

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 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

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I. Company Overview

1. Purpose of Company

a. Scope of Business

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
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 - 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
- 5) Underwriting securities
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- 7) Conscription for securities sales
- 8) Securities saving services
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- 10) Credit services related to securities trading

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- 1) Securities investment trust management
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- 3) Futures investment

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- 4) Call transactions
- 5) Purchasing bills
- 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						
	Preferred		2,547			2,547	
Indirect acquisition from trust agreement	Common						
	Preferred						
Total	Common						
	Preferred		2,547			2,547	

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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

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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	
Jong-Wook Kim	Vice Chairman	
Suk-Jean Kang	Non-standing Director	
Je-Hoon Lee	Non-standing Director	Chairman/CEO Young-Key Hwang heads the committee consisting of the entire board of directors.
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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<u>Items</u>	<u>Details</u>	<u>Remarks</u>
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

Items	Number	Responsibilities	Remarks
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)

Name	Relation	Item	Par value	Transactions of Payments				Gain / Loss
				Transactions				
				Beginning	Increase	Decrease	Ending	
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.

Table of Contents**3. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD OF ACCOUNTING**

- (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 equity method	Capital adjustments	Retained Earnings	Other increase (decrease)	Dec. 31, 2003
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
	(Won) 3,844,454	(Won) 1,806,086	(Won) 374,658	(Won) (133,987)	(Won) 1,116,011	(Won) 7,007,222

- (*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 subsidiaries	Acquisition	Dividends	Total
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
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(*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
	(Won) 1,734,377	(Won) (618,366)	(Won) 1,116,011

(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)
	(Won) 312,532	(Won) (15,405)	(Won) 312,453	(Won) (15,326)

(*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>

Table of Contents**4. LOANS**

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>

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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) 300,000	US\$	US\$ 287,411	
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	287,411	287,411	
The 8th bonds	Dec. 26, 2002	6.05	Dec. 26, 2007		200,000	191,608	191,608	
The 9th bonds	Sep. 19, 2003	4.64	Sep. 19, 2006		300,000	287,411	287,411	
The 10th bonds	Dec. 16, 2003	5.92	Dec. 16, 2008		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) 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)

Table of Contents**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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8,693,685	5,698,300	8,328,880	5,459,188
<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)
	1,416,866	2,944,968	1,357,411	2,821,391

(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			