------------|---------------|------------------|-----------------|-------------|----------|----------|---------------------|-----------|--------------|
| The company | (Won) | (Won) | 405 | (Won) | (Won) | 42 | (Won) | (Won) | (Won) | (Won) |
| Woori Bank | 33,013 | | 77 | | 4,943 | | 390 | 252 | 47,608 | |
| Kwangju Bank | | | | | | | | | | 655 |
| WFIS | 2,694 | 226,462 | 19,874 | 12,984 | | | 75 | 3,243 | 1 | 5,806 |
| Others | | | | | | 15 | | | | 212 |
| | (Won) 35,707 | (Won) 226,867 | (Won) 19,951 | (Won) 12,984 | (Won) 4,985 | (Won) 15 | (Won) 75 | (Won) 3,633 | (Won) 253 | (Won) 54,281 |

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- B. Unrealized gain or loss on transactions among the Company and its subsidiaries, which is excluded from consolidated income for the year ended December 31, 2004, are as follows (unit: Korean won in millions):

| | Operating revenue | Operating expenses | Non-operating income | Non-operating expenses | Total |
|-------------------|----------------------|-----------------------|-------------------------|---------------------------|-------------|
| Woori Bank | (Won) 1,069 | (Won) | (Won) 2,347 | (Won) (145) | (Won) 3,271 |
| Kyongnam Bank | | | | (18) | (18) |
| Kwangju Bank | 6 | | | (118) | (112) |
| Woori Credit Card | | | | (173) | (173) |
| WFIS | (372) | | | | (372) |
| | (Won) 703 | (Won) | (Won) 2,347 | (Won) (454) | (Won) 2,596 |

- C. Kwangju Bank sold its credit card subscriber base to WCC on February 28, 2003. However, due to WCC's merger into Woori Bank in the first quarter of 2004, Kwangju Bank repurchased such credit card subscriber base including the related card assets and liabilities from WCC on March 29, 2004. The consideration for the transaction was (Won) 73 billion (US\$ 70 million) and no gain or loss was recorded.

31. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

The assets and liabilities in foreign currencies as of December 31, 2004 and 2003 are as follow (unit: Korean won in millions and U.S. dollars in thousands):

| <u><2004></u> | <u>U.S. dollars (*1)</u> | <u>Korean won equivalent</u> |
|--|--------------------------|----------------------------------|
| Assets; | | |
| Cash in foreign currencies | US\$ 161,227 | (Won) 168,289 |
| Due from bank in foreign currencies | 496,097 | 517,826 |
| Trading securities | 56,591 | 59,070 |
| Available-for-sale securities | 994,126 | 1,037,669 |
| Held-to-maturities securities | 300,451 | 313,611 |
| Loans in foreign currencies | 6,793,691 | 7,091,255 |
| Bills bought in foreign currencies | 3,762,739 | 3,927,547 |
| Call loans | 725,610 | 757,392 |
| Tangible assets | 30,482 | 31,817 |
| Other assets | 751,351 | 784,260 |
| | US\$ 14,072,365 | (Won) 14,688,736 |
| Liabilities; | | |
| Deposit in foreign currencies | US\$ 3,285,664 | (Won) 3,429,576 |
| Borrowing in foreign currencies | 5,007,428 | 5,226,753 |
| Payable in foreign currencies | 265,660 | 277,296 |
| Deposits for letter of guarantees and others | 62,486 | 65,223 |
| Bonds sold with repurchase agreements | 75,000 | 78,285 |
| Call money | 101,178 | 105,610 |
| Bonds | 3,022,415 | 3,154,797 |
| Others | 939,988 | 981,159 |

US\$ 12,759,819

(Won) 13,318,699

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| <u><2003></u> | <u>U.S. dollars (*1)</u> | <u>Korean won equivalent</u> |
|--|--------------------------|----------------------------------|
| Assets; | | |
| Cash in foreign currencies | US\$ 127,738 | (Won) 153,004 |
| Due from bank in foreign currencies | 506,379 | 606,542 |
| Trading securities | 20,216 | 24,216 |
| Available-for-sale securities | 1,116,931 | 1,337,860 |
| Held-to-maturities securities | 219,620 | 263,061 |
| Loans in foreign currencies | 5,952,074 | 7,129,394 |
| Bills bought in foreign currencies | 3,170,926 | 3,798,134 |
| Call loans | 602,922 | 722,180 |
| Tangible assets | 48,478 | 58,067 |
| Other assets | 1,742,188 | 2,086,793 |
| Total | US\$ 13,507,472 | (Won) 16,179,251 |
| Liabilities; | | |
| Deposit in foreign currencies | US\$ 3,219,127 | (Won) 3,855,870 |
| Borrowing in foreign currencies | 4,129,262 | 4,946,031 |
| Payable in foreign currencies | 328,673 | 393,685 |
| Deposits for letter of guarantees and others | 2,034 | 2,436 |
| Bonds sold with repurchase agreements | 815,455 | 976,752 |
| Call money | 285,773 | 342,299 |
| Bonds | 2,709,680 | 3,245,655 |
| Others | 1,101,106 | 1,318,905 |
| Total | US\$ 12,591,110 | (Won) 15,081,633 |

(*1) Currencies other than U.S. dollars were translated into U.S. dollars based on Base Rate announced by Seoul Money Brokerage Services, Ltd. at December 31, 2004 and 2003, respectively.

32. CONTINGENCIES AND COMMITMENTS

(1) As of December 31, 2004 and 2003, confirmed acceptances and guarantees and non-confirmed acceptances and guarantees are as follow (unit: Korean won in millions):

| | <u>Dec. 31, 2004</u> | <u>Dec. 31, 2003</u> |
|--|----------------------|----------------------|
| Confirmed acceptances and guarantees: | | |
| Local currency: | | |
| Guarantees for debenture issuance | (Won) 92,918 | (Won) 72,273 |
| Guarantees for loans | 91,414 | 105,620 |
| Guarantees for bills | 18,886 | 19,121 |
| Others | 468,670 | 443,842 |
| | 671,888 | 640,856 |
| Foreign currencies: | | |
| Acceptance | 337,596 | 422,683 |
| Guarantee in acceptance of imported goods | 75,946 | 76,972 |
| Credit derivatives sold | 83,504 | 62,416 |
| Others | 396,425 | 788,904 |

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| | | |
|--|------------------------|------------------------|
| | 893,471 | 1,350,975 |
| | <u>(Won) 1,565,359</u> | <u>(Won) 1,991,831</u> |
| Non-confirmed acceptances and guarantees: | | |
| Local letter of credit in foreign currencies | (Won) 586,609 | (Won) 697,476 |
| Local letter of credit in local currency | 333,959 | 223,624 |
| Letter of credit | 2,032,491 | 2,242,753 |
| Others | 65,047 | 150,496 |
| | <u>(Won) 3,018,106</u> | <u>(Won) 3,314,349</u> |

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- (2) Endorsed bills and the loan commitments as of December 31, 2004 and 2003 are as follows (unit: Korean won in millions):

| | Dec. 31, 2004 | Dec. 31, 2003 |
|---|------------------------|------------------------|
| Loan commitments in local currency | (Won) 1,169,924 | (Won) 979,932 |
| Loan commitments in foreign currencies | 145,121 | 24,516 |
| Other commitments in foreign currencies | | 59,890 |
| | (Won) 1,315,045 | (Won) 1,064,338 |
| Endorsed bills without guarantee | (Won) 130,313 | (Won) 3 |
| Endorsed bills with guarantee | 43,308 | 27,923 |
| | (Won) 173,621 | (Won) 27,926 |

- (3) The allowance for confirmed acceptances and guarantees outstanding as of December 31, 2004 and 2003 are as follows (unit: Korean won in billions):

| | Dec. 31, 2004 | | | Dec. 31, 2003 | | |
|---------------|----------------------|------------------|----------------------|----------------------|------------------|----------------------|
| | Allowance | Ratio (%) | Outstanding | Allowance | Ratio (%) | Outstanding |
| Normal | (Won) | | (Won) 1,505.0 | (Won) | | (Won) 1,871.0 |
| Precautionary | | | 36.3 | | | 61.8 |
| Substandard | 10.1 | 47.0% | 21.7 | 3.8 | 26.8% | 14.2 |
| Doubtful | 1.0 | 50.0% | 2.0 | 34.0 | 77.3% | 44.0 |
| Loss | 0.3 | 100.0% | 0.3 | 0.8 | 100.0% | 0.8 |
| | (Won) 11.4 | | (Won) 1,565.3 | (Won) 38.6 | | (Won) 1,991.8 |

- (4) As of December 31, 2004, the Company and its subsidiaries had filed 8,968 lawsuits as a plaintiff pleading damages amounting to (Won) 520 billion (US\$ 498.2 million) and had been designated as a defendant in 292 lawsuits claiming damages amounting to (Won) 1,105 billion (US\$ 1,059 thousand). The Company and its subsidiaries do not anticipate the outcome of these lawsuits would have a significant effect on their financial conditions or results of their operations.

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Important lawsuits in which the Company and its subsidiaries are defendants are as follows (unit: Korean won in billions):

| <u>Defendant</u> | <u>Plaintiff</u> | <u>Amount</u> | <u>Detail of case</u> |
|------------------|----------------------------------|---------------|---|
| Woori Bank | Stonington & other. | (Won) 512 | Claim for damages relating to factoring loans for LNH Korea (US\$ 490 million), which is dismissed. |
| " | Baker & other | 230 | Claim for damages relating to factoring loans for LNH Korea (US\$ 220 million) |
| " | Garyfiler & other | 177 | Claim for damages relating to factoring loans for LNH Korea (US\$ 170 million) |
| " | Ilsung Pharmaceuticals Co., Ltd. | 30 | Legality of reduction of capital of Hanil Bank |
| " | Ssangyong Corporation | 16 | Claim for damages relating to fabrication of export-import documents |
| " | Kyobo Life Insurance Co., Ltd. | 10 | Claim for damage relating to trusts acquiring commercial paper of Seahan Corp. |
| Kwangju Bank | The Export-Import Bank of Korea | 45 | Verify export guarantee obligation for Daewoo Corp. |

(5) Details of other allowances as of December 31, 2004 and 2003 are as follows (unit: Korean won in billions):

| | <u>Dec. 31, 2004</u> | <u>Dec. 31, 2003</u> |
|---|--------------------------|--------------------------|
| Lawsuits | (Won) 65 | (Won) 71 |
| Commitments on credit card | 50 | 17 |
| Loans sold under repurchase obligation (*1) | 20 | 124 |
| Agreement of swap to equity in LG Card | 10 | |
| Disposal of Petro Bank | 28 | |
| Others | 4 | 11 |
| | <u>(Won) 177</u> | <u>(Won) 223</u> |

(*1) In connection with non-performing loans sold by subsidiaries of the Company to KAMCO subject to payment guarantees or repurchase obligation of (Won) 40.8 billion (US\$ 39.1 million) and (Won) 325.7 billion (US\$ 312.0 million) as December 31, 2004 and 2003, respectively.

Table of Contents**33. DERIVATIVES**

(1) Deferred commitments from derivatives as of December 31, 2004 and 2003 are as follows (unit: Korean won in millions):

| <u><2004></u> | <u>For trading</u> | <u>For hedging</u> | <u>Total</u> |
|---------------------------|-------------------------|------------------------|-------------------------|
| Interest rate: | | | |
| Interest rate forwards | (Won) 1,164,807 | (Won) | (Won) 1,164,807 |
| Interest rate swaps | 9,838,239 | 3,294,921 | 13,133,160 |
| CD interest rate futures | 453,120 | | 453,120 |
| Long interest options | 22,842 | | 22,842 |
| Short interest options | 22,843 | | 22,843 |
| Other | | 56,640 | 56,640 |
| | <u>11,501,851</u> | <u>3,351,561</u> | <u>14,853,412</u> |
| Currency: | | | |
| Currency forwards | 21,625,573 | 149,379 | 21,774,952 |
| Currency swaps | 6,148,963 | 8,454 | 6,157,417 |
| Currency futures | 116,473 | | 116,473 |
| Long currency options | 595,040 | | 595,040 |
| Short currency options | 642,555 | | 642,555 |
| | <u>29,128,604</u> | <u>157,833</u> | <u>29,286,437</u> |
| Stock Index: | | | |
| Stock index futures | 171,765 | 1,101 | 172,866 |
| Long stock index options | 415,332 | | 415,332 |
| Short stock index options | 3,009,985 | | 3,009,985 |
| | <u>3,597,082</u> | <u>1,101</u> | <u>3,598,183</u> |
| Stock | | | |
| Long equity options | 1,273,610 | | 1,273,610 |
| Short equity options | 1,328,795 | | 1,328,795 |
| Long equity swaps | 4,604 | | 4,604 |
| Short equity swaps | 6,575 | | 6,575 |
| | <u>2,613,584</u> | | <u>2,613,584</u> |
| Other | | 11,675 | 11,675 |
| | <u>(Won) 46,841,121</u> | <u>(Won) 3,522,170</u> | <u>(Won) 50,363,291</u> |
| | | | |
| <u><2003></u> | <u>For trading</u> | <u>For hedging</u> | <u>Total</u> |
| Interest rate: | | | |
| Interest rate forwards | (Won) 50,000 | (Won) | (Won) 50,000 |
| Interest rate swaps | 4,991,636 | 3,509,984 | 8,501,620 |
| CD interest rate futures | 268,363 | | 268,363 |
| Government bond futures | 54,180 | | 54,180 |

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| | | | |
|---------------------------|------------------|-----------------|------------------|
| | 5,364,179 | 3,509,984 | 8,874,163 |
| Currency: | | | |
| Currency forwards | 13,354,273 | | 13,354,273 |
| Currency swaps | 4,879,380 | 15,116 | 4,894,496 |
| Currency futures | 49,888 | | 49,888 |
| Long currency options | 148,527 | | 148,527 |
| Short currency options | 123,373 | | 123,373 |
| | 18,555,441 | 15,116 | 18,570,557 |
| Stock Index: | | | |
| Stock index futures | (Won) 8,557 | (Won) | (Won) 8,557 |
| Long stock index options | 78,290 | 9,059 | 87,349 |
| Short stock index options | 699,943 | 9,059 | 709,002 |
| | 786,790 | 18,118 | 804,908 |
| | (Won) 24,706,410 | (Won) 3,543,218 | (Won) 28,249,628 |

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- (2) Gains or losses on valuation of derivatives for the years ended December 31, 2004 and 2003 and cumulated gains or losses on valuation of derivatives as of December 31, 2004 and 2003 are as follows (unit: Korean won in millions):

| <2004> | Gains on valuation in income statement | | | Losses on valuation in income statement | | | Gains (losses) in capital adjustments | Cumulative gains (losses) in balance sheet | |
|---------------------------|--|--------------------|------------------------|---|------------------------|--------------------------|---------------------------------------|--|------------------------|
| | Trading | Hedge | Total | Trading | Hedge | Total | Hedge | Asset | Liability |
| Interest rate: | | | | | | | | | |
| Interest rate forwards | (Won) 348 | (Won) | (Won) 348 | (Won) (287) | (Won) | (Won) (287) | (Won) | (Won) 348 | (Won) 287 |
| Interest rate swaps | 130,119 | 8,105 | 138,224 | (122,031) | (120,235) | (242,266) | (746) | 158,210 | 154,787 |
| Long interest options | | | | (86) | | (86) | | 130 | |
| Short interest options | 10 | | 10 | (130) | | (130) | | | 130 |
| | <u>130,477</u> | <u>8,105</u> | <u>138,582</u> | <u>(122,534)</u> | <u>(120,235)</u> | <u>(242,769)</u> | <u>(746)</u> | <u>158,688</u> | <u>155,204</u> |
| Currency: | | | | | | | | | |
| Currency forwards | 736,430 | 119 | 736,549 | (915,889) | (22) | (915,911) | 16,988 | 767,335 | 917,652 |
| Currency swaps | 484,076 | 390 | 484,466 | (345,693) | | (345,693) | | 470,264 | 341,828 |
| Long currency options | 3,217 | | 3,217 | (12,483) | | (12,483) | | 4,544 | 14,700 |
| Short currency options | 8,059 | | 8,059 | (2,909) | | (2,909) | | 7,921 | 3,685 |
| | <u>1,231,782</u> | <u>509</u> | <u>1,232,291</u> | <u>(1,276,974)</u> | <u>(22)</u> | <u>(1,276,996)</u> | <u>16,988</u> | <u>1,250,064</u> | <u>1,277,865</u> |
| Stock index: | | | | | | | | | |
| Long stock index options | 46 | | 46 | (894) | | (894) | | 56,021 | (12,280) |
| Short stock index options | 9,507 | | 9,507 | (22,619) | | (22,619) | | (12,280) | 214,981 |
| Other | | | | | | | | 113 | 34 |
| | <u>9,553</u> | <u>222</u> | <u>9,553</u> | <u>(23,513)</u> | <u>(40)</u> | <u>(23,513)</u> | <u>(40)</u> | <u>43,854</u> | <u>202,735</u> |
| Other | | 222 | 222 | | (40) | (40) | | | |
| | <u>(Won) 1,371,812</u> | <u>(Won) 8,836</u> | <u>(Won) 1,380,648</u> | <u>(Won) (1,423,021)</u> | <u>(Won) (120,297)</u> | <u>(Won) (1,543,318)</u> | <u>(Won) 16,242</u> | <u>(Won) 1,452,606</u> | <u>(Won) 1,635,804</u> |

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| <2003> | Gains on valuation in income statement (*1) | | | Losses on valuation in income statement (*2) | | | Gains (losses) in capital adjustments | Cumulative gains (losses) in balance sheet | |
|---------------------------|---|--------------|---------------|--|----------------|-----------------|---------------------------------------|--|---------------|
| | Trading | Hedge | Total | Trading | Hedge | Total | Hedge | Asset | Liability |
| Interest rate: | | | | | | | | | |
| Interest rate forwards | (Won) 1,773 | (Won) | (Won) 1,773 | (Won) | (Won) | (Won) | (Won) | (Won) 213 | (Won) 1,827 |
| Interest rate swaps | 60,825 | 61,375 | 122,200 | (67,511) | (58,387) | (125,898) | (2,801) | 259,702 | 161,547 |
| | 62,598 | 61,375 | 123,973 | (67,511) | (58,387) | (125,898) | (2,801) | 259,915 | 163,374 |
| Currency: | | | | | | | | | |
| Currency forwards | 94,822 | | 94,822 | (91,815) | | (91,815) | | 94,331 | 91,207 |
| Currency swaps | 108,022 | | 108,022 | (103,287) | (1,258) | (104,545) | | 140,475 | 152,446 |
| Currency futures | 290 | | 290 | | | | | | |
| Long currency options | 702 | | 702 | (56) | | (56) | | 3,362 | |
| Short currency options | 63 | | 63 | (726) | | (726) | | | 3,752 |
| | 203,899 | | 203,899 | (195,884) | (1,258) | (197,142) | | 238,168 | 247,405 |
| Stock Index : | | | | | | | | | |
| Long stock index options | 82 | 286 | 368 | (403) | | (403) | | 7,141 | |
| Short stock index options | 1,213 | | 1,213 | (27) | (286) | (313) | | | 9,729 |
| | 1,295 | 286 | 1,581 | (430) | (286) | (716) | | 7,141 | 9,729 |
| | (Won) 267,792 | (Won) 61,661 | (Won) 329,453 | (Won) (263,825) | (Won) (59,931) | (Won) (323,756) | (Won) (2,801) | (Won) 505,224 | (Won) 420,508 |

(*1) Before eliminating (Won)6,211 million of inter-company transactions

(*2) Before eliminating (Won)17,680 million of inter-company transactions

34. CREDITS TO LG CARD

Woori Bank, Kyongnam Bank and Kwangju Bank, subsidiaries of the Company, have loans receivable, equity securities and debt securities from LG Card in the total amount of (Won) 193.1 billion (US\$ 185.0 million), (Won) 351.8 billion (US\$ 337.0 million) and (Won) 179.4 billion (US\$ 171.9 million), respectively as of December 31, 2004. In connection therewith, the banks provided (Won) 350.4 billion (US\$ 335.7

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million) as allowances for credit losses and cumulative impairment losses on securities and recorded (Won) 145.5 billion (US\$ 139.4 million) of gains on valuation of available-for-sale securities as capital adjustments. In addition, Woori Bank recorded (Won) 15.0 billion (US\$ 14.4 million) of related losses on trust accounts, for which repayment of principal or interest is guaranteed by Woori Bank. Such trust accounts have Commercial Paper amounting to (Won) 69.7 billion (US\$ 66.8 million) as of December 31, 2004. However, the actual losses on LG Card credit may differ from the current estimate.

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35. WOORI BANK S MERGER WITH WOORI CREDIT CARD

Woori Bank, a subsidiary of the Company, merged with WCC, also a subsidiary of the Company, on March 31, 2004. Woori Bank took over substantially all of the assets and liabilities of WCC by exchanging one common share of WCC with 0.3581 share of Woori Bank and (Won) 330,394 million (US\$ 316,530 thousand) of the difference between (Won) 657,339 million (US\$ 629,756 thousand) of net assets acquired from WCC and (Won) 326,945 million (US\$ 313,226 thousand) of consideration for the merger was recorded as capital surplus of Woori Bank. As a result, the number of issued common shares and contributed capital of Woori Bank increased from 570.6 million and (Won) 2,852.8 billion (US\$ 2,733.1 million) to 636.0 million and (Won) 3,179.8 billion (US\$ 3,046.4 million).

36. ACQUISITION OF WOORI SECURITIES STOCK

On June 18, 2004, the Company issued 8.6 million new common shares in exchange for 15.6 million common shares of Woori Securities, a subsidiary of the Company, in order to wholly own the subsidiary. As a result, the number of issued common shares and contributed capital of the Company increased from 775.5 million and (Won) 3,877.5 billion (US\$ 3,714.8 million) to 784.1 million and (Won) 3,920.4 billion (US\$ 3,755.9 million).

37. ACQUISITION OF LG INVESTMENT SECURITIES CO., LTD.

On October 26 and December 24, 2004, the Company acquired 7,000,000 and 25,877,487 shares of LG Securities common stock for (Won) 54,980 million (US\$ 52,672.9 thousand) and (Won) 297,591 million (US\$ 285,103.5 thousand), respectively. As a result, the Company has 26.92% of the voting rights of LG Securities and is able to govern LG Securities; therefore, the Company includes it as a consolidated subsidiary.

38. AGREEMENT ON THE IMPLEMENTATION OF A MANAGEMENT IMPROVEMENT PLAN

Since December 30, 2000, the Company s three subsidiaries, Woori Bank, Kyongnam Bank and Kwangju Bank and the KDIC have entered into agreements for the implementation of management improvement plans for the banks. Under the agreements, the three subsidiaries are obligated to sell non-performing loans and fixed assets, close certain branches and subsidiaries, improve financial ratios including the capital adequacy ratio, and reinforce their risk management systems. If the three subsidiaries fail to implement the agreements, the KDIC may command for the three subsidiaries to increase or decrease their capital, pursue mergers, assign contracts such as loans and deposits, or close or sell parts of their business operations.

Since July 2, 2001, the Company and the KDIC have entered into an agreement whereby the Company

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would integrate the Company's above subsidiaries, Woori Bank, Kyongnam Bank and Kwangju Bank, and improve the performance of the subsidiaries. The agreement stipulates that the Company should build a governance and management structure plan, implement a short-term business improvement strategy, enhance subsidiaries' competitiveness, expedite privatization, meet the financial ratio targets, and dispose of business units in case of failure to carry out the agreement.

In order to implement the agreements of above three subsidiaries with the KDIC, on July 2, 2001, the Company and its three subsidiaries entered into agreements for the implementation of the management improvement for the three subsidiaries. Pursuant to the agreements, the three subsidiaries should meet management goals given by the Company, consult with the Company about material business decisions before execution, and prepare and implement a detailed business plan in conformity with the Company's business strategies. If the three subsidiaries fail to implement the management improvement plan, the Company may order the three subsidiaries to limit sales of the specific financial products, investments in fixed assets, promotion of new business or new equity investment, or to close or merge their branch operations and subsidiaries.

39. SUBSEQUENT EVENTS

a. Capital Reduction of Woori Securities

Woori Securities, a subsidiary of the Company, reduced its common stock by 14 million shares for (Won) 11,000 par value on January 20, 2005. As a result, the number of common share and contributed capital of Woori Securities decreased from 32,956,413 shares and (Won)164,782 million (US\$ 157,867 thousand) to 18,956,413 shares and (Won)94,782 million (US\$ 90,805 thousand).

b. Resolution of Merger of LG Securities and Woori Securities

On February 2, 2005, Woori Securities and LG Securities approved a resolution of merger that LG Securities will merge with Woori Securities by exchanging one common share of Woori Securities for 0.654 share of LG Securities.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Woori Finance Holdings Co., Ltd.
(Registrant)

Date: March 31, 2005

By: /s/ Young Sun Kim

(Signature)

Name: Young Sun Kim

Title: Director