

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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1. Purpose of Company

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

(1) Corporate Management

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

(2) Corporate Management Support Activities

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

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

b. Scope of Business of Subsidiaries

(1) **Woori Bank**

1. Primary Businesses

- Banking business activities

- Ancillary business activities

2. Supplementary Businesses

- Trust business activities

- Credit card business activities

- Other authorized business activities

(2) **Kyongnam Bank**

1. Primary Businesses

- Banking business activities

- Ancillary business activities

2. Supplementary Businesses

- Trust business activities

- Credit card business activities

- Other authorized business activities

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(3) **Kwangju Bank**

1. Primary Businesses
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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
- 9) Overseas securities business
- 10) Credit services related to securities trading

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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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- 13) Payment guarantee for corporate bond principal and interest
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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
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- 13) Establishment of overseas subsidiaries
- 14) Advisory relating to corporate to management, restructuring, and financing

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- 15) Info-communication intermediary services
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- 19) Publication services
- 20) M&A advisory, intermediary services
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- 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
March 14, 2001	Filed for establishment approval of Woori Finance Holdings
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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	

Table of Contents**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>Ending</u>
		<u>Balance</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	Common Shares	796,455,558	
	Preferred Shares		
Stocks without voting rights	Common Shares		
	Preferred Shares		
Stocks with limited voting rights under the Securities & Exchange Law	-	1,322,467	
Stocks with voting rights restored	-		
Stocks with voting rights	Common Shares	795,133,091	
	Preferred Shares		

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

(units: won)

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

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II. Description of Business

1. Business Overview

a. Current Trend of Industry

Fierce competition in the banking sector

Restructuring of the 2nd tier financial industry

Convergence of products/services in the financial industry

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

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b. Organization Chart

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

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

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

(units: millions of won)

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

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

(units: millions of won)

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

c. Transactions related to Commission Fees

(units: millions of won)

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

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

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

a. Won-denominated Current Ratio

(units: millions of won)

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

*** Current ratio of won**

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

b. Foreign Currency-denominated Current Ratio

(units: millions of won)

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

*** Current ratio of foreign currency**

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

c. Debt Ratio

(units: millions of won)

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

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

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

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

e. Other Important Information

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

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

(units: millions of won)

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

(Δ stands for negative numbers)

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

* Refer to Exhibits to see detailed financial statements

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

(units: millions of won)

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

(Δ stands for negative numbers)

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

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

(units: millions of won)

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

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

(units: millions of won)

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

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

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

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

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

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

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

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

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

(units: millions of won)

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

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

Director Suk-Jean Kang resigned on March 17, 2005

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

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2) Business Strategy and Compensation Committee

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

Director Suk-Jean Kang resigned on March 17, 2005

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

3) Risk Management Committee

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

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

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

4) Audit Committee

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

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

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

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5) Standing Committee

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

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

6) Ethics Committee

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

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

7) Non-standing Directors Nomination Committee

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

Director Suk-Jean Kang resigned in March 17, 2005

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

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8) MOU Review Committee

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

Director Suk-Jean Kang resigned in March 17, 2005

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

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(D) Stock Options

(as of 2004.12.31)

(units: won, thousand shares)

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

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

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

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

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2. Related Companies

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

(units: thousand shares, millions of won)

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

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

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

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

(as of 2004.12.31)

(units: shares, %)

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

Major Shareholder : KDIC

b. Share Ownership of more than 5%

(as of 2004.12.31)

(units: shares, %)

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

Table of Contents**c. Shareholder Distribution**

(as of 2004.12.31)

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

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

(units: won, shares)

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

b. Foreign Stock Market

(name of market : NYSE)

(units: dollars, shares)

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

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

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

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

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

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

Director Suk-Jean Kang resigned on March 17, 2005

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

2. Employee Status

(units: years, thousands of won)

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

3. Labor Union Membership

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<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
	<u>(Won) 9,736,449</u>	<u>(Won) 8,247,815</u>	<u>US\$ 9,327,888</u>	<u>US\$ 7,901,720</u>
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
	<u>2,299,992</u>	<u>2,649,920</u>	<u>2,203,480</u>	<u>2,538,724</u>
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
	<u>2,359,422</u>	<u>1,282,866</u>	<u>2,260,417</u>	<u>1,229,034</u>
Capital adjustments (Notes 3, 13 and 14)	1,010,401	376,180	968,002	360,395
	<u>7,436,457</u>	<u>5,597,895</u>	<u>7,124,408</u>	<u>5,362,996</u>
	<u>(Won) 9,736,449</u>	<u>(Won) 8,247,815</u>	<u>US\$ 9,327,888</u>	<u>US\$ 7,901,720</u>

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

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

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

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

(Won)	(Won) 1,212,200	(Won) (718,451)	(Won) 493,749
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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		Total
	(disposition)	Dividends	
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) 242</u>	<u>(Won) 188</u>	<u>(Won) 37</u>	<u>(Won) 165</u>	<u>(Won) 228</u>

	<u>Jan. 1, 2003</u>	<u>Acquisition</u>	<u>Disposition</u>	<u>Depreciation</u>	<u>Dec. 31, 2003</u>
Vehicles	(Won) 31	(Won) 58	(Won) 5	(Won) 27	(Won) 57
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>
	<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>(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>
	<u>(Won) 50</u>	<u>(Won) 14</u>	<u>(Won) 13</u>	<u>(Won) 51</u>

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

Table of Contents**7. OTHER ASSETS**

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

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

8. BORROWINGS

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

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

Table of Contents**9. DEBENTURES**

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

1) Bonds

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

2) Convertible bonds

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

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

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

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

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

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

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2) Convertible bonds in foreign currency

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

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

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

dividends and split or reverse split

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

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

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

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

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

	Contract date	Maturity date	Contracted amount		Interest rates and terms of payment
			2004	2003	
Swap 1	Nov. 7, 2001	Nov. 2, 2004	US\$ 50,000	US\$ 64,650	Receipt: LIBOR (6 months) + 1.6% Payment: annual rate of 6.90% in every 3 months
Swap 2	Nov. 18, 2001	Nov. 2, 2004	US\$ 99,496	US\$ 128,888	Receipt: LIBOR (6 months) + 1.6% Payment: CD interest rate (3 months) + 1.5%
Swap 3	Jan. 28, 2002	Jan. 16, 2004	JPY 14,925	JPY 147,754	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
	(Won) 136,630,561	(Won) 128,767,720	US\$ 130,897,261	US\$ 123,364,361

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	203,073	107,462	194,552
Increase (decrease) in sundry liabilities	115,795	(78,811)	110,936	(75,504)
	(1,476,824)	1,923,632	(1,414,853)	1,842,913
Net cash provided by operating activities	1,232,535	4,924,879	1,180,815	4,718,221

(continued)

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

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

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

See accompanying notes to consolidated financial statements.

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WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

1. GENERAL

(1) Woori Finance Holdings Co., Ltd.

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

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

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

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

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

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

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

a. Woori Bank

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

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b. Kyongnam Bank

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

c. Kwangju Bank

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

d. Woori Finance Information System Co., Ltd.

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

e. Woori F&I Co., Ltd.

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

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

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

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

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

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

h. Woori Investment Trust Management Co., Ltd.

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

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i. Woori Securities Co., Ltd.

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

j. LG Investment Securities Co., Ltd.

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

k. Woori Credit Information Co., Ltd.

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

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l. Woori America Bank

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

m. P.T. Bank Woori Indonesia

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

n. Woori CA Asset Management Co., Ltd.

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

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

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

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

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

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

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

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

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

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

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

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

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

a. BC Card Co., Ltd.

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

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b. Korea Finance Security Co., Ltd.

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

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidated Financial Statement Presentation

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

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

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

(1) Consolidation accounting

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

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

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

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

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b. Overseas consolidated subsidiaries financial statements conversion rate

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

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

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

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

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

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

d. Date of the consolidated financial statements

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

e. Minority interests

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

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

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

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

a. Trading securities

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

b. Available-for-sale securities

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

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

c. Held-to-maturity securities

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

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

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

e. Reclassification of securities

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

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

(3) Convertible securities

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

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(4) Interest income recognition

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

(5) Allowance for possible losses on credits

a. Financial Supervisory Service regulatory criteria.

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

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

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

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

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

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

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(6) Restructuring of loans

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

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

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

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

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

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

(8) Valuation of receivables and payables at present value

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

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(9) Tangible assets and depreciation

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

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

(10) Intangible assets and amortization

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

(11) Valuation allowance for non-business use property

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

(12) Amortization of discount (premium) on debentures

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

(13) Recognition of asset impairment

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

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

(14) Accrued severance benefits

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

(15) Bonds under resale or repurchase agreements

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

(16) Accounting for derivative instruments

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

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

(17) Income tax expense

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

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

(18) Accounting for foreign currency translation

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

(19) Stock options

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

(20) Earnings per common share

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

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

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

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

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

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

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

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

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

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

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

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

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

5. AVAILABLE-FOR-SALE SECURITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. HELD-TO-MATURITY SECURITIES

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

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

(Won) 8,485,280	(Won) 9,991,914	US\$ 8,129,220	US\$ 9,572,633
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(2) Details of held-to-maturity securities as of December 31, 2004 and 2003 are as follows (unit: Korean won in millions):

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

7. EQUITY LINKED SECURITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11. LOSS ON IMPAIRMENT OF SECURITIES AND RECOVERY OF IMPAIRMENT

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

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

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Debt securities in foreign currencies:

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

<Held-to-maturity securities>

Debt securities in local currency:

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

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

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

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

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

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

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

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

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

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

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

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

(*1) Present value discount is excluded.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(*2) To be liquidated

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15. OTHER ASSETS

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

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

Table of Contents**16. INSURANCE**

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

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

17. COLLATERALIZED ASSETS

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

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

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

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

18. DEPOSITS

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

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

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

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

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

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

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

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

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

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

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

Table of Contents**19. BORROWINGS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21. OTHER LIABILITIES

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

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

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

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

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

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

23. SHAREHOLDERS EQUITY

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

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

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

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

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

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

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

Table of Contents**24. STOCK OPTIONS**

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

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

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

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

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

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

25. NON-OPERATING INCOME AND EXPENSES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

28. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

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

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

Table of Contents**30. INTERCOMPANY TRANSACTIONS**

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

(1) Assets and liabilities

1) Due from Banks

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

2) Deposits

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

3) Loans

<u>The Company</u>	<u>Woori Bank</u>	<u>Kyongnam Bank</u>	<u>Kwangju Bank</u>	<u>Others</u>
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Woori Bank	(Won)	(Won)	(Won) 29,736	(Won) 22,542	(Won) 126,195
Kwangju Bank	50,000				
WFIS	30,000				
WF&I	121,850				
Others	17,890	54,270			12,377
	(Won) 219,740	(Won) 54,270	(Won) 29,736	(Won) 22,542	(Won) 138,572

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4) Borrowings

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

5) Other assets

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

6) Other liabilities

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

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

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(2) Income and Expenses

1) Interest income

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

2) Interest expense

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

3) Fees (income)

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

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

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4) Fees (expense)

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

5) Other income

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

6) Other expenses

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

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

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

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

31. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

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

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

US\$ 12,759,819

(Won) 13,318,699

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

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

32. CONTINGENCIES AND COMMITMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

34. CREDITS TO LG CARD

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

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

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35. WOORI BANK S MERGER WITH WOORI CREDIT CARD

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

36. ACQUISITION OF WOORI SECURITIES STOCK

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

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

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

38. AGREEMENT ON THE IMPLEMENTATION OF A MANAGEMENT IMPROVEMENT PLAN

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

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

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

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

39. SUBSEQUENT EVENTS

a. Capital Reduction of Woori Securities

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

b. Resolution of Merger of LG Securities and Woori Securities

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

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SIGNATURES

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

Woori Finance Holdings Co., Ltd.
(Registrant)

Date: March 31, 2005

By: /s/ Young Sun Kim

(Signature)

Name: Young Sun Kim

Title: Director