

WOORI FINANCE HOLDINGS CO LTD

Form 6-K

April 01, 2004

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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 2004

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.

Form 20-F x Form 40-F "

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

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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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Exhibit 99.1

Summary of 2003 Year-end Business Report

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I. Company Overview

1. Purpose of Company

a. Scope of Business

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

(1) Corporate Management

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

(2) Corporate Management Support Activities

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

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

b. Scope of Business of Subsidiaries

(1) **Woori Bank**

1. Primary Businesses

Banking business activities

Ancillary business activities

2. Supplementary Businesses

Trust business activities

Credit card business activities

Other authorized business activities

(2) **Kyongnam Bank**

1. Primary Businesses

Banking business activities

Ancillary business activities

2. Supplementary Businesses

Trust business activities

Credit card business activities

Other authorized business activities

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(3) **Kwangju Bank**

1. Primary Businesses

Banking business activities

Ancillary business activities

2. Supplementary Businesses

Trust business activities

Credit card business activities

Other authorized business activities

(4) **Woori Credit Card**

1) Issuing and managing credit cards

2) Credit card usage billing and settlement

3) Registering and managing of merchants

4) Providing funds to credit card users

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

6) Providing funds for payments made in installments or deferred payments

7) Undertaking, managing and collecting account receivables of manufacturers or sellers

8) Leasing services

9) Credit card loans and/or collateralized loans

10) Discounting of bills

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- 11) Credit research services related to businesses 1 to 7 as mentioned above
- 12) Acquisition of securities issued and/or held by non-bank financial institutions, which are related to businesses 1 to 11 as mentioned above
- 13) Payment guarantees
- 14) Bond issuance and debt financing
- 15) Foreign currency borrowing and issue of foreign currency securities
- 16) Acquiring and managing securities
- 17) Telemarketing, insurance brokering and travel related services
- 18) Foreign exchange services
- 19) Credit card manufacturing
- 20) Organizing and managing associations on behalf of customers
- 21) Publishing of service-related publications
- 22) Issuing prepaid and debit cards
- 23) Prepaid and debit card billing and settlement
- 24) Services related to other credit related products
- 25) New technology and venture investment
- 26) Venture capital
- 27) e-Commerce
- 28) Real estate leasing
- 29) Utilization of Internet for all services mentioned above
- 30) Supplementary and investment related to all services mentioned above

31) Services related to completing necessary filings with certain government agencies

(5) **Woori Investment Trust Management**

1) Securities investment trust management

2) Investment advisory and investment transactions

3) Futures investment

4) Call transactions

5) Purchasing bills

6) All businesses or activities directly or indirectly related to businesses 1 to 5 mentioned above

Table of Contents

(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

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- 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

(10) **Woori Securities**

- 1) Securities dealing
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- 3) Brokering of securities transactions and/or proxy transactions
- 4) Brokering of securities in domestic securities markets and overseas markets
- 5) Underwriting securities
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- 10) Credit services related to securities trading
- 11) Lending and safe services
- 12) Trading and brokering of marketable certificate of deposits
- 13) Agent services for foreigners
- 14) Payment guarantee for corporate bond principal and interest
- 15) Trustee services for bond offerings
- 16) M&A mediation and brokering
- 17) Public offering related deposit agent services
- 18) Foreign exchange services
- 19) Bill discounts and trading
- 20) Bill brokering
- 21) Real estate leasing

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- 22) Lending of securities to institutional investors
- 23) Lottery and ticket sales
- 24) Publishing books and other publications
- 25) Leasing and sales of IT systems and software related to securities
- 26) Customer investment funds related to foreign exchange and foreign currency hedging
- 27) Financial derivatives
- 28) Consignment sales of mutual funds
- 29) Futures and consulting services under the Securities and exchange law
- 30) Other businesses and activities related to the businesses listed above

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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 Supervising 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 as 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 |

Table of Contents**b. Associated Business Group****(1) Overview of Business Group****1) Name of business group : Woori Finance 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 |
| March 24, 2001 | Official approval from the Financial Supervising Service for Woori Finance Holdings |
| March 27, 2001 | Incorporated as Woori Finance Holdings, Co. Ltd (Total Capital: 3.6 trillion won) |
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| 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 as 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 |

Table of Contents**(2) Related companies within Business Group**

| Type | Name of Company | Controlling Company | Notes |
|-----------------------------------|--|------------------------|--------------|
| Holding Company | Woori Finance Holdings ^(*) ^(*) | KDIC | |
| | Woori Bank | | |
| | Kyongnam Bank | | |
| | Kwangju Bank | | |
| | Woori Credit Card | | |
| 1 st Tier Subsidiaries | Woori Finance Information System | Woori Finance Holdings | 10 companies |
| | Woori F & I | | |
| | Woori Second Asset Securitization Specialty | | |
| | Woori Third Asset Securitization Specialty | | |
| | Woori Investment Trust Management, Co. | | |
| | Woori Securities ^(*) | | |
| | Woori Credit Information | | |
| 2 nd Tier Subsidiaries | Woori America Bank | Woori Bank | 6 companies |
| | P.T. Bank Woori Indonesia | | |
| | Shinwoo Corporate Restructuring Company | Woori Credit Card | |
| | Nexbi Tech | | |
| | Woori CA Asset Management | | |

^(*) Listed company on the New York Stock Exchange

^(*) Listed company on the Korea Stock Exchange

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

(units: won)

| Date | Category | Type | Quantity | Stock Decrease/Increase | | Changed Capital | Method | Ratio |
|------------|-----------------------------------|--------|-------------|-------------------------|-------------|-----------------|-----------------|--------|
| | | | | Value | Issue price | | | |
| 2001.3.27 | Establishment | Common | 727,458,609 | 5,000 | 5,000 | 3,637,293,045 | | |
| 2002.5.31 | Exercise B/W | Common | 165,782 | 5,000 | 5,000 | 3,638,121,955 | | |
| 2002.6.12 | Capital increase w/ consideration | Common | 36,000,000 | 5,000 | 6,800 | 3,818,121,955 | Public Offering | 0.0494 |
| 2002.6.30 | Exercise B/W | Common | 1,416,457 | 5,000 | 5,000 | 3,825,204,240 | | |
| 2002.9.30 | Exercise B/W | Common | 2,769,413 | 5,000 | 5,000 | 3,839,051,305 | | |
| 2002.12.31 | Exercise B/W | Common | 4,536 | 5,000 | 5,000 | 3,839,073,985 | | |
| 2003.3.31 | Exercise B/W | Common | 1,122 | 5,000 | 5,000 | 3,839,079,595 | | |
| 2003.6.30 | Exercise B/W | Common | 7,688,991 | 5,000 | 5,000 | 3,877,524,550 | | |

b. Expected Changes in Capital

Foreign convertible bonds can be converted a year after their issuance and, therefore, can bring about changes in capital.

(1) Unsecured Convertible Bond Series No. 6-1

| Item | Information |
|--|------------------------|
| Date of Issuance | 2002.9.27 |
| Total Amount of Issuance | USD 36,000,000 |
| Exercise Period | 2003.9.28 ~ 2005.08.27 |
| Exercise Price | 7,313 won |
| Total amount of unexercised bond with warrants | USD 36,000,000 |
| Number of Shares | 5,914,180 |

Table of Contents**(2) Unsecured Convertible Bond Series No. 6-2**

| Item | Information |
|--|-------------------------|
| Date of Issuance | 2002.12.20 |
| Total Amount of Issuance | USD 16,000,000 |
| Exercise Period | 2003.12.21 ~ 2005.11.20 |
| Exercise Price | 5,588 won |
| Total amount of unexercised bond with warrants | USD 16,000,000 |
| Number of Shares available for issuance | 3,481,173 |

(3) Unsecured Convertible Bond Series No. 6-3

| Item | Information |
|--|-------------------------|
| Date of Issuance | 2003.3.26 |
| Total Amount of Issuance | USD 39,000,000 |
| Exercise Period | 2004. 3.27 ~ 2006. 2.26 |
| Exercise Price | 5,380 won |
| Total amount of unexercised bond with warrants | USD 39,000,000 |
| Number of Shares available for issuance | 8,661,914 |

(4) Unsecured Convertible Bond Series No. 6-4

| Item | Information |
|--|-------------------------|
| Date of Issuance | 2003.3.26 |
| Total Amount of Issuance | 20 billion won |
| Exercise Period | 2004. 3.27 ~ 2006. 2.26 |
| Exercise Price | 5,380 won |
| Total amount of unexercised bond with warrants | 20 billion won |
| Number of Shares available for issuance | 3,717,472 |

Table of Contents5) **Unsecured Convertible Bond Series No. 6-5**

| Item | Information |
|--|-------------------------|
| Date of Issuance | 2003.7.10 |
| Total Amount of Issuance | USD 1,000,000 |
| Exercise Period | 2004. 7.11 ~ 2006. 6.10 |
| Exercise Price | 7,228 won |
| Total amount of unexercised bond with warrants | USD 1,000,000 |
| Number of Shares available for issuance | 164,429 |

c. **Convertible Bonds**

(units: won, USD, shares)

| Item | Unsecured | Unsecured | Unsecured | Unsecured | Unsecured | Total |
|------------------------------|-------------------------|---------------------------|-------------------------|-------------------------|-------------------------|----------------------------------|
| | C/B | C/B | C/B | C/B | C/B | |
| Item | Series 6-1 | Series 6-2 | Series 6-3 | Series 6-4* | Series 6-5 | |
| Date of Issue | 2002.9.27 | 2002.12.20 | 2003.3.26 | 2003.3.26 | 2003.7.10 | |
| Total Amount | USD 36,000,000 | USD 16,000,000 | USD 39,000,000 | 20 billion won | USD 1,000,000 | USD92,000,000 +20 billion won |
| Allotment Method | Private | Private | Private | Private | Private | |
| Conversion Period | 2003.9.28~ 2005.8.27 | 2003.12.21~ 2005.11.20 | 2004.3.27~ 2006.2.26 | 2004.3.27~ 2006.2.26 | 2004.7.11~ 2006.6.10 | |
| Conditions | ratio price | 100% 7,313 | 100% 5,588 | 100% 5,380 | 100% 5,380 | 100% 7,228 |
| Type of Stock when converted | Common | Common | Common | Common | Common | |
| Converted | amount | | | | | |
| Bonds | shares | | | | | |
| Unconverted | amount | USD 36,000,000 | USD 16,000,000 | USD 39,000,000 | 20 billion won | USD 1,000,000 |
| Stock | shares | 5,914,180 | 3,481,173 | 8,661,914 | 3,717,472 | 164,429 |
| Notes | | Maturity: 2005.9.27 | Maturity: 2005.12.20 | Maturity: 2006.3.26 | Maturity : 2006.3.26 | Maturity : 2006.7.10 |
| | | | | | | 21,939,168 |

* Units in won, because dart system does not convert into USD.

Series 6-1, 6-2, 6-3, 6-5 issuances are in dollars, while series 6-4 is in won

Conversion value is stated in won; the currency rate used in series 6-1 was 1,210 won/\$, 6-2 was 1,215.80 won/\$, 6-3 was 1,194.90won/\$ and 6-5 was 1,188.50won/\$, respectively.

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

[as of 2003.12.31]

| Total Number of shares authorized | Total Number of Issued Stock | Total Number of Unissued Stock |
|-----------------------------------|------------------------------|--------------------------------|
| 2,400,000,000 | 775,504,910 | 1,624,495,090 |

b. Information of Issued Shares

[as of 2003.12.31]

[Par Value : 5,000 won]

(units: 1,000 won, shares)

| | | | Number of | | |
|------------|-------|--------------|--------------|---------------|-------|
| | | | Stock Issued | Face Value | Notes |
| Registered | Type | Common Stock | 775,504,910 | 3,877,524,550 | |
| | Total | | 775,504,910 | 3,877,524,550 | |

c. Stock Options

[as of 2003.12.31]

(units: won, shares)

| Grant date | Relationship | Grantee | Type of stock | No. of | | | | Exercise period | Exercise price |
|------------|-------------------|-----------------|---------------|-----------------|-------------------|---------------------|-----------------|-----------------|----------------|
| | | | | granted options | Exercised options | Exercisable options | Exercise period | | |
| 2002.12.04 | Standing director | Byung Chul Yoon | Common | 100 | | 100 | 2005.12.4 | | |
| 2002.12.04 | Standing director | Kwang Woo Chun | Common | 80 | | 80 | 2005.12.4 | | |
| 2002.12.04 | Standing director | Euoo Sung | Common | 80 | | 80 | 2005.12.4 | | |
| 2002.12.04 | Non-standing | Hwan Kyu Min | Common | 40 | | 40 | 2005.12.4 | | |

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| | | | | | | |
|------------|----------------------|------------------|--------|----|----|-------------------------|
| 2002.12.04 | dir. Non-standing | Park Ki Chul | Common | 30 | 30 | ~2008.12.3 |
| 2002.12.04 | dir. Non-standing | Han Tae Ho | Common | 30 | 30 | 2005.12.4 2005.12.4 |
| 2002.12.04 | dir. Non-standing | Sohn Won Kil | Common | 30 | 30 | ~2008.12.3 2005.12.4 |
| 2002.12.04 | dir. Non-standing | Sohn Nam Hong | Common | 10 | 10 | ~2008.12.3 2005.12.4 |
| 2002.12.04 | dir. Standing | Cho Sang Chul | Common | 10 | 10 | ~2008.12.3 2005.12.4 |
| 2002.12.04 | director Standing | Lee Jae Woong | Common | 10 | 10 | ~2008.12.3 2005.12.4 |
| | director | Lee | | | | ~2008.12.3 |

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| | | | | | | | | |
|-------------------|-----------------------------|--------------------|----------------|------------------------|------------------|-------------------------|-------------------------|-----------------|
| 2002.12.04 | Standing director | Gae Min Lee | Common | 10 | 10 | 2005.12.4 ~2008.12.3 | | |
| 2002.12.04 | | Kwang Sun | Common | 10 | 10 | 2005.12.4 ~2008.12.3 | | |
| 2002.12.04 | Standing director | Chung Hae-Seok | Common | 10 | 10 | 2005.12.4 ~2008.12.3 | | |
| 2002.12.04 | | Suh | Common | 80 | 80 | 2005.12.4 ~2008.12.3 | | |
| 2002.12.04 | Standing director | Duk Hoon | Common | 45 | 45 | 2005.12.4 ~2008.12.3 | | |
| 2002.12.04 | Dir. of related company | Lee Jong Wook | Common | 45 | 45 | 2005.12.4 ~2008.12.3 | | |
| 2002.12.04 | Director of related company | Kiim Jin Kyu | Common | 45 | 45 | 2005.12.4 ~2008.12.3 | | |
| 2002.12.04 | Director of related company | Park Jong Ku | Common | 30 | 30 | 2005.12.4 ~2008.12.3 | | |
| 2002.12.04 | Director of related company | Min Jong Hwee | Common | 30 | 30 | 2005.12.4 ~2008.12.3 | | |
| 2002.12.04 | Director of related company | Lee Dong Myun | Common | 30 | 30 | 2005.12.4 ~2008.12.3 | | |
| 2002.12.04 | Director of related company | Suh Ki Shin | Common | 30 | 30 | 2005.12.4 ~2008.12.3 | | |
| 2002.12.04 | Director of related company | Kim Young Seok | Common | 30 | 30 | 2005.12.4 ~2008.12.3 | | |
| 2002.12.04 | Director of related company | Kim Byung Kil | Common | 30 | 30 | 2005.12.4 ~2008.12.3 | | |
| 2002.12.04 | Director of related company | Choi Young Ho | Common | 30 | 30 | 2005.12.4 ~2008.12.3 | | |
| 2002.12.04 | Director of related company | Park | Common | | | ~2008.12.3 | | |
| | | | Type of | No. of | Exercised | Exercisable | Exercise | Exercise |
| Grant date | Relationship | Grantee | stock | granted options | options | options | period | price |
| 2002.12.04 | Director of related company | Tae Woong | Common | 30 | | 30 | 2005.12.4 ~2008.12.3 | |
| 2002.12.04 | Director of related company | Chung Dong Chan | Common | 30 | | 30 | 2005.12.4 ~2008.12.3 | |
| 2002.12.04 | Director of related company | Bae Dae Hwan | Common | 10 | | 10 | 2005.12.4 ~2008.12.3 | |
| 2002.12.04 | Director of related company | Kim Young Ha | Common | 10 | | 10 | 2005.12.4 ~2008.12.3 | |

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| | | | | | | |
|------------|-----------------------------|--------------|--------|----|----|------------|
| | Director of related company | Kim | | | | ~2008.12.3 |
| 2002.12.04 | Director of related company | Young Yong | Common | 10 | 10 | 2005.12.4 |
| | | Kim | | | | ~2008.12.3 |
| 2002.12.04 | Director of related company | Taik Su Han | Common | 10 | 10 | 2005.12.4 |
| | | | | | | ~2008.12.3 |
| 2002.12.04 | Director of related company | Sang Im Park | Common | 10 | 10 | 2005.12.4 |
| | | | | | | ~2008.12.3 |
| 2002.12.04 | Director of related company | Joon Ho Hahm | Common | 10 | 10 | 2005.12.4 |
| | | | | | | ~2008.12.3 |
| 2002.12.04 | Director of related company | Joon Ho Lee | Common | 30 | 30 | 2005.12.4 |
| | | | | | | ~2008.12.3 |
| 2002.12.04 | Director of related company | Joo Sun Yeom | Common | 20 | 20 | 2005.12.4 |
| | | | | | | ~2008.12.3 |
| 2002.12.04 | Director of related company | Ga Seok Chae | Common | 20 | 20 | 2005.12.4 |
| | | | | | | ~2008.12.3 |

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| | | | | | | | | |
|------------|-----------------------------|-----------------|----------------------|-------------------------------|--------------------------|----------------------------|------------------------|-----------------------|
| 2002.12.04 | Director of related company | Sung Wook Park | Common | 5 | 5 | 2005.12.4 | ~2008.12.3 | |
| 2002.12.04 | Director of related company | Ki Seok Kim | Common | 5 | 5 | 2005.12.4 | ~2008.12.3 | |
| 2002.12.04 | Director of related company | Jae Ki Hong | Common | 5 | 5 | 2005.12.4 | ~2008.12.3 | |
| 2002.12.04 | Director of related company | Sam Su Pyo | Common | 40 | 40 | 2005.12.4 | ~2008.12.3 | |
| 2002.12.04 | Director of related company | Won Chul Hwang | Common | 20 | 20 | 2005.12.4 | ~2008.12.3 | |
| 2002.12.04 | Director of related company | Jong Hwee Kim | Common | 15 | 15 | 2005.12.4 | ~2008.12.3 | |
| 2002.12.04 | | Sung Hoo Kwak | Common | 15 | 15 | 2005.12.4 | ~2008.12.3 | |
| 2002.12.04 | Director of related company | Seok Hwan Lee | Common | 15 | 15 | 2005.12.4 | ~2008.12.3 | |
| 2002.12.04 | Director of related company | Ki Jong Chung | Common | 5 | 5 | 2005.12.4 | ~2008.12.3 | |
| 2002.12.04 | Director of related company | Hun II Nam | Common | 30 | 30 | 2005.12.4 | ~2008.12.3 | |
| 2002.12.04 | Director of related company | Young Soo Kim | Common | 30 | 30 | 2005.12.4 | ~2008.12.3 | |
| 2002.12.04 | Director of related company | Jin Ho Yoon | Common | 20 | 20 | 2005.12.4 | ~2008.12.3 | |
| 2002.12.04 | Director of related company | Seok Koo Yoon | Common | 15 | 15 | 2005.12.4 | ~2008.12.3 | |
| 2002.12.04 | Director of related company | Ji Yeon Joo | Common | 15 | 15 | 2005.12.4 | ~2008.12.3 | |
| | | | Type of stock | No. of granted options | Exercised options | Exercisable options | Exercise period | Exercise price |
| 2002.12.04 | Director of related company | Ho Hyun Lee | Common | 20 | | 20 | 2005.12.4 | ~2008.12.3 |
| 2002.12.04 | Director of related company | Chan Kook Chung | Common | 15 | | 15 | 2005.12.4 | ~2008.12.3 |
| 2002.12.04 | | | Common | 15 | | 15 | 2005.12.4 | |

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| | | | | | | |
|------------|-----------------------------|----------------|--------|-------|-------|-------------------------|
| | Director of related company | Duk Yoon Kim | | | | ~2008.12.3 |
| 2002.12.04 | Director of related company | Young Wook Kim | Common | 15 | 15 | 2005.12.4 |
| 2002.12.04 | Director of related company | Dae Kyu Ko | Common | 15 | 15 | ~2008.12.3 2005.12.4 |
| Total | | | | 1,320 | 1,320 | ~2008.12.3 |

Exercise price is derived based on the banking industry stock price index at the point of exercise.

Registered directors Byung-Chul Yoon, Kwang-Woo Jun, Nam-Hong, Sang-Chul, Chae-Woong Lee, Gae-Min Lee and Hae-Suk Suh will complete their term as of March 30, 2004

d. Status of Employee Stock Option Program

[as of 2003.12.31]

(units: won, shares)

| Type of stock | Initial | | | Ending | | Notes |
|---------------|------------|----------|------------|-----------|--|-------|
| | Balance | Increase | Decrease | Balance | | |
| Common stock | 15,439,230 | | 12,252,127 | 3,187,103 | | |
| Total | 15,439,230 | | 12,252,127 | 3,187,103 | | |

Table of Contents**5. Voting Rights**

[as of 2003.12.31]

(units: shares)

| Items | Number of stock | Notes |
|--|-----------------|-------|
| 1. Stock with voting rights (A-B) | 775,504,910 | |
| A. Total Number of issued stocks | 775,504,910 | |
| B. Stocks without voting rights | | |
| 2. Stocks with limited voting rights (A+B+C+D) | | |
| A. Limited by the Business Law | | |
| B. Limited by the Securities & Exchange Law | | |
| C. Restrictions due to monopoly regulations and Fair Trade Act | | |
| D. Limited by other law enforcements | | |
| 3. Stocks with voting rights restored | | |
| Stocks with Voting Rights (1-2+3) | 775,504,910 | |

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

(Par value: 5,000 won)

(units: won)

| Items | | | | 2003 | 2002 | 2001 |
|-------|----|-----------------------------|--|-------------------|-------------------|-----------------|
| | | | Net profit | 202,565,030,433 | 589,214,226,635 | 684,102,036,323 |
| | | | Earnings per share (won) | 262 | 786 | 940 |
| | | | Profit available for Dividend distribution | 1,203,688,237,170 | 1,086,596,253,235 | 558,501,102,453 |
| | | | Propensity to Dividend | 38.28 | 9.72 | |
| | a. | Dividend per Share | Majority | Common | 100 | 50 |
| | | | | Preferred | | |
| C | | | | Common | 100 | 250 |
| A | | | | | | |
| S | | | Minority | Preferred | | |
| D | H | | | | | |
| I | P | b. Total Dividend Amount | Majority | Common | 67,345,860,900 | 33,672,930,450 |
| V | A | | Minority | Common | 10,204,630,100 | 23,586,047,000 |
| I | Y | c. Dividend Ratio | Majority | Common | 1.54 | 1.04 |
| D | O | | Minority | Common | 1.54 | 5.22 |
| E | U | a. Stock Dividend Ratio | Majority | Common | | |
| N | T | | Minority | Common | | |
| D | | b. Stock Dividend per Share | Majority | Common | | |
| S | S | | | Preferred | | |
| | T | | | Common | | |
| | O | | Minority | Preferred | | |
| | C | | | | | |
| K | | | | | | |
| | | | Net Asset per Share | 7,218 | 6,596 | 5,605 |
| | | | Ordinary Income per Share | 262 | 786 | 943 |

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II. Description of Business

1. Business Overview

a. Current Trend of Industry

Further Expansion and Convergence

Introduction of more diverse and complex financial securities, especially in the bancassurance business

Expansion in business roles of financial institutions and increasing competition due to developments in IT and capital markets

No longer dependent on deposit to loan margin, now seeking new revenue models

IT developments inducing communications industry to enter the market

Market share competition in retail finance markets

Aggressive competition due to rapid growth in retail financial markets, such as the credit card business

b. Company Status

(1) General Overview

(a) Group Description

Woori Finance Holdings Co., Ltd. (the Company) was established on March 27, 2001. The Company was engaged in the business of managing the five financial institutions (Woori Bank (formerly Hanvit Bank), Kyongnam Bank, Kwangju Bank, Woori Credit Card Co., Ltd. (formerly Peace Bank of Korea) and Woori Investment Bank (hereinafter the five subsidiaries)), 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. In connection with its functional restructuring, the Company established or acquired seven more subsidiaries and has four second-tier subsidiaries. Upon establishment, the Company's common stock amounted to (Won)3,637,293 million (\$3,030,067 thousand), consisting of 727,459,000 common shares ((Won) 5,000 per share) issued and outstanding. However as a result of several capital increases since establishment, the Company's common stock amounted to (Won) 3,877,525 million (\$3,237,205 thousand), consisting of 775,504,797 common shares issued and outstanding as of December 31, 2003. 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, which included 36 million new shares and 54 million issued shares. As of June 16, 2003, a total of 12,046,301 shares were issued in relation to the conversion of bonds with warrants, or B/Ws. The KDIC owned 673,458,609 (86.8%) shares of the Company's common shares as of December 31, 2003.

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 and foreign exchange business with approval from the Bank of Korea (BOK) and the Ministry of Finance and Economy (MOFE). In connection with the infusion of public funds, Woori Bank and the KDIC have entered into an Agreement

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on the Implementation of the Business Plan. Woori Bank changed its name from Hanvit Bank to Woori Bank on May 20, 2002. Its common stock amounted to (Won)2,852,838 million (\$2,381,732 thousand) consisting of 571 million common shares issued and outstanding as of December 31, 2003. Woori Bank is wholly owned by the Company. The head office of Woori Bank is located in Seoul, Korea. Woori Bank has 685 branches and offices in Korea.

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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, 2003, Kyongnam Bank's common stock amounted to (Won) 259,000 million (\$216,230 thousand) consisting of 51 million shares issued and outstanding. The Company owns 99.99% of Kyongnam Bank. The head office of Kyongnam Bank is located in Masan, Korea. Kyongnam Bank has 129 branches and offices in Korea.

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, 2003, Kwangju Bank's common stock amounted to (Won)170,403 million (\$142,263 thousand) consisting of 34 million shares issued and outstanding. The Company owns 99.99% of Kwangju Bank. The head office of Kwangju Bank is located in Kwangju City, Korea. Kwangju Bank has 114 domestic branches and offices in Korea.

Woori Credit Card Co., Ltd. (WCC) was first established on November 6, 1991 as Peace Bank of Korea to engage 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. On December 17, 2001, WCC changed its name from Peace Bank of Korea to Woori Credit Card Co., Ltd. and is engaged in the credit card business, factoring and other financing services. Pursuant to the business transfer agreement entered into between Woori Bank and WCC dated December 26, 2001, the banking business segment (including trust accounts) of WCC was merged with Woori Bank as of December 31, 2001. WCC acquired the credit card subscriber base of Woori Bank on January 31, 2002. In connection with the infusion of public funds, WCC and the KDIC have entered into an Agreement on the Implementation of the Business Plan. As of December 31, 2003, WCC's common stock amounted to (Won)113,000 million (\$94,340 thousand) consisting of 22.6 million shares issued and outstanding. WCC is wholly owned by the Company. The head office of WCC is located in Seoul, Korea.

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 its 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, WITM changed its name from Hanvit Investment Trust Management Co., Ltd. to Woori Investment Trust Management Co., Ltd. As of December 31, 2003, its common stock amounted to (Won)30,000 million (US\$25,046 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.

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 its functional restructuring, as of July 29, 2002, the Company acquired 40.2% interest (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, Woori Securities changed its name from Hanvit Securities Co., Ltd. to Woori Securities Co., Ltd. As of December 31, 2003, its common stock amounted to (Won)164,782 million (US\$137,571 thousand) consisting of 32,956,413 shares issued and outstanding of which the Company owns 52.7%. The head office of Woori Securities is located in Seoul, Korea. Woori Securities has 65 branches and offices in Korea.

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 the common stock of WFIS from Woori Bank, which was part of the group's functional restructuring and therefore, WFIS was incorporated as a subsidiary of the Company. On October 15, 2001, WFIS changed its name from Hanviteun System Co., Ltd. to Woori Finance Information System Co., Ltd. As of December 31, 2003, its common stock amounted to (Won)4,500 million (\$3,749 thousand) consisting of 900,000 shares issued and outstanding. WFIS is wholly owned by the Company. The office of WFIS is located in Seoul, Korea.

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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, formerly WAMC, spun 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, WF&I changed its name from Woori Asset Management Co., Ltd. to Woori F&I Co., Ltd. As of December 31, 2003, its common stock amounted to (Won)10,000 million (\$8,349 thousand) consisting of 2,000,000 shares issued and outstanding. WF&I is wholly owned by the Company. The office of WF&I is located in Seoul, Korea.

(2) Market Share

Currently, Woori and Shinhan are the only domestic finance holding groups that have a separate banking business as a subsidiary.

(units: hundreds of millions of won)

| Items | As of end of 2003 | |
|----------------------------|------------------------|--------------------------|
| | Woori Finance Holdings | Shinhan Finance Holdings |
| Total Assets | 84,730 | 78,183 |
| Total Liabilities | 26,787 | 18,637 |
| Total Shareholder s Equity | 57,943 | 59,545 |
| Capital | 38,775 | 19,576 |
| Operating Revenue | 5,098 | 3,443 |
| Operating Expense | 1,393 | 867 |
| Operating Income | 3,705 | 2,576 |
| Ordinary Income | 3,701 | 2,565 |
| Net profit | 3,701 | 2,565 |

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(3) 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 | 2003 | 2002 | 2001 |
|---------------------|-----------|-----------|-----------|
| Shareholders Equity | 5,597,895 | 5,064,129 | 4,077,347 |
| Capital | 3,877,525 | 3,839,074 | 3,637,293 |
| Capital Surplus | 61,324 | 58,645 | |
| Retained Earnings | 1,282,866 | 1,145,518 | 558,501 |
| Capital Adjustments | 376,180 | 20,892 | -118,447 |
| Borrowings | 2,649,920 | 2,325,021 | 1,616,466 |
| Debentures | 2,621,182 | 1,999,250 | 1,298,304 |
| Bank Borrowings | | 300,000 | 310,000 |
| Commercial Paper | | | |
| Other Borrowings | | | |
| Other Liabilities | 28,738 | 25,771 | 8,162 |
| Total | 8,247,815 | 7,389,150 | 5,693,813 |

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

(units: millions of won)

| Items | 2003 | 2002 | 2001 |
|---|-----------|-----------|-----------|
| Treasury Stock | 7,007,222 | 6,062,119 | 5,016,864 |
| Woori Bank | 5,869,558 | 4,500,143 | 3,255,964 |
| Kyongnam Bank | 504,629 | 424,060 | 327,005 |
| Kwangju Bank | 364,955 | 290,003 | 213,177 |
| Woori Credit Card | | 379,126 | 1,008,866 |
| Woori Merchant Bank | | 222,936 | 195,613 |
| Woori Financial Information System | 7,284 | 3,364 | 6,511 |
| Woori F&I | 35,896 | 17,016 | 9,728 |
| Woori First Asset Securitization Specialty | | | |
| Woori Second Asset Securitization Specialty | 20,016 | 31,666 | |
| Woori Third Asset Securitization Specialty | 1,266 | | |
| Woori Investment Trust Management | 34,978 | 39,646 | |
| Woori Securities | 168,639 | 154,159 | |
| Loan Obligations | 830,566 | 1,231,207 | 648,365 |
| Tangible Assets | 242 | 324 | 627 |
| Intangible Assets | 51 | 50 | 24 |
| Cash | 349,585 | 73,256 | 13,825 |
| Other Assets | 60,148 | 22,195 | 14,108 |
| Total | 8,247,815 | 7,389,151 | 5,693,813 |

c. Transactions related to Commission Fees

(units: millions of won)

| Category | Items | 2003 | 2002 | 2001 |
|-------------------------|-------|--------|--------|--------|
| Commission Revenue (A) | | | | |
| Commission Expense (B) | Fees | 6,704 | 5,611 | 4,641 |
| Commission Profit (A-B) | | -6,704 | -5,611 | -4,641 |

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 | 2003 | 2002 | 2001 |
|-------------------------|----------|--------|---------|
| Current Assets (A) | 203,202 | 78,357 | 185,154 |
| Current Liabilities (B) | 9,711 | 9,317 | 316,615 |
| Current Ratio (A/B) | 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 | 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 | 2003 | 2002 | 2001 |
|------------------|-----------|-----------|-----------|
| Liabilities (A) | 2,649,920 | 2,325,022 | 1,616,466 |
| Equity (B) | 5,597,895 | 5,064,129 | 4,077,347 |
| Debt Ratio (A/B) | 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 | Debentures | 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 | Debentures | 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 | Debentures | BBB | R&I (AAA~C) | Periodic evaluation |
| 2004.2.6 | Debentures | BBB | Fitch Rating (AAA~D) | Case evaluation |
| 2004.3.11 | Debentures | BBB- | S&P (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 | 2003 | 2002 | 2001 |
|----------------------------|-----------|-----------|-----------|
| Cash and Due from Banks | 349,585 | 73,256 | 13,825 |
| Securities | 7,007,222 | 6,062,119 | 5,016,864 |
| Loans | 830,566 | 1,231,207 | 648,365 |
| Fixed Assets | 293 | 374 | 651 |
| Other Assets | 60,148 | 22,195 | 14,108 |
| Total Assets | 8,247,815 | 7,389,151 | 5,693,813 |
| Borrowings | 0 | 300,000 | 310,000 |
| Debentures | 2,621,182 | 1,999,250 | 1,298,304 |
| Other Liabilities | 28,738 | 25,772 | 8,162 |
| Total Liabilities | 2,649,920 | 2,325,022 | 1,616,466 |
| Common Stock | 3,877,525 | 3,839,074 | 3,637,293 |
| Capital Surplus | 61,324 | 58,645 | |
| Retained Earnings | 1,282,866 | 1,145,518 | 588,501 |
| Capital Adjustment | 376,180 | 20,892 | Δ118,447 |
| Total Stockholder's Equity | 5,597,895 | 5,064,129 | 4,077,347 |
| Operating Income | 396,624 | 878,488 | 717,112 |
| Operating Expenses | 193,527 | 302,721 | 31,222 |
| Operating Profit | 203,097 | 575,767 | 685,890 |
| Ordinary Income | 202,565 | 589,214 | 685,885 |
| Net profit | 202,565 | 589,214 | 684,102 |

[Δ stands for negative numbers]

* Refer to Exhibits to see detailed financial statements

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

(units: millions of won)

| Items | 2003 | 2002 | 2001 |
|-----------------------------------|--------------------|--------------------|--------------------|
| Cash and Due from Banks | 6,471,855 | 6,568,852 | 6,432,890 |
| Marketable Securities | 2,727,843 | 2,943,800 | 3,217,882 |
| Invested Securities | 24,278,834 | 23,508,709 | 21,806,451 |
| Loans | 86,077,297 | 73,604,113 | 59,876,198 |
| Fixed Assets | 2,734,616 | 2,796,183 | 2,831,851 |
| Other Assets | 6,477,275 | 5,421,877 | 5,920,545 |
| Total Assets | 128,767,720 | 114,843,534 | 100,058,817 |
| Deposits | 89,049,625 | 78,917,388 | 69,332,217 |
| Borrowings | 12,813,104 | 13,839,614 | 13,742,572 |
| Debentures | 12,195,159 | 10,792,932 | 5,491,533 |
| Other Liabilities | 9,011,532 | 5,987,833 | 7,080,301 |
| Total Liabilities | 123,069,420 | 109,528,767 | 95,646,623 |
| Common Stock | 3,877,525 | 3,839,074 | 3,637,293 |
| Consolidated Capital Surplus | 57,844 | 25,029 | |
| Consolidated Retained Earnings | 1,152,053 | 245,045 | 558,852 |
| Consolidated Capital Adjustment | 414,969 | 5,314,767 | Δ 116,546 |
| Minority Interest | 195,909 | 9,623,990 | 359,595 |
| Total Stockholder's Equity | 5,698,300 | 5,314,767 | 4,439,194 |
| Operating Income | 10,403,445 | 9,623,990 | 10,159,156 |
| Operating Expenses | 10,261,111 | 8,908,732 | 9,847,439 |
| Operating Profit | 142,334 | 715,258 | 311,717 |
| Non-operating Income | 586,267 | 540,113 | 1,190,685 |
| Non-operating Expenses | 497,539 | 800,487 | 937,984 |
| Ordinary Income | 231,062 | 454,884 | 564,418 |
| Aggregated Net Profit | 52,374 | 613,576 | 736,616 |
| Consolidated Net Profit | 56,279 | 591,588 | 686,287 |
| No. of Companies Consolidated | 15 | 17 | 17 |

[Δ stands for negative numbers]

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

| <u>2003 Dec. 31</u> | <u>2002 Dec. 31</u> | <u>2001 Dec. 31</u> |
|---------------------|---------------------|---------------------|
| 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> |
|-------------|-----------------|---------------------------------------|---------------------|------------------------------|
| 2003 | Deloitte Touche | Quarter Interim Financial Statement | 140 | 1,200 |
| | | Half Year Interim Financial Statement | 70 | 600 |
| | | Year-end Financial Statement | 36 | 300 |
| | | Consolidated Financial Statement | 37 | 300 |
| 2002 | Arthur Andersen | Quarter Interim Financial Statement | 140 | 1,200 |
| | | Half Year Interim Financial Statement | 70 | 600 |
| | Deloitte Touche | Annual Financial Statement | 30 | 300 |
| 2001 | Arthur Andersen | Quarter Interim Financial Statement | 80 | 800 |
| | | Half Year Interim Financial Statement | 40 | 400 |
| | | Year-end Financial Statement | 20 | 200 |
| | | Consolidated Financial Statement | 20 | 200 |

b. Compensation for services other than the Audit

(units: thousands of dollars)

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| Year | Contract Date | Activity | Period | Comp. | Note |
|-------------|----------------------|------------------|----------------|--------------|-----------------|
| 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 |
| 2001 | 2001.8.17 | US GAAP Auditing | 2001.8~2002.11 | 6,600 | Arthur Andersen |

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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

As of December 31, 2003, the Board of Directors consisted of the Group's chairman Byung-Chul Yoon, Vice chairman Duk-Hoon Lee (CEO of Woori Bank), Vice Chairman Kwang-Woo Jun (Chief Strategy Officer), Vice chairman Euoo-Sung Min (Chief Financial Officer). Our non-standing directors consisted of Nam-Hong Cho (Vice President of Korea Employer's Federation), Sang-Chul Lee (former CEO of Kookmin Bank), Chae-Woong Lee (Professor at Sungkyunkwan University), Gae-Min Lee (CEO of Hankyung.com), Oh-seok Hyun (President of Trade Research Institute) and Hae-Suk Suh (legal consultant at Wu Hyun law firm).

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 Seuk-Jin Kang (Chairman of CEO Consulting Group), Je-Hoon Lee (Chairman of Korea BBB Movement), Sung-Tae Ro (Dean of Business School at Myongji University), Do-Soung Choi (Professor of Business Administration at Seoul National University), Oh-Seok Hyun (President of Trade Research Institute) and Chung-Sook Moon (Professor of Economics at Sookmyung University).

(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 Candidates (Disclosure made Prior to the Annual General Meeting of Shareholders)

- The following details were included in the public announcement and notification regarding the annual general meeting of shareholders made on March 13 and 15 2004.

| Position | Name | Information | Relationship with KDIC | Transaction with WFG |
|---|---------------|---|-------------------------------|-----------------------------|
| Non-standing Director candidate and audit Committee candidate | Seuk-Jin Kang | - B.A. in Economics, Chungang University - Completed MBA program at Harvard University - Chairman of GE Korea - Currently Chairman of CEO Consulting Group | N/A | N/A |
| Non-standing Director candidate and audit Committee candidate | Je-Hoon Lee | - B.A. in Social Science, Seoul National University - Masters in Mass Communications, Seoul National University - CEO & President of Joongang Newspaper - Currently Chairman of Korea BBB Movement | N/A | N/A |
| Non-standing Director candidate and audit Committee candidate | Sung-Tae Ro | - B.A. in Economics, Seoul National University - Ph.D. in Economics, Harvard University - Chief Editor of Korea Economic Daily - Currently Dean of Business School at Myongji University | N/A | N/A |
| Non-standing Director candidate and audit Committee candidate | 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, Korean Int'l Trade Association | N/A | N/A |
| Non-standing Director candidate and audit Committee candidate | Do-Soung Choi | - B.A. in Business Administration, Seoul National University - Ph.D. in Economics, Pennsylvania State University - Chairman of Korean Securities Association - Currently Professor of Economics at Seoul National University - B.A. in Home Economics, Sookmyung University | N/A | N/A |

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Non-standing Director
candidate and audit
Committee candidate

Chung-Sook
Moon

- Ph.D. in Consumer Economics, Kansas State University

- Currently Professor of Economics at Sookmyung
University

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(C) Appointment of Non-standing Directors

The outside directors of the Company shall be elected at the General Meeting of Shareholders after being recommended by the Recommendation Committee for Outside Director Candidates established under Article 42. However, this was not applicable for the first fiscal year of the company.

* Article 42 (Committee)

1. We currently have the following management committees that serve under the board.
 1. The Management Committee
 2. The Business Strategy & Compensation Committee
 3. The Risk Management Committee
 4. The Audit Committee
 5. Committees constituted by directors
2. The duties, rights and management of each committee are appointed by the Board of Directors.

(D) Committees within Board of Directors

[as of December 31, 2003]

1) The Management Committee

| <u>Name</u> | <u>Non-standing Director</u> | <u>Notes</u> |
|-----------------|------------------------------|--|
| Byung-Chul Yoon | X | Chairman Byung-Chul Yoon heads the committee and non-standing directors constitute more than half of the committee |
| Kwang-Woo Jun | X | |
| Nam-Hong Cho | O | |
| Sang-Chul Lee | O | |
| Gae-Min Lee | O | |

2) Risk Management Committee

| Name | Position | Notes |
|---|--|---|
| Byung-Chul Yoon Euoo-Sung Min Chae-Woong Lee Oh-Seok Hyun Hae-Suk Suh | Chairman and CEO Vice Chairman Non-standing Director Non-standing Director Non-standing Director | The representative director is Byung-Chul Yoon and consists of 2 directors and 3 non-standing directors |

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3) Business Strategy & Compensation Committee

| Name | Position | Notes |
|----------------|-----------------------|---|
| Nam-Hong Cho | Non-standing Director | The representative director is Sang-Chul Lee and consists of 6 non-standing directors |
| Sang-Chul Lee | Non-standing Director | |
| Chae-Woong Lee | Non-standing Director | |
| Gae-Min Lee | Non-standing Director | |
| Oh-Seok Hyun | Non-standing Director | |
| Hae-Suk Suh | Non-standing Director | |

4) Audit Committee

| Name | Position | Notes |
|----------------|-----------------------|---|
| Nam-Hong Cho | Non-standing Director | The representative director is Sang-Chul Lee and consists of 6 non-standing directors |
| Sang-Chul Lee | Non-standing Director | |
| Chae-Woong Lee | Non-standing Director | |
| Gae-Min Lee | Non-standing Director | |
| Oh-Seok Hyun | Non-standing Director | |
| Hae-Suk Suh | Non-standing Director | |

5) Standing Committee

| Name | Position | Notes |
|-----------------|------------------|--|
| Byung-Chul Yoon | Chairman and CEO | The representative director is Byung-Chul Yoon and consists of 4 directors |
| Euoo-Sung Min | Vice Chairman | |
| Kwang-woo Jun | Vice Chairman | |
| Duk-Hoon Lee | Vice Chairman | |

Table of Contents**2. Related Companies****a. Invested Shares in Related Companies**

| Investor | Investee | Number of Invested Stock | Shareholding Ratio (%) |
|---------------------------|-----------------------------------|-----------------------------|------------------------|
| | Woori Bank | 570,567,520 | 100.0 |
| | Kyongnam Bank | 51,800,000 | 99.9 |
| | Kwangju Bank | 34,080,000 | 99.9 |
| | Woori Credit Card | 22,600,000 | 100.0 |
| Woori Finance Holdings | Woori Finance Information Systems | 900,000 | 100.0 |
| | Woori F&I | 2,000,000 | 100.0 |
| | Woori Second SPC | 1,900 | 95.0 |
| | Woori Third SPC | 2,000 | 100.0 |
| | Woori Investment Management | 6,000,000 | 100.0 |
| | Woori Securities | 17,372,300 | 52.7 |
| | Woori Credit Information | 1,008,000 | 100.0 |
| Woori Bank | Woori America Bank | 8,500,000 | 100.0 |
| | P.T. Bank Woori Indonesia | 1,387 | 81.6 |
| Woori F&I | Woori CA Asset Management | 408,000 | 51.0 |

Table of Contents**b. Year-end Performance of Affiliated Companies and Subsidiaries**

Name: Woori Bank Co., Ltd.

Company number: 00254045

(units: millions of won)

| Items | Period 170 | Period 169 | Period 168 |
|--------------------------------------|--------------|--------------|--------------|
| | (2003.12.31) | (2002.12.31) | (2001.12.31) |
| Cash and Due from Banks | 4,833,325 | 4,098,110 | 3,911,225 |
| Trading securities | 846,964 | 813,173 | 1,146,336 |
| Investment securities | 17,967,751 | 17,930,546 | 17,223,404 |
| Loans | 71,198,169 | 58,967,737 | 48,177,595 |
| Fixed Assets | 1,718,556 | 1,762,660 | 1,843,368 |
| Others | 5,247,779 | 3,905,144 | 4,355,840 |
| Merchant Banking Acct Assets | 1,497,166 | | |
| Total Assets | 103,309,710 | 87,477,370 | 76,657,768 |
| Deposits in Won | 64,015,984 | 58,586,891 | 50,645,040 |
| Deposits in Foreign exchange | 2,992,181 | 3,251,760 | 2,386,192 |
| CDs | 3,802,835 | 346,214 | 737,106 |
| Borrowings in Won | 3,717,136 | 3,548,478 | 3,598,368 |
| Borrowings in Foreign exchange | 4,508,577 | 4,775,613 | 4,491,778 |
| Foreign exchange trust | | | 128,797 |
| Other Borrowings | 1,406,782 | 1,684,546 | 2,664,915 |
| Debentures | 7,780,156 | 5,941,886 | 3,084,569 |
| Other Liabilities | 8,346,765 | 5,060,798 | 5,992,471 |
| Merchant Banking Account Liabilities | 1,082,545 | | |
| Total Liabilities | 97,652,961 | 83,196,186 | 73,729,236 |
| Capital | 2,852,838 | 2,764,400 | 2,764,400 |
| Capital Surplus | 654,708 | 516,026 | 31,903 |
| Retained Earnings | 1,798,918 | 984,683 | 203,690 |
| Capital Adjustments | 350,285 | 16,075 | -71,461 |
| Total Shareholder s Equity | 5,656,749 | 4,281,184 | 2,928,532 |
| Operating Revenue | 7,621,300 | 6,607,882 | 6,848,493 |
| Operating income | 1,279,828 | 602,949 | 283,194 |
| Ordinary Income | 1,429,662 | 595,988 | 610,679 |
| Net profit | 1,332,185 | 779,571 | 712,945 |

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Name of Company : Kyongnam Bank

Company number : 00101363

(units: millions of won)

| | Period 42 | Period 41 | Period 40 |
|----------------------------|--------------|--------------|--------------|
| | (2003.12.31) | (2002.12.31) | (2001.12.31) |
| Cash and Due from Banks | 834,276 | 1,148,371 | 1,387,331 |
| Trading securities | 159,104 | 154,909 | 2,897 |
| Investment securities | 2,988,078 | 2,380,128 | 2,174,229 |
| Loans | 6,435,509 | 5,819,418 | 4,744,317 |
| Fixed Assets | 202,198 | 208,970 | 214,581 |
| Other Assets | 366,973 | 264,051 | 236,469 |
| Total Assets | 10,986,138 | 9,975,847 | 8,759,824 |
| Deposits | 8,462,345 | 7,544,267 | 5,930,100 |
| Borrowings | 1,278,626 | 1,286,963 | 1,435,321 |
| Debentures | 310,238 | 303,304 | 424,974 |
| Other Liabilities | 437,756 | 425,091 | 650,879 |
| Total Liabilities | 10,488,965 | 9,559,625 | 8,441,274 |
| Capital | 259,000 | 259,000 | 259,000 |
| Capital Surplus | 26,910 | 26,910 | 26,906 |
| Retained Earnings | 214,411 | 134,371 | 57,085 |
| Capital Adjustments | -3,148 | -4,059 | -24,441 |
| Total Shareholder s Equity | 497,173 | 416,222 | 318,550 |
| Operating Revenue | 767,171 | 740,444 | 721,643 |
| Operating income | 93,859 | 108,121 | 87,040 |
| Ordinary Income | 54,731 | 82,466 | 69,158 |
| Net profit | 85,224 | 82,466 | 69,158 |

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Name of Company: Kwangju Bank

Company number: 00104078

(units: millions of won)

| | Period 45 | Period 44 | Period 43 |
|----------------------------|--------------|--------------|--------------|
| | (2003.12.31) | (2002.12.31) | (2001.12.31) |
| Cash and Due from Banks | 390,078 | 386,827 | 299,088 |
| Trading securities | 169,180 | 143,525 | 146,081 |
| Investment securities | 2,396,762 | 1,968,418 | 2,056,441 |
| Loans | 5,336,775 | 4,896,333 | 3,964,489 |
| Fixed Assets | 223,669 | 224,952 | 229,929 |
| Others | 262,118 | 426,879 | 424,910 |
| Total Assets | 8,777,582 | 8,046,934 | 7,120,938 |
| Deposits | 6,737,967 | 6,077,260 | 5,250,418 |
| Borrowings | 1,165,133 | 967,696 | 946,702 |
| Debentures | 200,556 | 200,485 | 297,723 |
| Other Liabilities | 325,674 | 528,899 | 431,294 |
| Total Liabilities | 8,429,330 | 7,774,340 | 6,926,137 |
| Capital | 170,403 | 170,403 | 170,403 |
| Capital Surplus | 24,173 | | |
| Retained Earnings | 155,237 | 101,651 | 30,221 |
| Capital Adjustments | -1,561 | 540 | -5,822 |
| Total Shareholder's Equity | 348,252 | 272,594 | 194,802 |
| Operating Revenue | 581,314 | 578,844 | 532,712 |
| Operating income | 40,735 | 85,962 | 71,290 |
| Ordinary Income | 32,542 | 74,839 | 66,346 |
| Net profit | 57,052 | 74,839 | 66,346 |

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Name: Woori Credit Card

Company number: 00171308

(units: millions of won)

| | Period 13 | Period 12 | Period 11 |
|----------------------------|---------------------|---------------------|---------------------|
| | (2003.12.31) | (2002.12.31) | (2001.12.31) |
| Current Assets | 216,607 | 1,017,307 | 344,559 |
| Card Assets | 1,343,821 | 2,663,468 | 225,020 |
| Financial Assets | 85,923 | 6,073 | 417,591 |
| Fixed Assets | 815,297 | 1,017,366 | 361,505 |
| Total Assets | 2,461,648 | 4,704,214 | 1,348,675 |
| Current Liabilities | 1,926,699 | 2,307,338 | 408,689 |
| Fixed Liabilities | 733,000 | 2,088,853 | |
| Total Liabilities | 2,659,699 | 4,396,191 | 408,689 |
| Capital | 113,000 | 1,173,000 | 1,173,000 |
| Capital Surplus | 1,900,000 | | |
| Retained Earnings(Deficit) | -1,653,136 | -332,565 | -181,146 |
| Capital Adjustments | -557,915 | -532,411 | -51,868 |
| Total Shareholder s Equity | -198,051 | 308,024 | 939,686 |
| Operating Revenue | 983,899 | 915,039 | 588,710 |
| Operating income | -1,194,165 | 21,660 | -105,097 |
| Ordinary Income | -1,199,611 | -151,419 | -271,625 |
| Net profit | -1,320,571 | -151,419 | -150,665 |

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Company : Woori Investment Management

Company Number : 00243377

(units: millions of won)

| | Period 15 | Period 14 | Period 13 |
|----------------------------|--------------|--------------|--------------|
| | (2003.12.31) | (2002.12.31) | (2001.12.31) |
| Current Assets | 27,878 | 30,235 | 26,984 |
| Fixed Assets | 13,490 | 12,839 | 12,255 |
| Total Assets | 41,368 | 43,074 | 39,239 |
| Current Liabilities | 3,686 | 6,172 | 4,088 |
| Fixed Liabilities | 177 | 124 | |
| Total Liabilities | 3,863 | 6,296 | 4,088 |
| Capital | 30,000 | 30,000 | 30,000 |
| Capital Surplus | | | |
| Retained Earnings | 7,504 | 6,778 | 5,150 |
| Capital Adjustments | | | |
| Total Shareholder s Equity | 37,504 | 36,778 | 35,150 |
| Operating income | 10,360 | 11,830 | 13,522 |
| Operating Profit | 5,276 | 4,348 | 7,388 |
| Ordinary Income | 5,330 | 4,568 | 8,233 |
| Net profit | 3,726 | 3,128 | 7,083 |

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Name of Company : Woori Finance Information System

Company Number : 00378947

(units: millions of won)

| | Period 15 | Period 14 | Period 13 |
|----------------------------|--------------|--------------|--------------|
| | (2003.12.31) | (2002.12.31) | (2001.12.31) |
| Current Assets | 66,061 | 76,504 | 5,933 |
| Fixed Assets | 214,158 | 164,549 | 2,882 |
| Total Assets | 280,219 | 241,053 | 8,815 |
| Current Liabilities | 49,763 | 53,942 | 2,362 |
| Fixed Liabilities | 222,753 | 184,349 | 373 |
| Total Liabilities | 272,516 | 238,291 | 2,735 |
| Capital | 4,500 | 4,500 | 4,500 |
| Capital Surplus | | | |
| Retained Earnings | 3,197 | -808 | 1,580 |
| Capital Adjustments | 6 | | |
| Total Shareholder's Equity | 7,703 | 3,692 | 6,080 |
| Sales | 281,787 | 131,843 | 25,444 |
| Operating income | 20,870 | 4,404 | 1,127 |
| Ordinary Income | 5,871 | -3,190 | 1,421 |
| Net profit | 4,005 | -2,182 | 1,123 |

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Name of Company : Woori Securities

Company Number : 00163178

(units: millions of won)

| | Period 49 | Period 48 | Period 47 |
|----------------------------|---------------------|---------------------|---------------------|
| | (2003.12.31) | (2002.12.31) | (2001.12.31) |
| Current Assets | 415,148 | 445,810 | 375,147 |
| Fixed Assets | 125,686 | 171,517 | 147,767 |
| Total Assets | 540,834 | 617,327 | 522,914 |
| Current Liabilities | 180,613 | 231,064 | 148,284 |
| Fixed Liabilities | 4,585 | 7,449 | 2,912 |
| Total Liabilities | 185,198 | 238,513 | 151,196 |
| Capital | 164,782 | 164,782 | 164,782 |
| Capital Surplus | 131,776 | 131,776 | 131,424 |
| Retained Earnings | 97,156 | 105,902 | 93,355 |
| Capital Adjustments | -38,078 | -23,646 | -17,843 |
| Total Shareholder s Equity | 355,636 | 378,814 | 371,718 |
| Operating Revenue | 186,664 | 205,208 | 215,602 |
| Operating income | 21,332 | 45,434 | 41,728 |
| Ordinary Income | 1,570 | 56,434 | 30,835 |
| Net profit | 1,627 | 40,107 | 20,401 |

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Company Name : Woori F&I

Company Number : 00416593

(units: millions of won)

| | Period 3 | Period 2 | Period 1 |
|----------------------------|---------------------|---------------------|---------------------|
| | (2003.12.31) | (2002.12.31) | (2001.12.31) |
| Current Assets | 24,231 | 2,290 | 8,531 |
| Fixed Assets | 147,534 | 52,493 | 1,153 |
| Total Assets | 171,765 | 54,783 | 9,684 |
| Current Liabilities | 4,669 | 823 | 50 |
| Fixed Liabilities | 130,783 | 37,033 | |
| Total Liabilities | 135,452 | 37,856 | 50 |
| Capital | 10,000 | 10,000 | 10,000 |
| Capital Surplus | | | |
| Retained Earnings | 22,315 | 6,961 | -366 |
| Capital Adjustments | 3,998 | -34 | |
| Total Shareholder's Equity | 36,313 | 16,927 | 9,634 |
| Operating Revenue | 31,552 | 18,913 | 196 |
| Operating income | 31,244 | 10,253 | -414 |
| Ordinary Income | 24,088 | 10,335 | -366 |
| Net profit | 16,854 | 7,327 | -366 |

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Company Name : Woori Second Asset Securitization Specialty

Company Number : 00391665

(units: millions of won)

| | Period 3 | Period 2 | Period 1 |
|---------------------------|--------------|--------------|--------------|
| | (2003.12.31) | (2002.12.31) | (2001.12.31) |
| Current Assets | 730 | 23,560 | 10 |
| Securitized Assets | 19,623 | 74,106 | 167,136 |
| Total Assets | 20,353 | 97,666 | 167,146 |
| Current Liabilities | 34,081 | 4,425 | 167,170 |
| Securitized Liabilities | 100 | 59,936 | 0 |
| Total Liabilities | 34,181 | 64,361 | 167,170 |
| Capital | 10 | 10 | 10 |
| Capital Surplus | | | |
| Retained Earnings | -13,838 | 33,295 | -34 |
| Capital Adjustments | | | |
| Total Shareholders Equity | -13,828 | 33,305 | -24 |
| Operating Revenue | 15,256 | 52,425 | |
| Operating income | -480 | 32,553 | -34 |
| Ordinary Income | -289 | 33,367 | -34 |
| Net profit | -289 | 33,329 | -34 |

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Company Name : Woori Third Asset Securitization Specialty

Company Number : 00399357

(units: millions of won)

| | Period 2 | Period 1 |
|---------------------------|--------------|--------------|
| | (2003.12.31) | (2002.12.31) |
| Current Assets | 3,044 | 18,226 |
| Securitized Assets | 26,503 | 48,764 |
| Total Assets | 29,547 | 66,990 |
| Current Liabilities | 60,260 | 11,676 |
| Securitized Liabilities | 27,790 | 65,204 |
| Total Liabilities | 88,050 | 76,880 |
| Capital | 10 | 10 |
| Capital Surplus | | |
| Retained Earnings | -72,337 | -9,899 |
| Capital Adjustments | 13,824 | |
| Total Shareholders Equity | -58,503 | -9,899 |
| Operating Revenue | 4,473 | 33,566 |
| Operating income | -2,804 | -10,008 |
| Ordinary Income | -2,669 | -9,899 |
| Net profit | -2,669 | -9,899 |

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

(units: thousand shares, millions of won)

| T y p e | Name | Beginning Balance | | | Changes | | Ending Bal. | | | Dividend Revenue |
|------------------|---------------------------|-------------------|-------|-----------|----------|---------|-------------|-------|-----------|---------------------|
| | | Quantity | Share | Cost | Quantity | Cost | Quantity | Share | Cost | |
| | Woori Bank | 552,880 | 100.0 | 2,741,818 | 17,688 | 170,493 | 570,568 | 100.0 | 2,912,311 | 518,601 |
| | Kwangju Bank | 34,080 | 99.9 | 170,400 | | | 34,080 | 99.9 | 170,400 | 3,408 |
| | Kyong-nam Bank | 51,800 | 99.9 | 259,000 | | | 51,800 | 99.9 | 259,000 | 5,180 |
| | Woori Credit Card | | | | (-) | | | | | |
| | | 234,600 | 100.0 | 1,173,000 | 212,000 | 840,000 | 22,600 | 100.0 | 2,013,000 | |
| | Woori Investment Bank | | | | (-) | (-) | | | | |
| | | 498,240 | 100.0 | 170,493 | 498,240 | 170,493 | | | | |
| | Woori Inv t Mgmt. | 6,000 | 100.0 | 39,128 | | | 6,000 | 100.0 | 39,128 | 6,000 |
| | Woori Securities | 13,251 | 40.2 | 152,662 | 4,121 | 16,899 | 17,372 | 52.7 | 169,561 | 5,300 |
| | Woori Finance Info Sys. | 900 | 100.0 | 5,244 | | | 900 | 100.0 | 5,244 | |
| D | Woori F&I | 2,000 | 100.0 | 10,094 | | | 2,000 | 100.0 | 10,094 | 1,500 |
| | Woori 1 st SPC | | | | (-) | (-) | | | | |
| O | | 2 | 95.0 | 10 | 2 | 10 | | | | |
| | Woori 2 nd SPC | 2 | 95.0 | 10 | | | 2 | 95.0 | 10 | 13,000 |
| M | Woori 3 rd SPC | 2 | 100.0 | 10 | | | 2 | 100.0 | 10 | |
| | Foreign | | | | | | | | | |
| E | | | | | | | | | | |
| S | | | | | | | | | | |
| T | Total | | | | | | | | | |
| I | | | | | (-) | | | | | |
| C | | 1,393,756 | | 4,721,869 | 683,433 | 856,899 | 705,324 | | 5,578,760 | 552,989 |

* Dividends derived on a fiscal basis

1. Woori Bank and Woori Investment Bank merged in July 31, 2003, which led to an increase in 17,687,520 shares of Woori Bank
2. Woori Finance Holdings injected capital into Woori Credit Card on March 27, 2003 and Sept. 30, 2003 of 200 billion won and 640 billion won, respectively. A capital reduction without consideration was carried out on December 22, 2003 with 380 million shares being cancelled.
3. Woori Finance Holdings acquired 4,121,730 shares of Woori Securities on November 28, 2003 for 16.9 billion won

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

[as of 2003.12.31]

(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 | 87.7 | | | 673,458,609 | 86.8 | |
| | | Common | 673,458,609 | 87.7 | | | 673,458,609 | 86.8 | |
| | | Preferred | | | | | 0 | 0 | |
| | | Total | 673,458,609 | 87.7 | | | 673,458,609 | 86.8 | |

Major Shareholder : KDIC

b. Share Ownership of more than 5%

[as of 2003.12.31]

(units: shares, %)

| No. | Name | Common Stock | | Preferred Stock | | Total | |
|-----|-------|---------------|------|-----------------|---|---------------|------|
| | | No. of shares | % | No. of shares | % | No. of shares | % |
| 1 | KDIC | 673,458,609 | 86.8 | | | 673,458,609 | 86.8 |
| | Total | 673,458,609 | 86.8 | | | 673,458,609 | 86.8 |

Table of Contents**c. Shareholder Distribution**

[as of 2003.12.31]

| Items | Shareholder number | Ratio | Number of shares | Ratio |
|------------------------------|-----------------------|--------|---------------------|--------|
| Government | 3 | 0.01% | 7,398 | 0.00% |
| Government related companies | 4 | 0.02% | 673,492,609 | 86.85% |
| Securities companies | 66 | 0.25% | 2,506,076 | 0.32% |
| Insurance companies | 8 | 0.03% | 490,870 | 0.06% |
| Asset Management | 9 | 0.03% | 180,940 | 0.02% |
| Financial Institutions | 139 | 0.52% | 21,206,778 | 2.73% |
| Finance Companies | 0 | 0.00% | 0 | 0.00% |
| Financial Groups | 4 | 0.02% | 999,164 | 0.13% |
| Mutual Savings | 2 | 0.01% | 4,140 | 0.00% |
| Other companies | 67 | 0.25% | 8,782,528 | 1.13% |
| Individuals | 26,236 | 98.42% | 32,865,520 | 4.24% |
| Foreigners | 116 | 0.44% | 34,961,395 | 4.51% |
| Other | 1 | 0.00% | 150 | 0.00% |
| KSD | 1 | 0.00% | 7,342 | 0.00% |
| Total | 26,656 | 100.0% | 775,504,910 | 100.0% |

d. Total Minority Shareholders, Major Shareholders and Other Shareholders

(as of 2003.12.31)

| Items | Shareholder number | Ratio | Number of shares | Ratio | Notes |
|-----------------------|-----------------------|--------|------------------|--------|-------|
| Total Minority | | | | | |
| shareholders | 26,652 | 99.99% | 84,615,239 | 10.91% | |
| Minority Shareholders | | | | | |
| (companies) | 379 | 1.42% | 44,597,568 | 5.75% | |
| Minority Shareholders | | | | | |
| (individuals) | 26,273 | 98.56% | 40,017,671 | 5.16% | |
| Major shareholder | 1 | 0.00% | 673,458,609 | 86.84% | |
| Total other | | | | | |
| shareholders | 2 | 0.01% | 17,423,720 | 2.25% | |
| Other shareholders | | | | | |
| (companies) | 1 | 0.00% | 8,146,720 | 1.05% | |
| Other shareholders | 1 | 0.00% | 9,277,000 | 1.20% | |

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(individuals)

| | | | | |
|-------|--------|---------|-------------|---------|
| KSD | 1 | 0.00% | 7,342 | 0.00% |
| Total | 26,656 | 100.00% | 775,504,910 | 100.00% |

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

(units: won, shares)

| Period | | July | August | September | October | November | December |
|----------------------|------|------------|------------|------------|------------|------------|------------|
| Monthly Trade Volume | High | 7,250 | 7,450 | 7,450 | 7,030 | 7,840 | 7,440 |
| | Low | 6,080 | 5,960 | 6,020 | 5,580 | 6,370 | 6,330 |
| Monthly Trade Volume | | 37,570,870 | 35,207,308 | 32,805,327 | 42,104,319 | 45,224,504 | 28,598,986 |
| Monthly Trade Volume | High | | | | | | |
| | Low | | | | | | |

b. Foreign Stock Market

[name of market: NYSE]

(units: dollars, shares)

| Period | | July | August | September | October | November | December |
|----------------------|------|------|--------|-----------|---------|----------|----------|
| ADR | High | | | 16.25 | 17.90 | 19.30 | 18.60 |
| | Low | | | 16.25 | 15.30 | 17.00 | 16.55 |
| Monthly Trade Volume | | | | 100 | 42,800 | 21,300 | 20,700 |
| Monthly Trade Volume | High | | | | | | |
| | Low | | | | | | |

* 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 | D.o.B. | Common Stocks Owned | Remarks |
|-----------------------|------------|-----------------|------------|------------------------|-----------|
| Chairman | Registered | Young-Key Hwang | 1952.10.29 | | New |
| Vice Chairman | Registered | Euoo-Sung Min | 1954.3.15 | | Incumbent |
| Vice Chairman | Registered | Jong-Wook Kim | 1945.1.17 | | New |
| Non-standing Director | Registered | Seuk-Jin Kang | 1939.5.25 | | New |
| Non-standing Director | Registered | Je-Hoon Lee | 1940.1.2 | | New |
| Non-standing Director | Registered | Sung-Tae Ro | 1946.9.3 | | New |
| Non-standing Director | Registered | Oh-Seok Hyun | 1950.5.5 | | Incumbent |
| Non-standing Director | Registered | Do-Soung Choi | 1952.10.18 | | New |
| Non-standing Director | Registered | Chung-Sook Moon | 1955.3.30 | | New |

2. Employee Status

(units: years, thousands of won)

| Items | Staff | | | | Average Tenure | Annual Compensation | Average Compensation Per Person | Note |
|--------|--------|-------|-------|-------|-------------------|------------------------|---------------------------------------|------|
| | Admin. | Manu. | Misc. | Total | | | | |
| Male | 46 | | 4 | 50 | 2.4 | 3,641,270 | 72,825 | |
| Female | 4 | | 11 | 15 | 2.4 | 563,355 | 37,557 | |
| Total | 50 | | 15 | 65 | 2.4 | 4,204,625 | 64,687 | |

* Based on compensation from Jan. to Dec.

3. Labor Union Membership

| Items | Details | Remarks |
|------------------------------|---------|---------|
| Total Membership Base | 53 | |
| Actual Members | 25 | |
| Full-time Members | | |
| Associated Labor Union Group | | |
| Miscellaneous | | |

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)

Transactions of provisional payments & loans

| T Y P e | Name | Relation | Item | Conditions | | | | Changes | | | |
|------------------|------------------------------|------------|---------------|---------------------|------------------|---------------|--------|-----------|---------|---------|---------|
| | | | | Date | Maturity Date | Interest Rate | | Beg. | Change | | End. |
| | | | | | | Loan | Borrow | | + | - | |
| | | | | | | | | | | | |
| D | Woori 1 st SPC | subsidiary | Other loan | 2001.12.21 | 2010.12.21 | 7.5% | | 188,847 | | 188,847 | |
| O | Woori 2 nd SPC | subsidiary | Other loan | 2002.1.8 | 2012.1.8 | 7.5% | | 59,936 | | 59,836 | 100 |
| M | Woori 3 rd SPC | subsidiary | Other loan | 2002.4.15 | 2012.4.15 | 7.8% | | 65,204 | | 37,414 | 27,790 |
| E | Woori Bank | subsidiary | Other loan | 2002.9~ 2002.11 | 10 yr | 0% | | 600,000 | | | 600,000 |
| S | Kwangju Bank | subsidiary | Other loan | 2002.12.31 | 10 yr | 0% | | 50,000 | | | 50,000 |
| T | Woori Credit Card | subsidiary | Other loan | 2002.12.27 | 6 yr | 6.62% | | 200,000 | | 200,000 | |
| I | Woori Finance | subsidiary | Other loan | 2002.4 ~ 2002.10 | 4yr | 7.8% | | 180,000 | | 150,000 | 30,000 |
| C | Woori F&I | subsidiary | Other loan | 2002.9 ~ 2003.3 | 4yr | 7.6% | | 34,600 | 121,850 | 29,600 | 126,850 |
| Foreign Total | | | | | | | | 1,378,587 | 121,850 | 665,697 | 834,740 |

Table of Contents**b. Payment Transactions**

(units: millions of won)

| Transactions of Payments | | | | | | | | |
|----------------------------|------------|------------------|-----------|--------------|-----------|----------|-----------|-----------|
| Name | Relation | Item | Par value | Transactions | | | | Gain/Loss |
| | | | | Beginning | Increase | Decrease | Ending | |
| Woori Bank | Subsidiary | Investment stock | 5,000 | 4,500,143 | 1,369,415 | | 5,869,558 | |
| Kyongnam Bank | Subsidiary | Investment stock | 5,000 | 424,060 | 80,569 | | 504,629 | |
| Kwangju Bank | Subsidiary | Investment stock | 5,000 | 290,003 | 74,952 | | 364,955 | |
| Woori Credit Card | Subsidiary | Investment stock | 5,000 | 379,126 | | 379,126 | | |
| Woori Merchant Bank | Subsidiary | Investment stock | 5,000 | 222,936 | | 222,936 | | |
| Woori Finance Info. System | Subsidiary | Investment stock | 5,000 | 3,364 | 3,920 | | 7,284 | |
| Woori F&I | Subsidiary | Investment stock | 5,000 | 17,016 | 18,880 | | 35,896 | |
| Woori 1 st SPC | Subsidiary | Investment stock | 5,000 | | | | | |
| Woori 2nd SPC | Subsidiary | Investment stock | 5,000 | 31,666 | | 11,650 | 20,016 | |
| Woori 3 rd SPC | Subsidiary | Investment stock | 5,000 | | 1,266 | | 1,266 | |
| Woori Investment Mgmt | Subsidiary | Investment stock | 5,000 | 39,646 | | 4,668 | 34,978 | |
| Woori Securities | Subsidiary | Investment stock | 5,000 | 154,159 | 14,480 | | 168,639 | |
| | Total | | | 6,062,119 | 1,563,482 | 618,380 | 7,007,222 | |

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

c. Real-Estate Transactions (including rent activities)**(1) Transactions of Real-estate Rent activities**

(units: millions of won)

| Transactions of Payments | | | | | | | | | | |
|--------------------------|-----------|-----------|--------------------------------|----------|-----|------|-----|-----------------------------|-----------|-------|
| Name | Relation | Item | location | Quantity | | | | Information | | |
| | | | | Rent | | Rent | | Maturity | Guarantee | Rent |
| | | | | Inc | Dec | Inc | Dec | | | |
| Woori Bank | Affiliate | Rent Bldg | Hoeihyundong 1 ga, 203bunji | | | | | 2001.3.21 ~ 2003.3.21 | 3,846 | 1,484 |
| Total | | | | | | | | | 3,846 | 1,484 |

* The above contract was extended on 2003.3.21

Table of Contents**IX. Appendix****1. Deposits**

(units: won)

| Items | Category | Bank Name | Ending Balance | Interest Earned in Fiscal Year | Collateral | Remarks |
|----------|----------|-----------|-----------------|--------------------------------|------------|---------|
| | Deposit | Woori | 322,145,414,062 | 4,161,609,252 | | |
| | Deposit | Kwangju | 11,235,977,442 | 397,933,060 | | |
| | Deposit | Kyongnam | 16,203,798,386 | 506,894,110 | | |
| | Deposit | KDB | 100 | | | |
| Overseas | | | | | | |
| Total | | | 349,585,189,990 | 5,066,436,422 | | |

2. Loans and Debentures Provided

(units: won)

| Items | Category | Lender | Beginning Balance | Increase | Decrease | Ending Balance | Remarks |
|----------|-------------|---------------------------|-------------------|-----------------|-----------------|-----------------|---------|
| Domestic | Loan | WFIS | 180,000,000,000 | | 150,000,000,000 | 30,000,000,000 | |
| | | Woori F&I | 34,600,000,000 | 121,850,000,000 | 29,600,000,000 | 126,850,000,000 | |
| | Debentures | Woori 1 st SPC | 188,847,170,000 | | 188,847,170,000 | | |
| | | Woori 2 nd SPC | 59,936,270,000 | | 59,836,270,000 | 100,000,000 | |
| | | Woori 3 rd SPC | 65,203,710,000 | | 37,413,710,000 | 27,790,000,000 | |
| | Conv. Bonds | Woori Card | 200,000,000,000 | | 200,000,000,000 | | |
| | | Woori Bank | 600,000,000,000 | | | 600,000,000,000 | |
| | | Kwangju Bank | 50,000,000,000 | | | 50,000,000,000 | |
| Overseas | | | | | | | |
| Total | | | 1,378,587,150,000 | 121,850,000,000 | 665,697,150,000 | 834,740,000,000 | |

Table of Contents**3. Debentures Issued**

| Item | Category | Issue Date | Issue Amount | Redemption | Balance | Interest Rate | Maturity |
|----------|--------------------|------------|---|----------------|---|---------------|------------|
| Domestic | Series No. 2 | 2001.9.28 | 300,000,000,000 | | 300,000,000,000 | 5.00% | 2004.9.28 |
| | Unsecured Bonds | | | | | | |
| | Series No. 3 | 2001.12.03 | 300,000,000,000 | | 300,000,000,000 | 5.93% | 2004.12.3 |
| | Unsecured Bonds | | | | | | |
| | Series No. 4 | 2001.12.17 | 150,000,000,000 | | 150,000,000,000 | 6.00% | 2004.12.17 |
| | Unsecured Bonds | | | | | | |
| | Series No. 5 | 2001.12.28 | 300,000,000,000 | | 300,000,000,000 | 6.86% | 2004.6.28 |
| | Unsecured Bonds | | | | | | |
| | Series No. 7 | 2002.11.27 | 300,000,000,000 | | 300,000,000,000 | 5.80% | 2005.11.27 |
| | Unsecured Bonds | | | | | | |
| | Series No. 8 | 2002.12.26 | 200,000,000,000 | | 200,000,000,000 | 6.05% | 2007.12.26 |
| | Unsecured Bonds | | | | | | |
| | Series No. 9 | 2003.9.19 | 300,000,000,000 | | 300,000,000,000 | 4.64% | 2006.9.19 |
| | Unsecured Bonds | | | | | | |
| | Series No. 10 | 2003.12.16 | 300,000,000,000 | | 300,000,000,000 | 5.92% | 2008.12.16 |
| | Unsecured Bonds | | | | | | |
| | Bond with Warrants | 2001.7.16 | 66,679,520,000 | 66,679,520,000 | | 5.00% | 2003.7.16 |
| | Series 6-4 | 2003.3.26 | 20,000,000,000 | | 20,000,000,000 | 0.00% | 2006.3.26 |
| | Convertible Bonds | | | | | | |
| Overseas | Series 1 No. | 2001.11.2 | 179,670,000,000 (USD 150,000,000) | | 179,670,000,000 (USD 150,000,000) | Libor+1.6% | 2004.11.2 |
| | F.C. Bonds | | | | | | |
| | Series 2 No. | 2002.1.16 | 167,940,000,000 (JPY 15,000,000,000) | | 167,940,000,000 (JPY 15,000,000,000) | 1.74% | 2004.1.16 |
| | F.C. Bonds | | | | | | |
| | Series 6-1 | 2002.9.27 | 43,120,800,000 (USD 36,000,000) | | 43,120,800,000 (USD 36,000,000) | 0.00% | 2005.9.27 |
| | Convertible Bonds | | | | | | |
| | Series 6-2 | 2002.12.20 | 19,164,800,000 (USD 16,000,000) | | 19,164,800,000 (USD 16,000,000) | 0.00% | 2005.12.20 |
| | Convertible Bonds | | | | | | |
| | Series 6-3 | 2003.3.26 | 46,714,200,000 (USD 39,000,000) | | 46,714,200,000 (USD 39,000,000) | 0.00% | 2006.3.26 |
| | Convertible Bonds | | | | | | |
| | Series 6-4 | 2003.7.10 | 1,197,800,000 (USD 1,000,000) | | 1,197,800,000 (USD 1,000,000) | 0.00% | 2006.7.10 |
| | Convertible Bonds | | | | | | |
| Total | | | 2,694,487,120,00 | 66,679,520,000 | 2,627,807,600,000 | | |

* Applied F/X rate for foreign currency debentures translated into Korean Won

USD denominated bonds (1,197.80/USD)

JPY denominated bonds (11.196/JPY)

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WOORI FINANCE HOLDINGS CO., LTD.

NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

AND INDEPENDENT AUDITORS' REPORT

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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 sheets of Woori Finance Holdings Co., Ltd. (the Company) as of December 31, 2003 and 2002, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the years then ended (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 conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2003 and 2002, 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 to the accompanying non-consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside of Korea.

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

As explained in Note 1 to the accompanying non-consolidated financial statements, Woori Finance Holdings Co., Ltd. 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.

As explained in Note 1 to the accompanying non-consolidated financial statements, the Company purchased 40 million shares of Woori Credit Card Co., Ltd. (WCC), a subsidiary of the Company, for (Won)200 billion (US\$166.9 million) on March 27, 2003 and 128 million shares for (Won)640 billion (US\$534.3 million) on September 30, 2003. However, WCC curtailed 380 million shares amounting to (Won)1,900 billion (US\$1,586.2 million) on December 22, 2003, in a capital reduction without compensation. As a result, the number of issued common stock and capital of WCC decreased to 22,600,000 shares and (Won)113 billion (US\$94.3 million), respectively, as of December 31, 2003.

As explained in Note 24 to the accompanying non-consolidated financial statements, Woori Bank has a loan receivable from and payment guarantees for SK Networks Co., Ltd. (formerly known as SK Global) and its overseas subsidiaries (collectively referred to as SK Networks) in the total amount of (Won)177 billion (US\$147.7 million) and available-for-sale securities in the total amount of (Won)89 billion (US\$74.3 million) ((Won)47 billion of common stock and (Won)42 billion of preferred stock). In connection therewith, Woori Bank provided (Won)106 billion (US\$88.5 million) as allowances for credit losses as of December 31, 2003. However, SK Networks is currently undergoing a corporate restructuring and depending on the result of this restructuring, Woori Bank's actual loss on SK Networks credit may differ from the current estimate.

As explained in Note 25 to the accompanying non-consolidated financial statements, Woori Bank, Kyongnam Bank and Kwangju Bank, subsidiaries of the Company, have loan receivables from LG Card Co., Ltd. (LG Card) in the total amount of (Won)279 billion (US\$232.9 million) as of December 31, 2003. In connection therewith, the banks provided (Won)80 billion (US\$66.8 million) as allowances for credit losses. In addition, those banks have corporate bonds of (Won)200 billion (US\$167.0 million) and asset backed securities of (Won)100 billion (US\$83.5 million) issued by LG Card and beneficiary certificates of (Won)22 billion (US\$18.4 million) relating to LG Card. The banks recognized losses on valuation of trading securities of (Won)34 billion (US\$28.4 million), losses on impairment of available-for-sale securities of (Won)43 billion (US\$35.9 million), and losses on impairment of held-to-maturity securities of (Won)11 billion (US\$9.2 million) for the year ended December 31, 2003. With relation to Commercial Paper (CP) in trust accounts, for which repayment of principal or interest is guaranteed by the banks, in the total amount of (Won)145 billion (US\$121.1 million), the banks charged (Won)63 billion (US\$52.6 million) in losses on trust management. However, LG card is currently undergoing a corporate restructuring and depending on the result of this

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restructuring, the Company's bank subsidiaries' actual losses on LG Card credit may differ from the current estimate.

As explained in Note 27 to the accompanying non-consolidated financial statements, Woori Bank, a subsidiary of the Company, merged with Woori Investment Bank (WIB), a subsidiary of the Company, on July 31, 2003 pursuant to a merger agreement dated June 25, 2003. As a result, Woori Bank took over substantially all of the assets and liabilities of WIB by exchanging one common share of WIB for 0.0355 share of Woori Bank. Accordingly, the number of issued common shares of Woori Bank increased from 553 million to 571 million and contributed capital of Woori Bank increased from (Won)2,764 billion (US\$2,307.5 million) to (Won)2,853 billion (US\$2,381.8 million).

As explained in Note 29 to the accompanying non-consolidated financial statements, on February 5, 2004, WCC, a subsidiary of the Company, made a resolution to split off a part of its credit card business, which was previously purchased from Kwangju Bank, and to transfer back such part to Kwangju Bank. In addition, WCC resolved to transfer all other assets and liabilities including credit card subscriber base to Woori Bank and entered into a merger agreement (the Merger Agreement) with Woori Bank. The transfers to Kwangju Bank and Woori Bank are scheduled to be on March 29, 2004 and March 31, 2004, respectively. According to the Merger Agreement, one common share of Woori Bank will be issued for 0.3581 common share of WCC and as a result, the number of issued common shares of Woori Bank will increase from 571 million to 636 million and contributed capital of Woori Bank will increase from (Won)2,853 billion (US\$2,381.9 million) to (Won)3,180 billion (US\$2,654.9 million). There will be no newly issued common shares of Kwangju Bank for the transfer of WCC's credit card business back to Kwangju Bank.

As explained in Note 29 to the accompanying non-consolidated financial statements, the Company made a resolution to increase its investment in WCC by purchasing new common stocks of WCC, amounting to (Won)800 billion (US\$667.9 million) for the purpose of maintaining capital adequacy of Woori Bank following the merger with WCC. The capital increase is scheduled to take place before the date of merger of WCC into Woori Bank.

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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 17, 2004

Notice to Readers

This report is effective as of February 17, 2004, 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, 2003 AND 2002**

| | Korean won | | US dollars (Note 2) | |
|---|------------------------|------------------------|-----------------------|-----------------------|
| | 2003 | 2002 | 2003 | 2002 |
| | (In millions) | | (In thousands) | |
| ASSETS | | | | |
| Cash and bank deposits (Notes 16 and 20) | (Won) 349,585 | (Won) 73,255 | US\$ 291,856 | US\$ 61,158 |
| Investment securities of subsidiaries (Note 3) | 7,007,222 | 6,062,119 | 5,850,077 | 5,061,044 |
| Loans, net of allowance for possible loan losses (Notes 4, 5 and 20) | 830,566 | 1,231,206 | 693,410 | 1,027,889 |
| Fixed assets (Note 6) | 293 | 374 | 245 | 312 |
| Other assets (Notes 7, 11 and 20) | 60,149 | 22,197 | 50,215 | 18,533 |
| | <u>(Won) 8,247,815</u> | <u>(Won) 7,389,151</u> | <u>US\$ 6,885,803</u> | <u>US\$ 6,168,936</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| LIABILITIES | | | | |
| Borrowings (Note 8) | (Won) | (Won) 300,000 | US\$ | US\$ 250,459 |
| Debentures, net of discounts and reconciliation for conversion rights and added accrued interest and redemption premium (Notes 9 and 11) | 2,621,182 | 1,999,250 | 2,188,330 | 1,669,102 |
| Other liabilities (Notes 10, 11, 12 and 20) | 28,738 | 25,772 | 23,992 | 21,516 |
| | <u>2,649,920</u> | <u>2,325,022</u> | <u>2,212,322</u> | <u>1,941,077</u> |
| SHAREHOLDERS' EQUITY | | | | |
| Common stock (Note 13) | 3,877,525 | 3,839,074 | 3,237,206 | 3,205,104 |
| Capital surplus (Note 13) | 61,324 | 58,645 | 51,197 | 48,961 |
| Retained earning (Note 13) | | | | |
| Legal reserve | 58,921 | | 49,191 | |
| Voluntary reserve | 1,000,000 | | 834,864 | |
| Retained earning before appropriations (Net income of (Won)202,565 million and (Won)589,214 million for the years ended December 31, 2003 and 2002, respectively) | 223,945 | 1,145,518 | 186,964 | 956,352 |
| | <u>1,282,866</u> | <u>1,145,518</u> | <u>1,071,019</u> | <u>956,352</u> |
| Capital adjustments (Notes 3 and 14) | 376,180 | 20,892 | 314,059 | 17,442 |
| | <u>5,597,895</u> | <u>5,064,129</u> | <u>4,673,481</u> | <u>4,227,859</u> |
| | <u>(Won) 8,247,815</u> | <u>(Won) 7,389,151</u> | <u>US\$ 6,885,803</u> | <u>US\$ 6,168,936</u> |

See accompanying notes to non-consolidated financial statements.

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD.****NON-CONSOLIDATED STATEMENTS OF INCOME****YEARS ENDED DECEMBER 31, 2003 AND 2002**

| | Korean won | | US dollars (Note 2) | |
|--|--|----------------------|---|---------------------|
| | 2003 | 2002 | 2003 | 2002 |
| | (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) 295,187 | (Won) 804,406 | US\$ 246,441 | US\$ 671,570 |
| Interest income (Note 20) | 66,249 | 54,842 | 55,308 | 45,786 |
| Gain on valuation of swap contracts (Notes 9 and 20) | 17,078 | 440 | 14,258 | 367 |
| Gain on foreign currency translation | 2,454 | 18,800 | 2,049 | 15,695 |
| Reversal of allowance for doubtful accounts | 15,656 | | 13,071 | |
| | <u>396,624</u> | <u>878,488</u> | <u>331,127</u> | <u>733,418</u> |
| OPERATING EXPENSES | | | | |
| Interest expense (Note 20) | (138,837) | (107,337) | (115,910) | (89,612) |
| Loss on valuation of swap contracts (Notes 9 and 20) | (3,410) | (20,121) | (2,847) | (16,798) |
| Bad debt expense | | (144,123) | | (120,323) |
| Loss on foreign currency transactions | | (2,017) | | (1,684) |
| Loss on foreign currency translation | (16,026) | (1,400) | (13,380) | (1,169) |
| Fees and commissions | (6,704) | (5,611) | (5,597) | (4,684) |
| General and administrative (Notes 17 and 20) | (28,550) | (22,112) | (23,835) | (18,461) |
| | <u>(193,527)</u> | <u>(302,721)</u> | <u>(161,569)</u> | <u>(252,731)</u> |
| OPERATING INCOME | 203,097 | 575,767 | 169,558 | 480,687 |
| NON-OPERATING INCOME | 1,189 | 13,544 | 993 | 11,307 |
| NON-OPERATING EXPENSES | (1,721) | (97) | (1,437) | (80) |
| INCOME BEFORE INCOME TAX EXPENSE | 202,565 | 589,214 | 169,114 | 491,914 |
| INCOME TAX EXPENSE (Note 15) | | | | |
| NET INCOME | (Won) 202,565 | (Won) 589,214 | US\$ 169,114 | US\$ 491,914 |
| BASIC ORDINARY INCOME PER COMMON SHARE (Note 21) | (Won) 262 | (Won) 786 | US 0.219 | US\$ 0.656 |
| BASIC NET INCOME PER COMMON SHARE (Note 21) | (Won) 262 | (Won) 786 | US\$ 0.219 | US\$ 0.656 |
| DILUTED ORDINARY INCOME PER COMMON SHARE (Note 21) | (Won) 261 | (Won) 786 | US\$ 0.218 | US\$ 0.656 |

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| | | | | |
|--|------------------|------------------|-------------------|-------------------|
| DILUTED NET INCOME PER COMMON SHARE (Note 21) | <u>(Won)</u> 261 | <u>(Won)</u> 786 | <u>US\$</u> 0.218 | <u>US\$</u> 0.656 |
|--|------------------|------------------|-------------------|-------------------|

See accompanying notes to non-consolidated financial statements.

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD.****NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS****YEARS ENDED DECEMBER 31, 2003 AND 2002**

| | Korean won | | US dollars (Note 2) | |
|--|--------------------|---------------------|---------------------|--------------------|
| | 2003 | 2002 | 2003 | 2002 |
| | (In millions) | | (In thousands) | |
| RETAINED EARNINGS BEFORE APPROPRIATIONS: | | | | |
| Unappropriated retained earnings carried over from prior years | (Won) 29,335 | (Won) 558,501 | US\$ 24,491 | US\$ 466,272 |
| Decreases in using the equity method of accounting (Note 3) | (7,955) | (2,197) | (6,641) | (1,834) |
| Net income | 202,565 | 589,214 | 169,114 | 491,914 |
| | <u>223,945</u> | <u>1,145,518</u> | <u>186,964</u> | <u>956,352</u> |
| APPROPRIATIONS | | | | |
| Legal reserve (Note 13) | (20,257) | (58,921) | (16,912) | (49,191) |
| Dividends | | | | |
| Dividends in cash | (77,550) | (57,262) | (64,744) | (47,806) |
| Dividends per common stock - (Won)100 (2.0%) in 2003 | | | | |
| Dividends per common stock - (Won)50 (1.0%) for large shareholder and (Won)250 (5.0%) for minority holders in 2002 | | | | |
| Transfer to voluntary reserve | (120,000) | (1,000,000) | (100,183) | (834,864) |
| | <u>(217,807)</u> | <u>(1,116,183)</u> | <u>(181,839)</u> | <u>(931,861)</u> |
| UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR | | | | |
| | <u>(Won) 6,138</u> | <u>(Won) 29,335</u> | <u>US\$ 5,125</u> | <u>US\$ 24,491</u> |

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD****NON-CONSOLIDATED STATEMENTS OF CASH FLOWS****YEARS ENDED DECEMBER 31, 2003 AND 2002**

| | Korean won | | US dollars (Note 2) | |
|---|---------------|---------------|---------------------|--------------|
| | 2003 | 2002 | 2003 | 2002 |
| | (In millions) | | (In thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Net income | (Won) 202,565 | (Won) 589,214 | US\$ 169,114 | US\$ 491,914 |
| Adjustments to reconcile net income to net cash used in operating activities: | | | | |
| Interest expense (amortization of discounts on debentures) | 11,196 | 7,274 | 9,347 | 6,073 |
| Loss on valuation of swap contracts | 3,410 | 20,121 | 2,847 | 16,798 |
| Loss on foreign currency translation | 16,026 | 1,400 | 13,380 | 1,169 |
| Provision for severance benefits | 626 | 1,047 | 523 | 874 |
| Depreciation | 153 | 253 | 128 | 211 |
| Amortization on intangible assets | 14 | 11 | 12 | 9 |
| Stock compensation | 468 | 39 | 391 | 33 |
| Provision for possible loan losses | | 144,123 | | 120,323 |
| Loss on sales of tangible assets | | 22 | | 18 |
| Other non-operating expenses | 1,131 | | 944 | |
| Gain on valuation using the equity method of accounting | (295,187) | (804,406) | (246,441) | (671,570) |
| Interest on loans | (26,397) | (3,835) | (22,038) | (3,202) |
| Gain on valuation of swap contracts | (17,078) | (440) | (14,258) | (367) |
| Gain on foreign currency translation | (2,454) | (18,800) | (2,049) | (15,695) |
| Reversal of allowance for doubtful accounts | (15,656) | | (13,071) | |
| Gain on sales of tangible assets | (12) | | (10) | |
| Other non-operating revenue | (970) | | (810) | |
| | (324,730) | (653,191) | (271,105) | (545,326) |
| Changes in operating assets and liabilities: | | | | |
| Decrease (increase) in other receivable | (128) | 11 | (107) | 9 |
| Decrease (increase) in accrued income | 3,859 | (4,303) | 3,222 | (3,592) |
| Increase in prepaid money | (1) | | (1) | |
| Decrease in prepaid expenses | 1,093 | 1,638 | 913 | 1,368 |
| Decrease (increase) in prepaid income tax | 411 | (6,272) | 343 | (5,236) |
| Increase (decrease) in other payables | 364 | (241) | 304 | (201) |
| Increase (decrease) in accrued expenses | (1,211) | 4,383 | (1,011) | 3,659 |
| Increase (decrease) in withholdings | 86 | (47) | 71 | (40) |
| Retirement benefits payment | (11) | (79) | (9) | (66) |
| Increase in retirement insurance | (373) | (581) | (311) | (485) |
| Decrease in deferred income tax liabilities | | (1,783) | | (1,489) |
| | 4,089 | (7,274) | 3,414 | (6,073) |

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| | | | | |
|---------------------------------------|------------------------|-----------------------|----------------------|----------------------|
| Net cash used in operating activities | <u>(Won) (118,076)</u> | <u>(Won) (71,251)</u> | <u>US\$ (98,577)</u> | <u>US\$ (59,485)</u> |
|---------------------------------------|------------------------|-----------------------|----------------------|----------------------|

(Continued)

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD.****NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)****YEARS ENDED DECEMBER 31, 2003 AND 2002**

| | Korean won | | US dollars (Note 2) | |
|--|----------------------|---------------------|---------------------|--------------------|
| | 2003 | 2002 | 2003 | 2002 |
| | (In millions) | | (In thousands) | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Dividend income | (Won) 552,990 | (Won) 65,376 | US\$ 461,671 | US\$ 54,580 |
| Collection of loans | 179,600 | 16,350 | 149,942 | 13,650 |
| Collection of other loans | 358,697 | 464,940 | 299,463 | 388,162 |
| Disposition of tangible assets | 17 | 72 | 14 | 60 |
| Acquisition of investment securities of subsidiaries | (856,959) | (169,219) | (715,444) | (141,275) |
| Increase in loans | (121,850) | (230,950) | (101,728) | (192,812) |
| Increase in other loans | | (977,304) | | (815,916) |
| Acquisition of fixed assets | (76) | (44) | (63) | (37) |
| Acquisition of intangible assets | (15) | (38) | (13) | (31) |
| Net cash provided by investing activities | 112,404 | 830,817 | 93,842 | 693,619 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Increase in borrowings | 150,000 | 300,000 | 125,230 | 250,459 |
| Proceeds from debentures in local currency | 618,255 | 498,525 | 516,159 | 416,201 |
| Proceeds from debentures in foreign currencies | 49,812 | 213,154 | 41,586 | 177,955 |
| Capital increase with consideration | 38,451 | 259,820 | 32,101 | 216,914 |
| Payment of borrowings | (450,000) | (310,000) | (375,689) | (258,808) |
| Payment of debentures in local currency | (66,680) | | (55,669) | |
| Decrease in capital surplus | (574) | | (479) | |
| Payment of dividends | (57,262) | | (47,806) | |
| Net cash provided by financing activities | 282,002 | 961,499 | 235,433 | 802,721 |
| NET INCREASE IN CASH AND BANK DEPOSITS | 276,330 | 59,431 | 230,698 | 49,617 |
| CASH AND BANK DEPOSITS, BEGINNING OF THE YEAR | 73,255 | 13,824 | 61,158 | 11,541 |
| CASH AND BANK DEPOSITS, END OF THE YEAR (Note 16) | (Won) 349,585 | (Won) 73,255 | US\$ 291,856 | US\$ 61,158 |

See accompanying notes to non-consolidated financial statements.

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WOORI FINANCE HOLDINGS CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

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 five financial institutions, Woori Bank (formerly Hanvit Bank), Kyongnam Bank, Kwangju Bank, Woori Credit Card Co., Ltd. (formerly Peace Bank of Korea) and Woori Investment Bank (hereafter collectively referred to as the Five Subsidiaries), 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. In accordance with its functional restructuring, the Company established or acquired seven more subsidiaries, and has four 2nd-tier subsidiaries. Upon incorporation, the Company's common stock amounted to (Won)3,637,293 million (US\$3,036,645 thousand), consisting of 727,458,609 common shares ((Won)5,000 per share) issued and outstanding. As a result of several capital increases and exercise of warrants since incorporation, the Company's common stock amounted to (Won)3,877,525 million (US\$3,237,206 thousand), consisting of 775,504,910 common shares issued and outstanding as of December 31, 2003.

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 KDIC owned 673,458,609 (86.8%) shares of the Company's common shares as of December 31, 2003.

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.

(2) Subsidiaries

General information pertaining to the Company's subsidiaries is as follows:

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 the Agreement on the Implementation of the Business Plan. Woori Bank changed its name from Hanvit Bank to Woori Bank on

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May 20, 2002. Its common stock amounted to (Won)2,852,838 million (US\$2,381,732 thousand) consisting of 570,567,520 common shares issued and outstanding as of December 31, 2003. Woori Bank is wholly owned by the Company. The head office of Woori Bank is located in Seoul, Korea. Woori Bank has 685 branches and offices in Korea and 11 branches and offices in overseas.

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 the Agreement on the Implementation of the Business Plan. As of December 30, 2003, Kyongnam Bank's common stock amounted to (Won)259,000 million (US\$216,230 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 128 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 the Agreement on the Implementation of the Business Plan. As of December 31, 2003, its common stock amounted to (Won)170,403 million (US\$142,263 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 113 domestic branches and offices in Korea.

d. Woori Credit Card Co., Ltd.

Woori Credit Card Co., Ltd. (WCC , formerly Peace Bank of Korea) was established on November 6, 1991 to engage 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. On December 17, 2001, WCC changed its name from Peace Bank of Korea to Woori Credit Card Co., Ltd. and is engaged in the credit card business, factoring and other financing services. In connection with the infusion of public funds, WCC and the KDIC have entered into the Agreement on the Implementation of the Business Plan. Pursuant to the business transfer agreement entered into between Woori Bank and WCC on December 26, 2001, the banking business segment (including trust accounts) of WCC was merged into Woori Bank as of December 31, 2001. WCC acquired the credit card subscriber base of Woori Bank on January 31, 2002. WCC has issued new 40,000,000 common shares amounting to (Won)200,000 million (US\$ 167,000 thousand) on March 27, 2003 and new 128,000,000 common shares amounting to (Won)640,000 million (US\$534,000 thousand) on September 30, 2003, all of which are purchased by the Company. However, WCC curtailed 380,000,000 common shares amounting to (Won)1,900,000 million (US\$1,586,000 thousand) on December 22, 2003, in a capital reduction without compensation. As a result, the number of issued common stock and capital of WCC decreased to 22,600,000 shares and (Won)113,000 million

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(US\$94,000 thousand), respectively, as of December 31, 2003, which are entirely owned by the Company. The head office of WCC is located in Seoul, Korea.

e. 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, WFIS changed its name from Hanviteun System Co., Ltd. to Woori Finance Information System Co., Ltd. As of December 31, 2003, its common stock amounted to (Won)4,500 million (US\$3,757 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.

f. 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, WF&I changed its name from Woori Asset Management Co., Ltd. to Woori F&I Co., Ltd. As of December 31, 2003, its common stock amounted to (Won)10,000 million (US\$8,349 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.

g. 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, 2003, its common stock amounted to (Won)10 million (US\$8 thousand) consisting of 2,000 shares issued and outstanding of which the Company owns 95%.

h. 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

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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, 2003, its common stock amounted to (Won)10 million (US\$8 thousand) consisting of 2,000 shares issued and outstanding, all of which are owned by the Company.

i. 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, WITM changed its name from Hanvit Investment Trust Management Co., Ltd. to Woori Investment Trust Management Co., Ltd. As of December 31, 2003, its common stock amounted to (Won)30,000 million (US\$25,046 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.

j. 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, Woori Securities changed its name from Hanvit Securities Co., Ltd. to Woori Securities Co., Ltd. As of December 31, 2003, its common stock amounted to (Won)164,782 million (US\$137,571 thousand) consisting of 32,956,413 shares issued and outstanding of which the Company owns 52.71%. The head office of Woori Securities is located in Seoul, Korea. Woori Securities has 41 branches and 21 offices in Korea.

(3) 2nd -tier Subsidiaries

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, WCI changed its name from Hanvit Credit Information Co., Ltd. to Woori Credit Information Co., Ltd. As of December 31, 2003, the common stock of WCI amounted to (Won)5,040 million (US\$4,208 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 6 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, WAB changed its name from Hanvit America Bank to Woori America Bank. WAB merged with Panasia Bank N.A. on September 11, 2003. As of December 31, 2003, 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. BWI changed its name from P.T. Bank Hanvit Indonesia to PT. Bank Woori Indonesia on May 20, 2002. As of December 31, 2003, its common stock amounted to IDR 170,000 million consisting of 1,700 shares issued and outstanding of which Woori Bank owns 81.6%.

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, and Woori LB First Second Third Fourth Fifth Sixth Seventh Eighth and Woori F&I First Second Fourth Asset Securitization Specialty Co., Ltds. As of December 31, 2003, WCAAMC s common stock amounted to (Won)4,000 million (US\$3,339 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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(4) The summary of subsidiaries as of December 31, 2003 is as follows:

| Parent companies | Subsidiaries | Number of shares owned | Percentage of ownership (%) | Fiscal year end |
|-------------------------|---|---------------------------------------|--|----------------------------|
| Woori Finance | | | | |
| Holdings Co., Ltd. | Woori Bank ^{(*)1} | 570,567,520 | 100.0 | December 31 |
| " | Kyongnam Bank | 51,800,000 | 99.9 | December 31 |
| " | Kwangju Bank | 34,080,000 | 99.9 | December 31 |
| " | Woori Credit Card Co., Ltd. ^{(*)2} | 22,600,000 | 100.0 | December 31 |
| " | Woori Finance Information System Co., Ltd. | 900,000 | 100.0 | December 31 |
| " | Woori F&I Co., Ltd. | 2,000,000 | 100.0 | December 31 |
| " | Woori Second Asset Securitization Specialty Co., Ltd. | 1,900 | 95.0 | December 31 |
| " | Woori Third Asset Securitization Specialty Co., Ltd. | 2,000 | 100.0 | December 31 |
| " | Woori Investment Trust Management Co., Ltd. | 6,000,000 | 100.0 | March 31 |
| " | Woori Securities Co., Ltd. ^{(*)3} | 17,372,300 | 52.7 | March 31 |
| Woori Bank | Woori Credit Information Co., Ltd. | 1,008,000 | 100.0 | December 31 |
| " | Woori America Bank ^{(*)4} | 8,500,000 | 100.0 | December 31 |
| " | PT. Bank Woori Indonesia | 1,387 | 81.6 | December 31 |
| Woori F&I Co., Ltd. | Woori CA Asset Management Co., Ltd. | 408,000 | 51.0 | December 31 |

(*)1 The number of outstanding shares of Woori Bank increased by 17,687,520 shares as a result of Woori Bank's merger with Woori Investment Bank on July 31, 2003.

(*)2 On March 27, 2003 and September 30, 2003, the Company purchased 40,000,000 new shares of WCC for (Won)200,000 million (US\$166,973 thousand) and 128,000,000 new shares of WCC for (Won)640,000 million (US\$534,313 thousand). However, WCC curtailed 380,000,000 shares amounting to (Won)1,900,000 million (US\$1,586,000 thousand) in a capital reduction without compensation on December 22, 2003.

(*)3 The Company purchased 4,121,730 shares of Woori Securities for (Won)16,899 million (US\$14,108 thousand) on November 28, 2003.

(*)4 Woori Bank purchased 1,500,000 new shares of WAB for US\$15 million on September 3, 2003.

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The summary of subsidiaries as of December 31, 2002 was summarized as follows:

| Parent companies | Subsidiaries | Number of shares owned | Percentage of ownership (%) | Fiscal year end |
|-------------------------|--|---------------------------------------|--|----------------------------|
| Woori Finance | | | | |
| Holdings Co., Ltd. | Woori Bank ^{(*)1} | 552,880,000 | 100.0 | December 31 |
| " | Kyongnam Bank | 51,800,000 | 99.9 | December 31 |
| " | Kwangju Bank | 34,080,000 | 99.9 | December 31 |
| " | Woori Credit Card Co., Ltd. | 234,600,000 | 100.0 | December 31 |
| " | Woori Investment Bank ^{(*)1} | 498,240,000 | 100.0 | March 31 |
| " | Woori Finance Information System Co., Ltd. ^{(*)2} | 900,000 | 100.0 | December 31 |
| " | Woori F&I Co., Ltd. | 2,000,000 | 100.0 | December 31 |
| " | Woori First Asset Securitization Specialty Co., Ltd. ^{(*)3} | 1,900 | 95.0 | December 31 |
| " | Woori Second Asset Securitization Specialty Co., Ltd. | 1,900 | 95.0 | December 31 |
| " | Woori Third Asset Securitization Specialty Co., Ltd. | 2,000 | 100.0 | December 31 |
| " | Woori Investment Trust Management Co., Ltd. | 6,000,000 | 100.0 | March 31 |
| " | Woori Securities Co., Ltd. | 13,250,570 | 40.2 | March 31 |
| Woori Bank | Woori Credit Information Co., Ltd. | 1,008,000 | 100.0 | December 31 |
| " | Woori America Bank | 7,000,000 | 100.0 | December 31 |
| " | P.T. Bank Woori Indonesia | 1,387 | 81.6 | December 31 |
| Woori F&I Co., Ltd. | Woori CA Asset Management Co., Ltd. | 408,000 | 51.0 | December 31 |

(*)1 WIB was merged into Woori Bank on July 31, 2003.

(*)2 WFIS changed its fiscal year end from March 31 to December 31 in 2002.

(*)3 WASS1 registered the completion of liquidation on December 11, 2003.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean won and prepares statutory 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.

Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying financial statements.

The US dollar amounts presented in these financial statements were computed by translating Korean won into US dollars at the rate of (Won)1,197.8 to US\$1.00 the Base Rate announced by Seoul Money Brokerage Service, Ltd at December 31, 2003, solely for the convenience of the reader. This convenience translation into US 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 followed in preparing the accompanying non-consolidated financial statements are summarized below.

a. Adoption of Statements of Korea Accounting Standards (SKAS)

Korea Accounting Standards Board (KASB) has issued SKASs that replaced the existing Korean Financial Accounting Standards (KFAS) in order to enhance the global convergence of existing accounting standards and usefulness of accounting information. Accordingly, the Company has adopted SKASs in 2003, except that the Company early adopted SKAS No. 6 - Subsequent Events in 2002.

b. Valuation of Investment Equity Securities

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 by 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 using the moving average method. The Company's share in net income or net loss of investees is reflected in current operations. Changes in the capital adjustment accounts of the investees resulting from changes in value of their investments are recorded as valuation gain or loss on investments in the capital adjustment account of the investor. 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.

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c. Allowance for Possible Loan Losses

The Company provides an allowance for possible loan losses based on the 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.

d. 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.

e. 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.

f. 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 are recognized as interest expenses or interest incomes on the debentures.

g. 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.

h. 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

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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.

i. Stock Options

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

j. 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)1,197.8 and (Won)1,200.4 to \$1.00 at December 31, 2003 and 2002, 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.

k. 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. The difference between the amount currently payable for the year and income tax expense is accounted for as deferred income tax assets or liabilities and is to be offset against deferred income tax liabilities or assets in future periods.

l. 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.

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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. Diluted securities were assumed to be exercised or converted at the start of this fiscal year except for the securities, which were issued during this fiscal year.

m. SKAS No. 9 - Convertible Securities

KASB issued SKAS No. 9 - Convertible Securities , which revised the accounting and reporting for convertible securities. The statement requires recognizing the value of conversion rights when convertible bonds are issued. SKAS No. 9 is effective for the fiscal year beginning after December 31, 2002. Accordingly, the Company recognized the consideration for conversion rights by computing 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 on 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. However, 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.

n. Reclassification of the prior year balance sheet

The balance sheet as of December 31, 2002, which is presented for comparative purposes, are restated to reflect the accounting policy change that accrued interest receivables are recorded in other assets. As a result, (Won)3,835 million (US\$3,202 thousand) of accrued interest receivables are reclassified from loans to other assets without influences on net assets as of December 31, 2003 of the Company.

Table of Contents**3. INVESTMENT SECURITIES OF SUBSIDIARIES**

- (1) Changes in equity securities during the year ended December 31, 2003, which are accounted for using the equity method of accounting, are as follows (Unit: Korean won in millions):

| | Gain (loss) | | | | December 31, 2003 |
|--|------------------------|--|-----------------------------|---------------------------------|------------------------|
| | January 1, 2003 | on valuation using the equity method | Capital adjust- ments | Other increase (decrease) | |
| Woori Bank | (Won) 4,500,143 | (Won) 1,320,292 | (Won) 316,121 | (Won) (266,997) | (Won) 5,869,559 |
| Kyongnam Bank | 424,060 | 84,841 | 911 | (5,184) | 504,628 |
| Kwangju Bank | 290,003 | 56,346 | 22,014 | (3,408) | 364,955 |
| Woori Credit Card ^(*) | 379,126 | (1,189,603) | (29,523) | 840,000 | |
| Woori Investment Bank | 222,936 | 7,390 | 19,340 | (249,666) | |
| Woori Finance Information System | 3,364 | 3,914 | 6 | | 7,284 |
| Woori F&I | 17,016 | 16,348 | 4,032 | (1,500) | 35,896 |
| Woori Second Asset Securitization Specialty | 31,666 | 1,350 | | (13,000) | 20,016 |
| Woori Third Asset Securitization Specialty | | (2,668) | 13,824 | (9,890) | 1,266 |
| Woori Investment Trust Management | 39,646 | 1,332 | | (6,000) | 34,978 |
| Woori Securities | 154,159 | (4,355) | 7,177 | 11,659 | 168,640 |
| | <u>(Won) 6,062,119</u> | <u>(Won) 295,187</u> | <u>(Won) 353,902</u> | <u>(Won) 296,014</u> | <u>(Won) 7,007,222</u> |

- (*) During the year ended December 31, 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. The loss on valuation of the equity securities in WCC using the equity method of accounting, which was not recorded in the statement of operations due to discontinuance of the equity method of accounting, was (Won)105,581 million (US\$88,146 thousand) as of December 31, 2003.

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The reconciliation between the acquisition costs and the book value as of December 31, 2002 is summarized as follows (Unit: Korean won in millions):

| | Acquisition cost | Gain (loss) | | | Book value as of Dec. 31, 2002 |
|--|------------------------|--|-----------------------------|---------------------------------|--------------------------------------|
| | | on valuation using the equity method | Capital adjust- ments | Other increase (decrease) | |
| Woori Bank | (Won) 2,764,400 | (Won) 1,439,942 | (Won) 484,040 | (Won) (188,239) | (Won) 4,500,143 |
| Kyongnam Bank | 259,000 | 150,565 | 31,163 | (16,668) | 424,060 |
| Kwangju Bank | 170,403 | 139,251 | (12,506) | (7,145) | 290,003 |
| Woori Credit Card | 273,000 | (301,298) | (492,576) | 900,000 | 379,126 |
| Woori Investment Bank | 170,493 | 37,390 | 15,286 | (233) | 222,936 |
| Woori Finance Information System | 5,244 | (1,676) | | (204) | 3,364 |
| Woori F&I | 10,094 | 6,956 | (34) | | 17,016 |
| Woori First Asset Securitization Specialty | 10 | (10) | | | |
| Woori Second Asset Securitization Specialty | 10 | 31,656 | | | 31,666 |
| Woori Third Asset Securitization Specialty | 10 | (10) | | | |
| Woori Investment Trust Management | 39,128 | 2,018 | | (1,500) | 39,646 |
| Woori Securities | 152,662 | 6,114 | (4,617) | | 154,159 |
| | <u>(Won) 3,844,454</u> | <u>(Won) 1,510,898</u> | <u>(Won) 20,756</u> | <u>(Won) 686,011</u> | <u>(Won) 6,062,119</u> |

- (2) Of the valuation of the investment securities using the equity method, the details of other increase or decrease during the year ended December 31, 2003 are as follows (Unit: Korean won in millions):

| | Acquisition | Retained | Dividends | Total |
|---|----------------------|----------------------|------------------------|----------------------|
| | (disposition) | | | |
| | amount | earnings | received | |
| Woori Bank ^(*) | (Won) 249,666 | (Won) 1,939 | (Won) (518,602) | (Won) (266,997) |
| Kyongnam Bank | | (4) | (5,180) | (5,184) |
| Kwangju Bank | | | (3,408) | (3,408) |
| Woori Credit Card Co., Ltd. | 840,000 | | | 840,000 |
| Woori Investment Bank ^(*) | (249,666) | | | (249,666) |
| Woori F&I Co., Ltd. | | | (1,500) | (1,500) |
| Woori Second Asset Securitization Specialty Co., Ltd. | | | (13,000) | (13,000) |
| Woori Third Asset Securitization Specialty Co., Ltd. | | (9,890) | | (9,890) |
| Woori Investment Trust Management | | | (6,000) | (6,000) |
| Woori Securities Co., Ltd. | 16,959 | | (5,300) | 11,659 |
| | <u>(Won) 856,959</u> | <u>(Won) (7,955)</u> | <u>(Won) (552,990)</u> | <u>(Won) 296,014</u> |

(*1) The investment securities in WIB were combined with the investment securities in Woori Bank, as WIB was merged into Woori Bank.

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The details of other increase or decrease during the period from the acquisitions of the securities to December 31, 2002 are as follows (Unit: Korean won in millions):

| | Acquisition | | | Total |
|---|----------------|-----------------|----------------|-----------------|
| | (disposition) | Retained | Dividends | |
| | amount | earnings | received | |
| Woori Bank ^(*) | (Won) (22,582) | (Won) (110,369) | (Won) (55,288) | (Won) (188,239) |
| Kyongnam Bank | | (11,488) | (5,180) | (16,668) |
| Kwangju Bank | | (3,737) | (3,408) | (7,145) |
| Woori Credit Card Co., Ltd. | 900,000 | | | 900,000 |
| Woori Investment Bank | | (233) | | (233) |
| Woori Finance Information System Co., Ltd. | | (204) | | (204) |
| Woori Investment Trust Management Co., Ltd. | | | (1,500) | (1,500) |
| | (Won) 877,418 | (Won) (126,031) | (Won) (65,376) | (Won) 686,011 |

(*) Woori Bank recorded a gain on disposition of the investment securities from WITM amounting to (Won)17,715 million (US\$14,790 thousand) and a loss on disposition of the investment securities from Woori Securities amounting to (Won)40,297 million (US\$33,643 thousand) which were recorded in capital surplus of Woori Bank. The Company recognized these amounts as increase and decrease, respectively, in acquisition cost of the investment securities in Woori Bank.

(3) For investments in the subsidiaries accounted for using the equity method, the difference between the acquisition cost and the net asset value on the acquisition date is amortized using the straight-line method over 20 years.

The details of changes in the difference between the acquisition cost and the net asset value on the acquisition date during the year ended December 31, 2003 are as follows (Unit: Korean won in millions):

| | January 1, | Increase | Amortization | December 31, |
|--|---------------|----------------|--------------|---------------|
| | 2003 | (decrease) | | 2003 |
| Woori Bank | (Won) 274,097 | (Won) 5,282 | (Won) 15,353 | (Won) 264,026 |
| Kyongnam Bank | 8,010 | | 445 | 7,565 |
| Kwangju Bank | 17,409 | | 967 | 16,442 |
| Woori Credit Card Co., Ltd. | 25,850 | | 1,435 | 24,415 |
| Woori Investment Bank | 5,456 | (5,282) | 174 | |
| Woori Finance Information System Co., Ltd. | (37) | | (37) | |
| Woori F&I Co., Ltd. | 89 | | 5 | 84 |
| Woori Securities Co., Ltd. | 237 | (30,223) | 237 | (30,223) |
| | (Won) 331,111 | (Won) (30,223) | (Won) 18,579 | (Won) 282,309 |

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The details of changes in the difference between the acquisition cost and net asset value on the acquisition date during the period from the acquisition dates to December 31, 2002 are as follows (Unit: Korean won in millions):

| | The initial difference at acquisition | Increase (decrease) | Amortization | December 31, 2002 |
|--|--|--------------------------------|---------------------|------------------------------|
| Woori Bank | (Won) 328,323 | (Won) (22,582) | (Won) 31,644 | (Won) 274,097 |
| Kyongnam Bank | 8,900 | | 890 | 8,010 |
| Kwangju Bank | 19,343 | | 1,934 | 17,409 |
| Woori Credit Card Co., Ltd. | 28,721 | | 2,871 | 25,850 |
| Woori Investment Bank | 5,979 | | 523 | 5,456 |
| Woori Finance Information System Co., Ltd. | (110) | | (73) | (37) |
| Woori F&I Co., Ltd. | 94 | | 5 | 89 |
| Woori Securities Co., Ltd. | 355 | | 118 | 237 |
| | <u>(Won) 391,605</u> | <u>(Won) (22,582)</u> | <u>(Won) 37,912</u> | <u>(Won) 331,111</u> |

(4) The details of the elimination of unrealized intercompany income or loss for the year ended December 31, 2003 are as follows (Unit: Korean won in millions):

| | Operating income | Operating expenses | Non-operating income | Non-operating expenses | Total |
|--|-----------------------------|-------------------------------|---------------------------------|-----------------------------------|-----------------------|
| Woori Bank | (Won) (1,069) | (Won) | (Won) 4,094 | (Won) | (Won) 3,025 |
| Kyongnam Bank | | | | (15) | (15) |
| Kwangju Bank | | | | 261 | 261 |
| Woori Credit Card Co., Ltd. | | | | (2,700) | (2,700) |
| Woori Investment Bank | | | (13,947) | | (13,947) |
| Woori Finance Information System Co., Ltd. | (41,193) | 40,135 | | | (1,058) |
| | <u>(Won) (42,262)</u> | <u>(Won) 40,135</u> | <u>(Won) (9,853)</u> | <u>(Won) (2,454)</u> | <u>(Won) (14,434)</u> |

Table of Contents**4. LOANS**

Loans as of December 31, 2003 and 2002 are as follows:

| | Issuance date | Maturity date | Interest rate (%) | Korean won | | US dollars (Note 2) | |
|---|---------------|---------------|-------------------|---------------|---------------|---------------------|---------------|
| | | | | Dec. 31, 2003 | Dec. 31, 2002 | Dec. 31, 2003 | Dec. 31, 2002 |
| | | | | (In millions) | | (In thousands) | |
| Woori Finance Information System ^{(*)1} | Apr. 25, 2002 | Apr. 25, 2006 | 7.8 | (Won) | (Won) 30,000 | US\$ | US\$ 25,046 |
| | Oct. 31, 2002 | Oct. 31, 2006 | 7.3 | | 30,000 | 25,046 | 125,230 |
| | | | | | 30,000 | 25,046 | 150,276 |
| Woori F&I ^{(*)2} | Sep. 27, 2002 | Sep. 27, 2006 | 7.6 | | | 400 | 334 |
| | Dec. 20, 2002 | Dec. 20, 2006 | 7.6 | 5,000 | 34,200 | 4,174 | 28,552 |
| | Mar. 25, 2003 | Mar. 25, 2007 | 7.3 | 90,000 | | 75,138 | |
| | Jul. 7, 2003 | Jul. 7, 2007 | 7.3 | 23,000 | | 19,202 | |
| | Jul 29 2003 | Jul 29 2007 | 7.3 | 8,850 | | 7,388 | |
| | | | | 126,850 | 34,600 | 105,902 | 28,886 |
| WASS1: | | | | | | | |
| 1-1 non-guaranteed privately placed bond | Dec. 21, 2001 | Dec. 21, 2010 | 6.24 | | 4,360 | | 3,640 |
| 1-2 non-guaranteed privately placed bond | Dec. 21, 2001 | Dec. 21, 2010 | 7.5 | | 184,487 | | 154,022 |
| | | | | | 188,847 | | 157,662 |
| WASS2: | | | | | | | |
| 2-1 non-guaranteed privately placed bond ^{(*)3} | Jan. 8, 2002 | Jan. 8, 2012 | 7.5 | 100 | 59,936 | 83 | 50,038 |
| WASS3: | | | | | | | |
| 3-1 non-guaranteed privately placed bond ^{(*)3} | Apr. 15, 2002 | Apr. 15, 2012 | 7.8 | 27,790 | 65,204 | 23,201 | 54,436 |
| Woori Bank: | | | | | | | |
| 1st non-guaranteed subordinated convertible bonds ^{(*)4} | Sep. 27, 2002 | Sep. 27, 2012 | | 150,000 | 150,000 | 125,230 | 125,230 |

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| | | | | | | |
|--|------------------|------------------|---------------|---------------|--------------|--------------|
| 2nd non-guaranteed subordinated convertible bonds (*4) | Oct. 30, 2002 | Oct. 30, 2012 | (Won) 200,000 | (Won) 200,000 | US\$ 166,973 | US\$ 166,973 |
|--|------------------|------------------|---------------|---------------|--------------|--------------|

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| | Issuance date | Maturity date | Interest rate (%) | Korean won | | US dollars (Note 2) | |
|---|------------------|------------------|----------------------|----------------------|------------------------|---------------------|-----------------------|
| | | | | Dec. 31, 2003 | Dec. 31, 2002 | Dec. 31, 2003 | Dec. 31, 2002 |
| | | | | (In millions) | | (In thousands) | |
| 3rd non-guaranteed subordinated convertible bonds ^{(*)4} | Nov. 28, 2002 | Nov. 28, 2012 | | 250,000 | 250,000 | 208,715 | 208,715 |
| | | | | 600,000 | 600,000 | 500,918 | 500,918 |
| Woori Credit Card: | | | | | | | |
| Non-guaranteed subordinated privately placed bond | Dec. 27, 2002 | Dec. 27, 2008 | 6.62% | | 200,000 | | 166,973 |
| Kwangju Bank: | | | | | | | |
| Non-guaranteed subordinated convertible bonds ^{(*)5} | Dec. 31, 2002 | Dec. 31, 2012 | | 50,000 | 50,000 | 41,744 | 41,743 |
| Total | | | | 834,740 | 1,378,587 | 696,894 | 1,150,932 |
| Allowance for possible loan losses | | | | 4,174 | 147,381 | 3,484 | 123,043 |
| Net | | | | (Won) 830,566 | (Won) 1,231,206 | US\$ 693,410 | US\$ 1,027,889 |

(*)1 Loans 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 148.02%. 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 Woori Bank will be issued upon conversion.

(*)5 The coupon rate on the bonds is zero and 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.

Table of Contents**5. ALLOWANCE FOR POSSIBLE LOAN LOSSES**

Allowance for possible loan losses as of December 31, 2003 and 2002 are as follows:

| | Korean won | | US dollars (Note 2) | |
|---|--------------------|----------------------|---------------------|---------------------|
| | Dec. 31, 2003 | Dec. 31, 2002 | Dec. 31, 2003 | Dec. 31, 2002 |
| | (In millions) | | (In thousands) | |
| Loans: | | | | |
| Woori F&I | (Won) 634 | (Won) 173 | US\$ 529 | US\$ 144 |
| Woori Finance Information System | 150 | 900 | 125 | 751 |
| Woori Bank | 3,000 | 3,000 | 2,505 | 2,505 |
| Woori Credit Card | | 1,000 | | 835 |
| Kwangju Bank | 250 | 250 | 209 | 209 |
| Woori First Asset Securitization Specialty | | 131,869 | | 110,092 |
| Woori Second Asset Securitization Specialty | 1 | 300 | 1 | 250 |
| Woori Third Asset Securitization Specialty | 139 | 9,889 | 115 | 8,257 |
| Sub-total | 4,174 | 147,381 | 3,484 | 123,043 |
| Other assets: | | | | |
| Long-term accrued interest income | 151 | | 126 | |
| | (Won) 4,325 | (Won) 147,381 | US\$ 3,610 | US\$ 123,043 |

Table of Contents**6. FIXED ASSETS**

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

| | <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> |

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

| | <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 right | 32 | 8 | 9 | 131 |
| | <u>(Won) 50</u> | <u>(Won) 14</u> | <u>(Won) 13</u> | <u>(Won) 51</u> |

As of December 31, 2003, accumulated amortization of software and industrial property right amounted to (Won)13 million and (Won)14 million, respectively.

7. OTHER ASSETS

Other assets as of December 31, 2003 and 2002 are as follows:

| | <u>Korean won</u> | | <u>US dollars (Note 2)</u> | |
|---------------------------------|----------------------|----------------------|----------------------------|----------------------|
| | <u>Dec. 31, 2003</u> | <u>Dec. 31, 2002</u> | <u>Dec. 31, 2003</u> | <u>Dec. 31, 2002</u> |
| | (In millions) | | (In thousands) | |
| Guarantee deposits | (Won) 3,871 | (Won) 3,871 | US\$ 3,232 | US\$ 3,232 |
| Other receivables | 1,146 | 100 | 957 | 83 |
| Accrued income | 31,471 | 8,933 | 26,274 | 7,458 |
| Currency swaps (Notes 9 and 10) | 16,463 | 440 | 13,744 | 367 |
| Advance payment | 1 | | 1 | |

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| | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| Prepaid expenses | 794 | 1,887 | 663 | 1,575 |
| Prepaid income tax | 6,554 | 6,966 | 5,470 | 5,818 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total | 60,300 | 22,197 | 50,341 | 18,533 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Allowance for losses for accrued interest | (151) | | (126) | |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net | (Won) 60,149 | (Won) 22,197 | US\$ 50,215 | US\$ 18,533 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Table of Contents**8. BORROWINGS**

Borrowings in local currency as of December 31, 2003 and 2002 are as follows:

| | Annual interest rate (%) | Maturity | Korean won | | US dollars (Note 2) | |
|-------------------------------|--------------------------------|---------------|---------------|---------------|---------------------|---------------|
| | | | Dec. 31, 2003 | Dec. 31, 2002 | Dec. 31, 2003 | Dec. 31, 2002 |
| | | | (In millions) | | (In thousands) | |
| Seoul Bank | (*)1 | Oct. 30, 2003 | (Won) | (Won) 200,000 | US\$ | US\$ 166,973 |
| KorAm Bank | (*)1 | Oct. 31, 2003 | | 100,000 | | 83,486 |
| Korea First Bank (*)2 | 5.31% | Jul. 16, 2004 | | | | |
| Shinhan Bank (*)3 | 5.21% | Aug. 19, 2005 | | | | |
| Samsung Insurance Company(*)4 | 6.10% | Sep. 15, 2004 | | | | |
| | | | (Won) | (Won) 300,000 | US\$ | US\$ 250,459 |

(*)1 Interest at 3-month Negotiable Certificate of Deposit (CD) rate + 1% should be paid in advance. Early redemption is permitted.

(*)2 Under the agreement of line of credit of (Won)100,000 million as of December 31, 2003.

(*)3 Under the agreement of line of credit of (Won)200,000 million as of December 31, 2003.

(*)4 Under the agreement of line of credit of (Won)100,000 million as of December 31, 2003.

Table of Contents**9. DEBENTURES**

(1) Debentures in local currency as of December 31, 2003 and 2002 are as follows:

1) Bonds

| | Issuing date | Interest rate (%) | Maturity | Korean won | | US dollars (Note2) | |
|-----------------|-----------------|----------------------|---------------|------------------------|------------------------|-----------------------|-----------------------|
| | | | | Dec. 31, 2003 | Dec. 31, 2002 | Dec. 31, 2003 | Dec. 31, 2002 |
| | | | | (In millions) | | (In thousands) | |
| The 2nd bonds | Sep. 28, 2001 | 5.00 | Sep. 28, 2004 | (Won) 300,000 | (Won) 300,000 | US\$ 250,459 | US\$ 250,459 |
| The 3rd bonds | Dec. 3, 2001 | 5.93 | Dec. 3, 2004 | 300,000 | 300,000 | 250,459 | 250,459 |
| The 4th bonds | Dec. 17, 2001 | 6.00 | Dec. 17, 2004 | 150,000 | 150,000 | 125,230 | 125,230 |
| The 5th bonds | Dec. 28, 2001 | 6.86 | Jun. 28, 2004 | 300,000 | 300,000 | 250,459 | 250,459 |
| The 7th bonds | Nov. 27, 2002 | 5.80 | Nov. 27, 2005 | 300,000 | 300,000 | 250,459 | 250,459 |
| The 8th bonds | Dec. 26, 2002 | 6.05 | Dec. 26, 2007 | 200,000 | 200,000 | 166,973 | 166,973 |
| The 9th bonds | Sep. 19, 2003 | 4.64 | Sep. 19, 2006 | 300,000 | | 250,459 | |
| The 10th bonds | Dec. 16, 2003 | 5.92 | Dec. 16, 2008 | 300,000 | | 250,459 | |
| Total | | | | 2,150,000 | 1,550,000 | 1,794,957 | 1,294,039 |
| Less: discounts | | | | (7,403) | (12,012) | (6,180) | (10,028) |
| | | | | (Won) 2,142,597 | (Won) 1,537,988 | US\$ 1,788,777 | US\$ 1,284,011 |

2) Bonds with warrants

| | Issuing date | Interest rate (%) | Maturity | Korean won | | US dollars (Note2) | |
|---|-----------------|----------------------|---------------|---------------------|---------------------|--------------------|--------------------|
| | | | | Dec. 31, 2003 | Dec. 31, 2002 | Dec. 31, 2003 | Dec. 31, 2002 |
| | | | | (In millions) | | (In thousands) | |
| The 1 st bonds with warrants | Jul. 16, 2001 | 5.00 | Jul. 16, 2003 | (Won) 66,680 | (Won) 66,680 | US\$ 55,669 | US\$ 55,669 |
| Less: discounts | | | | | (220) | | (184) |
| | | | | (Won) 66,460 | (Won) 66,460 | US\$ 55,485 | US\$ 55,485 |

3) Convertible bonds

| | Issuing date | Interest rate (%) | Maturity | Korean won | | US dollars (Note2) | |
|--|-----------------|----------------------|----------|---------------|---------------|--------------------|---------------|
| | | | | Dec. 31, 2003 | Dec. 31, 2002 | Dec. 31, 2003 | Dec. 31, 2002 |
| | | | | (In millions) | | (In thousands) | |

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| | | | | | | |
|--|---------------|---------------|---------------------|--------------|--------------------|-------------|
| The convertible bonds | Mar. 26, 2003 | Mar. 26, 2006 | (Won) 20,000 | (Won) | US\$ 16,697 | US\$ |
| Add: redemption premium | | | 2,314 | | 1,932 | |
| Less: reconciliation for conversion rights | | | (2,509) | | (2,095) | |
| | | | <u>(Won) 19,805</u> | <u>(Won)</u> | <u>US\$ 16,534</u> | <u>US\$</u> |

The unguaranteed privately placed convertible bonds were issued to Lehman Brothers HY Opportunities Korea Inc. The coupon rate is zero whereas yield to maturity of 3.683% was guaranteed if the bonds would not be converted. The conversion price is (Won)5,380 (US\$4.49) per share which might be adjusted due to

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additional stock issuances, stock dividends, and split or reverse split of shares. The number of the shares to be issued upon conversion is 3,717,472. 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 September 26, 2004.

(2) Debentures in foreign currencies as of December 31, 2003 and 2002 are as follows (Unit: Korean won in millions, US dollars in thousands, and Japanese yen in thousands):

1) Bonds in foreign currency

| | Issuing date | Annual interest rate (%) | Maturity | Foreign currency | |
|-----------------------|-----------------|--------------------------------|---------------|------------------|----------------|
| | | | | Dec. 31, 2003 | Dec. 31, 2002 |
| Floating rate notes | Nov. 2, 2001 | (*1) | Nov. 2, 2004 | US\$ 150,000 | US\$ 150,000 |
| Less: Discount | | | | (204) | (438) |
| | | | | US\$ 149,796 | US\$ 149,562 |
| Korean won equivalent | | | | (Won) 179,426 | (Won) 179,534 |
| Yen denominated bonds | Jan. 16, 2002 | 1.74 | Jan. 16, 2004 | JPY 15,000,000 | JPY 15,000,000 |
| Less: Discount | | | | (1,563) | (39,604) |
| | | | | JPY 14,998,437 | JPY 14,960,396 |
| Korean won equivalent | | | | (Won) 167,922 | (Won) 151,530 |
| Total | | | | (Won) 347,348 | (Won) 331,064 |

(*1) London Interbank Offered Rate (LIBOR) (6 months) + 1.6%

2) Convertible bonds in foreign currency

| | Issuing date | Annual interest rate (%) | Maturity | Foreign currency | |
|-----------------------------------|-----------------|--------------------------------|---------------|------------------|---------------|
| | | | | Dec. 31, 2003 | Dec. 31, 2002 |
| Convertible bonds ^(*1) | Sep. 27, 2002 | | Sep. 27, 2005 | US\$ 36,000 | US\$ 36,000 |
| Long-term accrued interest | | | | 1,345 | 276 |
| | | | | US\$ 37,345 | US\$ 36,276 |

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| | | | | |
|-----------------------------------|---------------|---------------|--------------|--------------|
| Korean won equivalent | | | (Won) 44,732 | (Won) 44,474 |
| Convertible bonds ^(*2) | Dec. 12, 2002 | Dec. 12, 2005 | US\$ 16,000 | US\$ 16,000 |
| Long-term accrued interest | | | 454 | 13 |
| | | | US\$ 16,454 | US\$ 16,013 |
| Korean won equivalent | | | (Won) 19,709 | (Won) 19,264 |

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| | Issuing date | Annual interest rate (%) | Maturity | Foreign currency | | |
|--|-----------------|--------------------------------|---------------|------------------|---------|--------------|
| Convertible bonds ^{(*)3} | Mar. 26, 2003 | | Mar. 26, 2006 | US\$ | 39,000 | US\$ |
| Add: redemption premium | | | | | 2,664 | |
| Less: reconciliation for conversion rights | | | | | (3,407) | |
| | | | | US\$ | 38,257 | US\$ |
| Korean won equivalent | | | | (Won) | 45,818 | (Won) |
| Convertible bonds ^{(*)4} | Jul. 10, 2003 | | Jul. 10, 2006 | US\$ | 1,000 | US\$ |
| Add: redemption premium | | | | | 63 | |
| Less: reconciliation for conversion rights | | | | | (82) | |
| | | | | US\$ | 981 | US\$ |
| | | | | (Won) | 1,173 | (Won) |
| Total | | | | (Won) | 111,432 | (Won) 63,738 |

^{(*)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 would not be converted. The conversion price is (Won)7,313 per share (conversion-exchange rate applied was (Won)1,201.4: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 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)1,215.8: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 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 unguaranteed privately placed bonds of US\$ 39 million were issued to LBIE on March 26, 2003. The coupon rate on the bonds is zero whereas yield to maturity of 2.215% was guaranteed if the bonds would not be converted. The conversion price is (Won)5,380 per share (conversion-exchange rate applied was (Won)1,194.9: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 8,661,914 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 September 26, 2004.

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- (*) 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)1,185.5: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.
- (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 prevent any risks involved with fluctuations in exchange rates and interest rates. As of December 31, 2003 and 2002, cross currency interest rate swap contracts were as follows (Unit: Korean won in millions, U.S. dollars in thousands, and Japanese yen in thousands):

| | Contract date | Maturity date | Contracted amount | | Interest rates and terms of payment |
|--------|---------------|---------------|-------------------|----------------|--|
| | | | Dec. 31, 2003 | Dec. 31, 2002 | |
| Swap 1 | Nov. 7, 2001 | Nov. 2, 2004 | US\$ 50,000 | US\$ 50,000 | Receipt: LIBOR (6 months) + 1.6% |
| | | | 64,650 | 64,650 | Payment: annual rate of 6.90% in every 3 months |
| Swap 2 | Nov. 18, 2001 | Nov. 2, 2004 | US\$ 99,496 | US\$ 99,496 | Receipt: LIBOR (6 months) + 1.6% |
| | | | 128,888 | 128,888 | Payment: CD interest rate (3 months) + 1.5% |
| Swap 3 | Jan. 28, 2002 | Jan. 16, 2004 | JPY 14,924,633 | JPY 14,924,633 | Receipt: annual rate of 1.74% in every 6 months |
| | | | 147,754 | 147,754 | 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) |
| | | | 44,136 | 44,136 | Payment: annual rate of 5% |
| Swap 5 | Dec. 20, 2002 | Dec. 20, 2005 | US\$ 16,000 | US\$ 16,000 | Receipt: compound interest rate of 2.7335%(6 months) |
| | | | 19,248 | 19,248 | Payment: annual rate of 4.84% |
| Swap 6 | Mar. 26, 2003 | Mar. 26, 2006 | US\$ 39,000 | | Receipt: compound interest rate of 2.215%(6 months) |
| | | | 48,633 | | Payment: annual rate of 3.04% |
| Swap 7 | Jul. 9, 2003 | Jul. 10, 2006 | US\$ 1,000 | | Receipt: compound interest rate of 2.034%(6 months) |
| | | | 1,179 | | Payment: annual rate of 3.93% |

For the year ended December 31, 2003, gains on valuation of swaps of (Won)17,078 million (US\$14,258 thousand) and losses on valuation of (Won)3,410 million (US\$2,847 thousand) were recorded in connection with the above swap contracts. For the year ended December 31, 2002, gains on valuation

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of (Won)440 million (US\$367 thousand) and losses on valuation of (Won)20,121 million (US\$16,798 thousand) were recorded in connection with the above swap contracts.

10. 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 as of December 31, 2003 and 2002 amounted to (Won)1,583 million (US\$1,322 thousand) and (Won) 968 million (US\$808 thousand).

The details of changes in the accrued severance benefits for the years ended December 31, 2003 and 2002 are as follows:

| | Korean won | | US dollars (Note2) | |
|----------------------------------|---------------|-----------|--------------------|----------|
| | 2003 | 2002 | 2003 | 2002 |
| | (In millions) | | (In thousands) | |
| Beginning balance | (Won) 968 | (Won) | US\$ 808 | US\$ |
| Provision for severance benefits | 626 | 1,047 | 523 | 874 |
| Payment for severance benefits | (11) | (79) | (9) | (66) |
| Ending balance | (Won) 1,583 | (Won) 968 | US\$ 1,322 | US\$ 808 |

The Company has purchased an employee retirement trust and made deposits at Woori Bank as of December 31, 2003 and 2002. The deposits, amounting to (Won)954 million (US\$796 thousand) and (Won)581 (US\$485 thousand) as of December 31 2003 and 2002, respectively, are presented as a deduction from accrued severance indemnities.

Table of Contents**11. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES**

Assets and liabilities in foreign currencies of the Company as of December 31, 2003 and 2002 are summarized as follows:

| | Foreign currencies | | Korean won equivalent | |
|--------------------------------------|--------------------|----------------|-----------------------|---------------|
| | Dec. 31, 2003 | Dec. 31, 2002 | Dec. 31, 2003 | Dec. 31, 2002 |
| | (In thousands) | | (In millions) | |
| (Assets) | | | | |
| Currency swaps | JPY 1,470,444 | JPY 43,403 | (Won) 16,463,092 | (Won) 440 |
| (Liabilities) | | | | |
| Debentures in foreign currencies | US\$ 149,796 | US\$ 149,562 | 179,426 | 179,534 |
| " | JPY 14,998,437 | JPY 14,960,396 | 167,922 | 151,530 |
| " | US\$ 36,000 | US\$ 36,000 | 43,121 | 44,136 |
| " | US\$ 16,000 | US\$ 16,000 | 19,165 | 19,248 |
| " | US\$ 39,000 | US\$ | 46,714 | |
| " | US\$ 1,000 | US\$ | 1,198 | |
| Long-term accrued interest payables | US\$ 1,345 | US\$ 276 | 1,611 | 338 |
| " | US\$ 454 | US\$ 13 | 544 | 16 |
| Redemption premium | US\$ 2,727 | | 3,258 | |
| Reconciliation for conversion rights | US\$ (3,489) | | (4,179) | |
| | | | 458,780 | 394,802 |
| Accrued expenses | US\$ 920 | US\$ 920 | 1,101 | 1,104 |
| | JPY 54,611 | JPY 54,611 | 611 | 553 |
| | | | 1,712 | 1,657 |
| Currency swaps | US\$ 15,360 | US\$ 12,422 | 18,398 | 14,911 |
| | | | (Won) 478,890 | (Won) 411,370 |

12. OTHER LIABILITIES

Other liabilities as of December 31, 2003 and 2002 are as follows:

| | Korean won | | US dollars (Note 2) | |
|--|---------------|---------------|---------------------|---------------|
| | Dec. 31, 2003 | Dec. 31, 2002 | Dec. 31, 2003 | Dec. 31, 2002 |
| | (In millions) | | (In thousands) | |
| | | | | |

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| | | | | |
|---|---------------------|---------------------|--------------------|--------------------|
| Accrued severance benefits | (Won) 1,583 | (Won) 968 | US\$ 1,322 | US\$ 808 |
| Deposits with employee retirement trust (Note 10) | (954) | (581) | (796) | (485) |
| Accrued expenses | 9,016 | 10,228 | 7,527 | 8,539 |
| Other payables | 507 | 143 | 422 | 119 |
| Withholdings | 188 | 103 | 157 | 86 |
| Currency swaps (Notes 9 and 11) | 18,398 | 14,911 | 15,360 | 12,449 |
| | <u>(Won) 28,738</u> | <u>(Won) 25,772</u> | <u>US\$ 23,992</u> | <u>US\$ 21,516</u> |

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 775,504,910 common shares [(Won)3,877,525 million (US\$3,237,206 thousand)] and 767,814,797 common shares [(Won)3,839,074 million (US\$3,205,104 thousand)] were issued and outstanding as of December 31, 2003 and 2002, respectively.
- (2) The changes in the capital stock of the Company during the period from the incorporation to December 31, 2003 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 | Issue of new shares | 36,000,000 | 180,000 | 58,645 |
| In 2002 | Exercise of warrants | 4,356,188 | 21,781 | |
| | | <u>767,814,797</u> | <u>3,839,074</u> | <u>58,645</u> |
| In 2003 | Exercise of warrants | 7,690,113 | 38,451 | (574) |
| | | <u>775,504,910</u> | <u>(Won) 3,877,525</u> | <u>(Won) 58,071</u> |

- (3) Other capital surplus is consideration for conversion rights in the total amount of (Won)3,253 million (US\$2,716 thousand), consisting of (Won)2,215 million (US\$1,849 thousand), (Won)997 million (US\$832 thousand), and (Won)41 million (US\$34 thousand) for convertible bonds, the first two among which were issued on March 26, 2003 and the third among which was issued on July 10, 2003.
- (4) Pursuant to the Financial Holding Company Act Article 53, legal reserves are appropriated at no less than one tenth of the net income until reaching to an amount equal to the Company's contributed capital, whenever dividends are declared.
- (5) Dividends by net income as of December 2003 and 2002 are as follows:

| | <u>Korean won</u> | | <u>US dollars (Note 2)</u> | |
|-----------------------------|--|----------------------|---|----------------------|
| | <u>Dec. 31, 2003</u> | <u>Dec. 31, 2002</u> | <u>Dec. 31, 2003</u> | <u>Dec. 31, 2002</u> |
| | <u>(In millions, except for par value)</u> | | <u>(In thousands, except for par value)</u> | |
| The number of issued shares | 775,504,910 | 767,814,797 | 775,504,910 | 767,814,797 |
| Par value | (Won) 5,000 | (Won) 5,000 | US\$ 4.174 | US\$ 4.174 |
| Contributed capital | (Won) 3,877,525 | (Won) 3,839,074 | US\$ 3,237,206 | US\$ 3,205,104 |
| Dividend ratio per share | 2.0% | 1.0%/5.0% | 2.0% | 1.0%/5.0% |
| Dividend | (Won) 77,550 | (Won) 57,262 | 64,744 | 47,806 |
| Net income | (Won) 202,565 | (Won) 589,214 | US\$ 169,114 | US\$ 491,914 |

| | | | | |
|------------------------------|--------|-------|--------|-------|
| Dividend ratio by net income | 38.28% | 9.72% | 38.28% | 9.72% |
|------------------------------|--------|-------|--------|-------|

Table of Contents**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 (210,000 shares) given to 8 directors of its subsidiaries, who subsequently retired, were cancelled by the decision of the Company's committee on December 11, 2003.
- (3) The summary of stock options granted as of December 31, 2003 is summarized as follows:

| <u>Description</u> | <u>The Company</u> | <u>Subsidiaries</u> | <u>Total</u> |
|--------------------------------------|---|---|------------------|
| Exercisable number of shares Type | 450,000 shares Share issue or | 900,000 shares Share issue or | 1,350,000 shares |
| Valuation method | balance compensation Fair value approach | balance compensation Fair value approach | |

- (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 |

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(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) 936 | (Won) 1,873 | (Won) 2,809 |
| Recorded in 2002 and 2003 | 507 | 1,015 | 1,522 |
| To be recorded thereafter | 429 | 858 | 1,287 |

As for the managements of the subsidiaries, each subsidiary is responsible for absorbing the respective stock option cost. 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 (loss) for the year ended December 31, 2003 are as follows:

| | <u>Korean won</u> | <u>US dollars (Note 2)</u> |
|--|----------------------|----------------------------|
| | <u>(In millions)</u> | <u>(In thousands)</u> |
| Net income | (Won) 202,565 | US\$ 169,114 |
| Permanent differences | | |
| Additions: | | |
| Gain on valuation of investment securities | 353,902 | 295,460 |
| Deemed interest income | 42,432 | 35,425 |
| Reconciliation for conversion rights | 3,253 | 2,716 |
| Other | 2,569 | 2,145 |
| | <u>402,156</u> | <u>335,746</u> |
| Deductions: | | |
| Dividend | (497,321) | (415,195) |
| Investment securities | (7,955) | (6,641) |
| | <u>(505,276)</u> | <u>(421,836)</u> |
| | <u>(103,120)</u> | <u>(86,090)</u> |
| Temporary differences: | | |
| Additions: | | |
| Investment securities | 1,338,480 | 1,117,449 |
| Other | 39,466 | 32,948 |
| | <u>1,377,946</u> | <u>1,150,397</u> |
| Deductions: | | |
| Investment securities | (1,426,634) | (1,191,045) |
| Other | (212,903) | (177,745) |

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| | | |
|--------------|-----------------|----------------|
| | (1,639,537) | (1,368,790) |
| | (261,591) | (218,393) |
| Taxable loss | (Won) (162,146) | US\$ (135,369) |

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- (2) The changes in cumulative temporary differences and tax loss carryforwards for the year ended December 31, 2003 are as follows (Unit: Korean won in millions):

| | Jan. 1, 2003 ^(*1) | Increase | Decrease | Dec. 31, 2003 | Deferred tax assets (liabilities) ^(*2) |
|-------------------------------------|------------------------------|-------------------|-------------------|-------------------|---|
| Investment securities | (Won) (1,338,480) | (Won) (1,426,634) | (Won) (1,338,480) | (Won) (1,426,634) | (Won) (23,200) |
| Swap contracts | 14,472 | (1,935) | 14,472 | (1,935) | (575) |
| Accrued income | (5,098) | (1,239) | (5,098) | (1,239) | (368) |
| Accrued severance benefits | 581 | 369 | | 950 | 261 |
| Depreciation | 18 | 9 | 8 | 19 | 6 |
| Accrued expenses | 2,903 | 2200 | 2,903 | 2,200 | 653 |
| Allowance for doubtful accounts | 133,556 | | 133,556 | | |
| Accounts receivable | (96) | (918) | | (1,014) | (279) |
| Employee retirement deposits | (581) | (369) | | (950) | (261) |
| Long-term accrued interest payables | 354 | 1,800 | | 2,154 | 592 |
| Long-term accrued interest income | (3,835) | (26,397) | | (30,232) | (8,313) |
| Premiums on debentures | | 5,572 | | 5,572 | 1,532 |
| Adjustment of conversion rights | | (6,688) | | (6,688) | (1,986) |
| | (1,196,206) | (1,454,230) | (1,192,639) | (1,457,797) | (31,938) |
| Tax loss carryforwards | 39,794 | 162,146 | | 201,940 | 55,533 |
| | (Won) (1,156,412) | (Won) (1,292,084) | (Won) (1,192,639) | (Won) (1,255,857) | (Won) 23,595 |

(*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.

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

| Year incurred | Amount | Utilized | Remaining | Expiration |
|---------------|---------------|----------|---------------|------------|
| 2001 | (Won) 25,589 | (Won) | (Won) 25,589 | 2006 |
| 2002 | 14,205 | | 14,205 | 2007 |
| 2003 | 162,146 | | 162,146 | 2008 |
| | (Won) 201,940 | (Won) | (Won) 201,940 | |

- (4) For the year ended December 31, 2003, there is no income tax expense reflected in the statement of operations as there was no tax expense required by the Corporate Tax Act and there were no changes in net deferred tax assets.

Table of Contents**16. STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2003 and 2002, the transactions without cash flows are as follows:

| Transactions | Korean won | | US dollars (Note 2) | |
|---|---------------|---------------|---------------------|---------------|
| | Dec. 31, 2003 | Dec. 31, 2002 | Dec. 31, 2003 | Dec. 31, 2002 |
| | (In millions) | | (In thousands) | |
| Increase in capital adjustments due to valuation of investment securities | (Won) 353,902 | (Won) 139,204 | US\$ 295,460 | US\$ 116,216 |
| Decrease in retained earnings due to valuation of investment securities | 7,955 | 2,197 | 6,641 | 1,834 |
| Write-off of loans | 127,400 | | 106,362 | |
| Increase in other receivable and stock options | 918 | 96 | 766 | 80 |
| Increase in conversion rights | 3,253 | | 2,716 | |

17. GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the year ended December 31, 2003 and 2002 are summarized as follows:

| | Korean won | | US dollars (Note 2) | |
|-----------------------------------|---------------|--------------|---------------------|-------------|
| | 2003 | 2002 | 2003 | 2002 |
| | (In millions) | | (In thousands) | |
| Salaries, wages and bonuses | (Won) 8,068 | (Won) 8,035 | US\$ 6,736 | US\$ 6,708 |
| Provision for severance benefits | 626 | 1,047 | 523 | 874 |
| Fringe benefits | 422 | 416 | 352 | 347 |
| Rent | 2,318 | 2,369 | 1,935 | 1,978 |
| Entertainment | 524 | 534 | 437 | 446 |
| Depreciation | 153 | 253 | 128 | 211 |
| Amortization on intangible assets | 14 | 11 | 12 | 9 |
| Taxes and dues | 68 | 89 | 57 | 74 |
| Advertising | 12,181 | 6,311 | 10,169 | 5,269 |
| Travel | 218 | 390 | 182 | 326 |
| Telecommunications | 66 | 69 | 55 | 58 |
| Service fee | 1,853 | 1,629 | 1,547 | 1,360 |
| Suppliers | 103 | 125 | 86 | 104 |
| Stock compensation (Note 14) | 468 | 39 | 391 | 33 |
| Other | 1,468 | 795 | 1,225 | 664 |
| | (Won) 28,550 | (Won) 22,112 | US\$ 23,835 | US\$ 18,461 |

Table of Contents**18. FINANCIAL INFORMATION OF SUBSIDIARIES**

(1) The condensed balance sheets of subsidiaries prepared as of December 31, 2003 are as follows (Unit: Korean won in millions):

| <u>Company</u> | <u>Total assets</u> | <u>Total liabilities</u> | <u>Total stockholders equity</u> <u>(capital deficiency)</u> |
|---|--------------------------|--------------------------|---|
| Woori Bank | (Won) 105,332,920 | (Won) 99,662,404 | (Won) 5,670,516 |
| Kyongnam Bank | 11,045,211 | 10,548,187 | 497,024 |
| Kwangju Bank | 8,789,242 | 8,440,990 | 348,252 |
| Woori Credit Card | 2,461,648 | 2,659,699 | (198,051) |
| Woori Finance Information System | 280,219 | 272,516 | 7,703 |
| Woori F&I | 177,711 | 137,928 | 39,783 |
| Woori Second Asset Securitization Specialty | 20,353 | 34,181 | (13,828) |
| Woori Third Asset Securitization Specialty | 29,547 | 88,050 | (58,503) |
| Woori Investment Trust Management | 35,536 | 558 | 34,978 |
| Woori Securities | 642,221 | 264,967 | 377,254 |
| | <u>(Won) 128,814,608</u> | <u>(Won) 122,109,480</u> | <u>(Won) 6,705,128</u> |

(2) The condensed statements of operations of subsidiaries prepared for the year ended December 31, 2003 are as follows (Unit: Korean won in millions):

| <u>Company</u> | <u>Operating revenue</u> | <u>Operating expense</u> | <u>Net operating profit (loss)</u> | <u>Ordinary income (loss)</u> | <u>Net income (loss)</u> |
|---|--------------------------|--------------------------|------------------------------------|-------------------------------|--------------------------|
| Woori Bank | (Won) 7,820,396 | (Won) 6,520,292 | (Won) 1,300,104 | (Won) 1,440,255 | (Won) 1,332,569 |
| Kyongnam Bank | 770,703 | 676,844 | 93,859 | 54,808 | 85,302 |
| Kwangju Bank | 582,001 | 543,601 | 38,400 | 32,542 | 57,052 |
| Woori Credit Card | 985,583 | 2,178,447 | (1,192,864) | (1,199,611) | (1,320,571) |
| Woori Investment Bank ^(*) | 127,168 | 124,691 | 2,477 | 21,561 | 21,561 |
| Woori Finance Information System | 282,477 | 276,401 | 6,076 | 6,800 | 4,935 |
| Woori F&I | 25,836 | 17,697 | 8,139 | 26,824 | 16,353 |
| Woori Second Asset Securitization Specialty | 15,635 | 15,108 | 527 | (327) | (327) |
| Woori Third Asset Securitization Specialty | 4,109 | 6,315 | (2,206) | (2,668) | (2,668) |
| Woori Investment Trust Management | 6,934 | 5,090 | 1,844 | 1,939 | 1,332 |
| Woori Securities | 156,793 | 153,428 | 3,365 | (17,050) | (13,053) |
| | <u>(Won) 10,777,635</u> | <u>(Won) 10,517,914</u> | <u>(Won) 259,721</u> | <u>(Won) 365,073</u> | <u>(Won) 182,485</u> |

(*) The condensed statement of operations of WIB was prepared for the seven months ended July 31, 2003 prior to the merger into Woori Bank.

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(3) Major debt and assets of the Company and its subsidiaries as of December 31, 2003 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) | (Won) 2,621,182 | (Won) 2,621,182 |
| Woori Bank | 74,163,791 | 9,589,517 | 7,780,156 | 91,533,464 |
| Kyongnam Bank | 8,528,645 | 1,278,626 | 310,238 | 10,117,509 |
| Kwangju Bank | 6,764,019 | 1,165,133 | 200,556 | 8,129,708 |
| Woori Credit Card | | 583,005 | 1,942,765 | 2,525,770 |
| Woori Finance Information System | | 210,000 | | 210,000 |
| Woori F&I | | 126,850 | | 126,850 |
| Woori Second Asset Securitization Specialty | | | 100 | 100 |
| Woori Third Asset Securitization Specialty | | | 27,790 | 27,790 |
| Woori Investment Trust Management | 45 | | | 45 |
| Woori Securities | 145,492 | 102,327 | | 247,819 |
| | (Won) 89,601,992 | (Won) 13,055,458 | (Won) 12,882,787 | (Won) 115,540,237 |

2) Major assets

| <u>Company</u> | <u>Cash and due</u> | | | <u>Total</u> |
|---|---------------------|-------------------|------------------|-------------------|
| | <u>from banks</u> | <u>Securities</u> | <u>Loans</u> | |
| Woori Finance Holdings | (Won) 349,585 | (Won) 7,007,222 | (Won) 830,566 | (Won) 8,187,373 |
| Woori Bank | 4,894,151 | 20,230,059 | 72,792,831 | 97,917,041 |
| Kyongnam Bank | 844,863 | 3,180,014 | 6,446,559 | 10,471,436 |
| Kwangju Bank | 390,078 | 2,575,066 | 5,337,930 | 8,303,074 |
| Woori Credit Card | 135,353 | 757,379 | 1,429,744 | 2,322,476 |
| Woori Finance Information System | 37,418 | 97 | | 37,515 |
| Woori F&I | 12,040 | 43,164 | 114,736 | 169,940 |
| Woori Second Asset Securitization Specialty | 409 | 13,318 | 6,305 | 20,032 |
| Woori Third Asset Securitization Specialty | 3,031 | 26,076 | 426 | 29,533 |
| Woori Investment Trust Management | 25,704 | 339 | | 26,043 |
| Woori Securities | 324,580 | 190,900 | 38,548 | 554,028 |
| Total | (Won) 7,017,212 | (Won) 34,023,634 | (Won) 86,997,645 | (Won) 128,038,491 |

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

| Company | Loans subject to | | % of allowance to loans |
|---|-------------------------------|------------------------|--------------------------------|
| | allowance for possible | | |
| | loan losses | Allowance | |
| Woori Bank | (Won) 74,343,819 | (Won) 1,550,988 | 2.09 |
| Kyongnam Bank | 6,550,115 | 103,556 | 1.58 |
| 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 |
| Total | (Won) 88,306,545 | (Won) 2,139,466 | 2.42 |

Allowances for possible loan losses of subsidiaries as of December 31, 2002 are summarized as follows (Unit: Korean won in millions):

| Company | Loans subject to | | % of allowance to loans |
|---|-------------------------------|------------------------|--------------------------------|
| | allowance for possible | | |
| | loan losses | Allowance | |
| Woori Bank | (Won) 61,219,892 | (Won) 1,670,333 | 2.73 |
| Kyongnam Bank | 5,926,482 | 103,190 | 1.74 |
| Kwangju Bank | 4,989,228 | 91,068 | 1.83 |
| Woori Credit Card | 2,846,533 | 176,991 | 6.22 |
| Woori Investment Bank | 558,059 | 18,873 | 3.38 |
| Woori First Asset Securitization Specialty | 100,056 | 49,008 | 48.98 |
| Woori Second Asset Securitization Specialty | 40,889 | 4,955 | 12.12 |
| Woori Third Asset Securitization Specialty | 57,544 | 20,510 | 35.64 |
| Woori Securities | 60,252 | 20,652 | 34.28 |
| Total | (Won) 75,798,935 | (Won) 2,155,580 | 2.84 |

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

Contributions to net income of the Company by subsidiaries after elimination of inter-company transactions for the year ended December 31, 2003 are as follows:

| Company | Korean won | US dollars | Ratio |
|---|------------------------|------------------------------------|---------|
| | (In millions) (Won) | (Note 2) (In thousands) US\$ | (%) |
| Woori Bank | 1,320,292 | 1,102,264 | 447.3 |
| Kyongnam Bank | 84,841 | 70,831 | 28.7 |
| Kwangju Bank | 56,346 | 47,041 | 19.1 |
| Woori Credit Card | (1,189,603) | (993,157) | (403.0) |
| Woori Investment Bank | 7,390 | 6,170 | 2.5 |
| Woori Finance Information System | 3,914 | 3,268 | 1.3 |
| Woori F&I | 16,348 | 13,648 | 5.5 |
| Woori Second Asset Securitization Specialty | 1,350 | 1,127 | 0.5 |
| Woori Third Asset Securitization Specialty | (2,668) | (2,227) | (0.9) |
| Woori Investment Trust Management | 1,332 | 1,112 | 0.5 |
| Woori Securities | (4,355) | (3,636) | (1.5) |
| Gain on valuation using the equity method | 295,187 | 246,441 | 100.0 |
| Other income | 102,625 | 85,678 | |
| Other expenses | (195,247) | (163,005) | |
| Net income | (Won) 202,565 | US\$ 169,114 | |

20. TRANSACTIONS AND ACCOUNT BALANCES WITH RELATED PARTIES:

(1) Account balances with the subsidiaries as of December 31, 2003 and 2002 are as follows:

| | Korean won | | US dollars (Note2) | | Account |
|---------------|------------------------|------------------------|------------------------|------------------------|------------------------------|
| | 2003 | 2002 | 2003 | 2002 | |
| | (In millions) (Won) | (In millions) (Won) | (In thousands) US\$ | (In thousands) US\$ | |
| Woori Bank | 322,145 | 51,757 | 268,947 | 43,210 | Cash and bank deposits |
| " | 600,000 | 603,829 | 500,918 | 504,115 | Loans |
| " | 3,846 | 3,846 | 3,211 | 3,211 | Guarantee deposits |
| " | 652 | 43 | 544 | 36 | Other receivables |
| " | 28,379 | 76 | 23,693 | 63 | Accrued income |
| " | 16,463 | 440 | 13,744 | 367 | Currency swaps (assets) |
| " | 18,398 | 14,911 | 15,360 | 12,449 | Currency swaps (liabilities) |
| Kyongnam Bank | 16,204 | 10,595 | 13,528 | 8,845 | Cash and bank deposits |
| " | 14 | 12 | 12 | 10 | Accrued income |
| Kwangju Bank | 11,236 | 10,898 | 9,381 | 9,098 | Cash and bank deposits |

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| | Korean won | | US dollars (Note2) | | Account |
|---|---------------|---------|--------------------|---------|---|
| | 2003 | 2002 | 2003 | 2002 | |
| | (In millions) | | (In thousands) | | |
| | (Won) | (Won) | US\$ | US\$ | |
| Kwangju Bank | 50,000 | 50,006 | 41,743 | 41,748 | Loans |
| " | 2,253 | 3 | 1,881 | 3 | Accrued income |
| Woori Credit Card | | 200,000 | | 166,973 | Loans |
| " | 8 | 12 | 7 | 10 | Other receivables |
| " | | 147 | | 123 | Accrued income |
| " | 93 | 92 | 78 | 77 | Other payables |
| Woori Investment Bank | | 7 | | 6 | Other receivables |
| Woori Finance Information System | 30,000 | 180,000 | 25,046 | 150,276 | Loans |
| " | 101 | 12 | 84 | 10 | Other receivables |
| " | 363 | 2,235 | 303 | 1,866 | Accrued income |
| Woori F&I | 126,850 | 34,600 | 105,902 | 28,886 | Loans |
| " | | 78 | | 65 | Accrued income |
| " | | 221 | | 185 | Accrued expenses |
| Woori First Asset Securitization Specialty | | 188,847 | | 157,662 | Loans |
| " | | 431 | | 360 | Accrued income |
| Woori Second Asset Securitization Specialty | 100 | 59,936 | 83 | 50,038 | Loans |
| " | 2 | 1,038 | 2 | 867 | Accrued income |
| Woori Third Asset Securitization Specialty | 27,790 | 65,204 | 23,201 | 54,436 | Loans |
| " | 459 | 1,078 | 383 | 900 | Accrued income |
| Woori Investment Trust Management | 39 | 6 | 33 | 5 | Other receivables |
| Woori Credit Information | 90 | 7 | 75 | 6 | Other receivables |
| Woori CA Asset Management | 124 | | 104 | | Other receivables |
| Principal guaranteed trust accounts of Woori Bank | 954 | 581 | 796 | 485 | Deposits with employee retirement trust |

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(2) Transactions with the subsidiaries for the years ended December 31, 2003 and 2002 are as follows:

| | Korean won | | US dollars (Note2) | | Account |
|---|---------------|-------------|--------------------|------------|-------------------------------------|
| | 2003 | 2002 | 2003 | 2002 | |
| | (In millions) | | (In thousands) | | |
| Woori Bank | (Won) 4,162 | (Won) 1,581 | US\$ 3,475 | US\$ 1,320 | Interest income |
| " | 24,153 | 3,829 | 20,164 | 3,197 | Interest income |
| " | 17,078 | 440 | 14,258 | 367 | Gain on valuation of swap contracts |
| " | 3,410 | 20,121 | 2,847 | 16,798 | Loss on valuation of swap contracts |
| " | 1,984 | 1,985 | 1,656 | 1,657 | Rent |
| " | | 415 | | 346 | Interest expense |
| Kyongnam Bank | 507 | 500 | 423 | 417 | Interest income |
| Kwangju Bank | 2,642 | 585 | 2,206 | 488 | Interest income |
| Woori Credit Card | 3,163 | 147 | 2,641 | 123 | Interest income |
| Woori Finance Information System | 11,028 | 3,405 | 9,207 | 2,843 | Interest income |
| " | 1,058 | 1,420 | 883 | 1,186 | Miscellaneous income |
| " | 882 | 536 | 736 | 447 | Other administrative expenses |
| Woori F&I | 7,746 | 268 | 6,467 | 224 | Interest income |
| Woori First Asset Securitization Specialty | | 28,089 | | 23,450 | Interest income |
| Woori Second Asset Securitization Specialty | 1,121 | 8,843 | 936 | 7,383 | Interest income |
| Woori Third Asset Securitization Specialty | 2,537 | 6,554 | 2,118 | 5,472 | Interest income |

(3) Transfer of credit card subscriber base

Pursuant to a transfer agreement between Kwangju Bank and WCC dated December 23, 2002, Kwangju Bank sold its credit card subscriber base to WCC for (Won)27 billion (US\$23 million) on February 28, 2003 (See Note 29 a for a subsequent event)

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, 2003 and 2002 are as follows:

| | Korean won | | US dollars (Note2) | |
|--|--------------------------|---------------|---------------------------|--------------|
| | 2003 | 2002 | 2003 | 2002 |
| | (In millions, except for | | (In thousands, except for | |
| | earning per share data) | | earning per share data) | |
| Net income on common shares | (Won) 202,565 | (Won) 589,214 | US\$ 169,114 | US\$ 491,914 |
| Extraordinary gain | | | | |
| Income tax effect on extraordinary gain | | | | |
| Ordinary income on common shares | (Won) 202,565 | (Won) 589,214 | US\$ 169,114 | US\$ 491,914 |
| Weighted average number of common shares outstanding | 771,723,994 | 749,383,489 | 771,723,994 | 749,383,489 |
| Basic ordinary income per common shares | (Won) 262 | (Won) 786 | US\$ 0.219 | US\$ 0.656 |
| Basic net income per common shares | (Won) 262 | (Won) 786 | US\$ 0.219 | US\$ 0.656 |

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

| | Korean won | | US dollars (Note2) | |
|--|--------------------------|----------------------|---------------------------|----------------------|
| | 2003 | 2002 ^(*1) | 2003 | 2002 ^(*1) |
| | (In millions, except for | | (In thousands, except for | |
| | earning per share data) | | earning per share data) | |
| Diluted net income on common shares | (Won) 204,230 | (Won) 589,214 | US\$ 170,504 | US\$ 491,914 |
| Extraordinary gain | | | | |
| Income tax effect on extraordinary gain | | | | |
| Diluted ordinary income on common shares | (Won) 204,230 | (Won) 589,214 | US\$ 170,504 | US\$ 491,914 |
| Weighted average number of common and dilutive common shares outstanding | 783,760,412 | 749,383,489 | 783,760,412 | 749,383,489 |
| Diluted ordinary income per common shares | (Won) 261 | (Won) 786 | US\$ 0.218 | US\$ 0.656 |

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| | | | | | | | | |
|--------------------------------------|-------|-----|-------|-----|------|-------|------|-------|
| Diluted net income per common shares | (Won) | 261 | (Won) | 786 | US\$ | 0.218 | US\$ | 0.656 |
|--------------------------------------|-------|-----|-------|-----|------|-------|------|-------|

(*1) There was no dilution effect for the year ended December 31, 2002

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All common stock equivalents as of December 31, 2003 are as follows (Unit: Korean won in millions and US dollar 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 | (Won) 20,000 | Mar. 27, 2004 ~ Feb. 26, 2006 | 3,717,472 | Convert 1 share at (Won)5,380 |
| Convertible bonds | US\$ 39,000 | Mar. 27, 2004 ~ Feb. 26, 2006 | 8,661,914 | Using exchange rate of (Won)1,194.9, concert 1 shares at (Won)5,380 |
| Convertible bonds | US\$ 1,000 | Jul. 10, 2004 ~ Jun. 10, 2006 | 164,429 | Using exchange rate of (Won)1,185.5, concert 1 shares at (Won)7,228 |
| Stock options | | Dec. 5, 2005 ~ Dec. 4, 2008 | 1,350,000 | (Note 14) |

22. INSURANCE

As of December 31, 2003, the Company has insurance for liability of reparation of directors with LG Insurance Co., Ltd. The insurance coverage is (Won)20,000 million (US\$16,697 thousand).

23. OPERATIONAL RESULTS FOR THE THREE-MONTH PERIODS ENDED DECEMBER 31, 2003 and 2002.

| | Korean won | | US dollars (Note2) | |
|-------------------------|--|--|---|---|
| | Three months ended | Three months ended | Three months ended | Three months ended |
| | Dec. 31, 2003 | Dec. 31, 2003 | Dec. 31, 2003 | Dec. 31, 2003 |
| | (Unaudited) (In millions, except for earning per share data) | (Unaudited) (In millions, except for earning per share data) | (Unaudited) (In thousands, except for earning per share data) | (Unaudited) (In thousands, except for earning per share data) |
| Operating revenue | (Won) 12,028 | (Won) 469,676 | US\$ 10,042 | US\$ 392,116 |
| Operating expenses | 179,387 | 97,939 | 149,764 | 81,766 |
| Operating income (loss) | (167,359) | 371,737 | (139,722) | 310,350 |
| Net income (loss) | (Won) (167,526) | (Won) 371,736 | US\$ (139,861) | US\$ 310,349 |

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| | | | | | | | | |
|--|-------|-------|-------|-----|------|-------|------|-----|
| Basic net income (loss) per common share | (Won) | (216) | (Won) | 484 | US\$ | (180) | US\$ | 404 |
|--|-------|-------|-------|-----|------|-------|------|-----|

Table of Contents**24. CREDITS TO SK NETWORKS CO., LTD.**

Woori Bank has a loan receivable from and payment guarantees for SK Networks Co., Ltd. (formerly known as SK Global) and its overseas subsidiaries (collectively referred to as SK Networks) in the total amount of (Won)177 billion (US\$147.7 million) and available-for-sale securities in the total amount of (Won)89 billion (US\$74.3 million) ((Won)47 billion of common stock and (Won) 42 billion of preferred stock). In connection therewith, Woori Bank provided (Won)106 billion (US\$88.5 million) as allowances for credit losses as of December 31, 2003. However, SK Networks is currently undergoing a corporate restructuring and depending on the result of this restructuring, Woori Bank's actual loss on SK Networks credit may differ from the current estimate.

25. CREDITS TO LG CARD CO., LTD

Woori Bank, Kyongnam Bank and Kwangju Bank, subsidiaries of the Company, have loan receivables from LG Card Co., Ltd. (LG Card) in the total amount of (Won)279 billion (US\$232.9 million) as of December 31, 2003. In connection therewith, the banks provided (Won)80 billion (US\$66.8 million) as allowances for credit losses. In addition, those banks have corporate bonds of (Won)200 billion (US\$167.0 million) and asset backed securities of (Won)100 billion (US\$83.5 million) issued by LG Card and beneficiary certificates of (Won)22 billion (US\$18.4 million) relating to LG Card. The banks recognized losses on valuation of trading securities of (Won)34 billion (US\$28.4 million), losses on impairment of available-for-sale securities of (Won)43 billion (US\$35.9 million), and losses on impairment of held-to-maturity securities of (Won)11 billion (US\$9.2 million) for the year ended December 31, 2003. With relation to Commercial Paper (CP) in trust accounts, for which repayment of principal or interest is guaranteed by the banks, in the total amount of (Won)145 billion (US\$121.1 million), the banks charged (Won)63 billion (US\$52.6 million) in losses on trust management. However, LG card is currently undergoing a corporate restructuring and depending on the result of this restructuring, the Company's bank subsidiaries' actual losses on LG Card credit may differ from the current estimate.

26. WOORI AMERICA BANK'S MERGER WITH PANASIA BANK N.A.

On September 11, 2003, Woori America Bank, an overseas 2nd -tier subsidiary of the Company, merged with Panasia Bank N.A. pursuant to an agreement with National Penn Bancshares dated February 10, 2003, which had owned 100% stock of Panasia Bank N.A. The merger consideration was US\$34,500 thousand and in connection with the merger, Woori Bank, a subsidiary of the Company, increased its capital holding in Woori America Bank by US\$15,000 thousand on September 3, 2003.

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27. WOORI BANK S MERGER WITH WOORI INVESTMENT BANK

Woori Bank, a subsidiary of the Company merged with Woori Investment Bank, a subsidiary of the Company, on July 31, 2003 pursuant to a merger agreement dated June 25, 2003. As a result, Woori Bank took over substantially all of the assets and liabilities of Woori Investment Bank by exchanging one common share of Woori Investment Bank for 0.0355 share of Woori Bank. Woori Bank increased its capital surplus by (Won)138,682 million (US\$115,781 thousand) which was the difference between merger consideration of (Won)88,439 million (US\$73,835 thousand) and net assets acquired of (Won)227,121 million (US\$189,615 thousand). Accordingly, the number of issued common shares of Woori Bank increased from 553 million to 571 million and contributed capital of Woori Bank increased from (Won)2,764.4 billion (US\$2,308 million) to (Won)2,852.8 billion (US\$2,382 million).

28. LITIGATION

As of December 31, 2003, the Company is a defendant in a lawsuit claiming damages amounting to (Won)17 billion (US\$14 million). However, the Company does not anticipate that the outcome of this lawsuit would have a significant effect on its financial condition.

29. SUBSEQUENT EVENT

a. WCC s merger into Woori Bank

On February 5, 2004, WCC, a subsidiary of the Company, made a resolution to split off a part of its credit card business, which was previously purchased from Kwangju Bank, and to transfer back such part to Kwangju Bank. In addition, WCC resolved to transfer all other assets and liabilities including credit card subscriber base to Woori Bank and entered into a merger agreement (the Merger Agreement) with Woori Bank. The transfers to Kwangju Bank and Woori Bank are scheduled to be on March 29, 2004 and March 31, 2004, respectively. According to the Merger Agreement, one common share of Woori Bank will be issued for 0.3581 common share of WCC and as a result, the number of issued common shares of Woori Bank will increase from 571 million to 636 million and contributed capital of Woori Bank will increase from (Won)2,853 billion (US\$2,381.9 million) to (Won)3,180 billion (US\$2,654.9 million). There will be no newly issued common shares of Kwangju Bank for the transfer of WCC s credit card business back to Kwangju Bank.

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- b. Plan of WCC's capital increase

The Company made a resolution to increase its investment in WCC by purchasing new common stocks of WCC, amounting to (Won)800 billion (US\$667.9 million) for the purpose of maintaining capital adequacy of Woori Bank following the merger with WCC. The capital increase is scheduled to take place before the date of merger of WCC into Woori Bank.

- c. Swap of loans receivables from LG Card for LG Card's common stock

On February 13, 2004, Woori Bank, a subsidiary of the Company, obtained 17,620,000 shares of LG Card's common stock for (Won)88.1 billion (US\$73.6 million) by exchanging its loans receivables, in accordance with an agreement reached among the creditors of LG Card. In addition, Woori Bank plans to provide new credit facility to LG Card and to further exchange its debt with stock of LG Card.

30. ECONOMIC UNCERTAINTIES

The economic environment in the Republic of Korea continues to be volatile. In addition, the Korean government and the private sector continue to implement structural reforms to historical business practices, including corporate governance. The Company may be either directly or indirectly affected by these economic conditions and the reform program described above. The accompanying financial statements reflect management's assessment of the impact to date of the economic environment on the financial position and results of operations of the Company. Actual results may differ materially from management's current assessment.

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WOORI FINANCE HOLDINGS CO., LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

AND INDEPENDENT AUDITORS REPORT

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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, 2003 and 2002, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended (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 conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their 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 to the accompanying consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside of Korea.

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

As explained in Note 1 to the accompanying consolidated financial statements, Woori Finance Holdings Co., Ltd. registered its securities with the Securities and Exchange Commission in the United State of America and listed its American Depositary Shares on the New York Stock Exchange on September 29, 2003.

As explained in Note 1 to the accompanying consolidated financial statements, the Company purchased 40 million shares of Woori Credit Card Co., Ltd. (WCC), a subsidiary of the Company, for (Won)200 billion (US\$166.9 million) on March 27, 2003 and 128 million shares for (Won)640 billion (US\$534.3 million) on September 30, 2003. However, WCC cancelled 380 million shares amounting to (Won)1,900 billion (US\$1,586.2 million) on December 22, 2003, in a capital reduction without compensation. As a result, the number of issued common stock and capital of WCC decreased to 22,600,000 shares and (Won)113 billion (US\$94.3 million), respectively, as of December 31, 2003.

As explained in Note 30 to the accompanying consolidated financial statements, Woori Bank has loan receivables from and payment guarantees for SK Networks Co., Ltd. (formerly known as SK Global) and its overseas subsidiaries (collectively referred to as SK Networks) in the total amount of (Won)177 billion (US\$147.7 million) and available-for-sale securities in the total amount of (Won)89 billion (US\$74.3 million) ((Won)47 billion of common stock and (Won) 43 billion of preferred stock). In connection therewith, Woori Bank provided (Won)106 billion (US\$88.5 million) as allowances for credit losses as of December 31, 2003. However, SK Networks is currently undergoing a corporate restructuring and depending on the result of this restructuring, Woori Bank s actual loss on SK Networks credit may differ from the current estimate.

As explained in Note 31 to the accompanying consolidated financial statements, Woori Bank, Kyongnam Bank and Kwangju Bank, subsidiaries of the Company, have loan receivables from LG Card Co., Ltd. (LG Card) in the total amount of (Won)279 billion (US\$232.9 million) as of December 31, 2003. In connection therewith, the banks provided (Won)80 billion (US\$66.8 million) as allowances for credit losses. In addition, those banks have corporate bonds of (Won)200 billion (US\$167.0 million) and asset backed securities of (Won)100 billion (US\$83.5 million) issued by LG Card and beneficiary certificates of (Won)22 billion (US\$18.4 million) relating to LG Card. The banks recognized losses on valuation of trading securities of (Won)34 billion (US\$28.4 million), losses on impairment of available-for-sale securities of (Won)43 billion (US\$35.9 million), and losses on impairment of held-to-maturity securities of (Won)11 billion (US\$9.2 million) for the year ended December 31, 2003. With relation to Commercial Paper (CP) in trust accounts, for which repayment of principal or interest is guaranteed by the banks, in the total amount of (Won)145 billion (US\$121.1 million), the banks charged (Won)63 billion (US\$52.6 million) in losses on trust management. However, LG Card is currently undergoing a corporate restructuring and depending on the result of this restructuring, the Company s bank subsidiaries actual losses on LG Card credit may differ from the current estimate.

As explained in Note 33 to the accompanying consolidated financial statements, Woori Bank merged with Woori Investment Bank (WIB), a subsidiary of the Company, on July 31, 2003 pursuant to a merger agreement dated June 25, 2003. As a result, Woori Bank took over substantially all of the assets and liabilities of WIB by exchanging one common share of WIB for 0.0355 share of Woori Bank.

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Accordingly, the number of issued common shares of Woori Bank increased from 553 million to 571 million and contributed capital of Woori Bank increased from (Won)2,764.4 billion (US\$2,307.9 million) to (Won)2,852.8 billion (US\$2,381.7 million).

As explained in Note 34 to the accompanying consolidated financial statements, on February 5, 2004, WCC, a subsidiary of the Company, made a resolution to split off a part of its credit card business, which was previously purchased from Kwangju Bank, and to transfer back such part to Kwangju Bank. In addition, WCC resolved to transfer all other assets and liabilities including credit card subscriber base to Woori Bank and entered into a merger agreement (the Merger Agreement) with Woori Bank. The transfers to Kwangju Bank and Woori Bank are scheduled to take place on March 29, 2004 and March 31, 2004, respectively. According to the Merger Agreement, one common share of Woori Bank will be issued for 0.3581 common share of WCC and as a result, the number of issued common shares of Woori Bank will increase from 571 million to 636 million and contributed capital of Woori Bank will increase from (Won)2,852.8 billion (US\$2,381.7 million) to (Won)3,179.8 billion (US\$2,654.7 million). There will be no newly issued common shares of Kwangju Bank for the transfer of WCC's credit card business back to Kwangju Bank.

As explained in Note 34 to the accompanying consolidated financial statements, the Company made a resolution on February 11, 2004 to increase its investment in WCC by purchasing new common stocks of WCC, amounting to (Won)800 billion (US\$667.9 million) for the purpose of maintaining capital adequacy of Woori Bank following the merger with WCC. The capital increase is scheduled to take place before the date of the planned merger (March 31, 2004) of WCC into Woori Bank.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the financial position, results of operations 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 17, 2004

Notice to Readers

This report is effective as of February 17, 2004, 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. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****AS OF DECEMBER 31, 2003 AND 2002**

| | Korean won | | US dollars (Note 2) | |
|--|-------------------|-------------------|---------------------|-----------------|
| | 2003 | 2002 | 2003 | 2002 |
| | (In millions) | | (In thousands) | |
| ASSETS | | | | |
| Cash and due from banks (Notes 3, 13 and 26) | (Won) 6,471,855 | (Won) 6,568,852 | US\$ 5,403,118 | US\$ 5,484,098 |
| Trading securities (Notes 4 and 13) | 2,727,843 | 2,943,800 | 2,277,378 | 2,457,672 |
| Available-for-sale securities (Notes 5 and 13) | 14,144,478 | 12,999,992 | 11,808,714 | 10,853,224 |
| Held-to-maturity securities (Notes 6 and 13) | 9,991,914 | 10,410,541 | 8,341,888 | 8,691,385 |
| Investments accounted for using the equity method of accounting (Note 7) | 142,442 | 98,176 | 118,920 | 81,964 |
| Loans, net of allowances for possible loan losses and present value discounts (Note 9) | 86,077,297 | 73,604,113 | 71,862,829 | 61,449,418 |
| Fixed assets (Note 10) | 2,734,616 | 2,796,183 | 2,283,032 | 2,334,432 |
| Other assets, net of present value discounts (Notes 11 and 26) | 6,477,275 | 5,421,877 | 5,407,644 | 4,526,530 |
| | (Won) 128,767,720 | (Won) 114,843,534 | US\$ 107,503,523 | US\$ 95,878,723 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | | | |
| EQUITY | | | | |
| LIABILITIES | | | | |
| Deposits (Notes 14 and 26) | (Won) 89,049,625 | (Won) 78,917,388 | US\$ 74,344,319 | US\$ 65,885,280 |
| Borrowings (Notes 15 and 26) | 12,813,104 | 13,839,614 | 10,697,198 | 11,554,194 |
| Debentures, net of discounts and reconciliation for conversion right, and plus redemption premium and long-term accrued interest (Note 16) | 12,195,159 | 10,792,932 | 10,181,298 | 9,010,629 |
| Other liabilities (Notes 17 and 26) | 9,011,532 | 5,978,833 | 7,523,403 | 4,991,513 |
| | 123,069,420 | 109,528,767 | 102,746,218 | 91,441,616 |
| SHAREHOLDERS EQUITY | | | | |
| Common stock (Note 18) | 3,877,525 | 3,839,074 | 3,237,206 | 3,205,104 |
| Capital surplus | 57,844 | 25,029 | 48,292 | 20,896 |
| Retained earnings (Net income of (Won)56,279 million in 2003 and (Won)591,588 million in 2002) | 1,152,053 | 1,151,113 | 961,807 | 961,023 |
| Capital adjustments | 414,969 | 54,506 | 346,443 | 45,505 |
| Minority interests | 195,909 | 245,045 | 163,557 | 204,579 |
| | 5,698,300 | 5,314,767 | 4,757,305 | 4,437,107 |
| | (Won) 128,767,720 | (Won) 114,843,534 | US\$ 107,503,523 | US\$ 95,878,723 |

See accompanying notes to consolidated financial statements.

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****YEARS ENDED DECEMBER 31, 2003 AND 2002**

| | Korean won | | US dollars (Note 2) | |
|--|---|------------------|--|------------------|
| | 2003 | 2002 | 2003 | 2002 |
| | (In millions, except for income per common share data) | | (In thousands, except for income per common share data) | |
| OPERATING REVENUE INTEREST INCOME (Note 26): | | | | |
| Interest on due from banks | (Won) 49,573 | (Won) 55,090 | US\$ 41,387 | US\$ 45,993 |
| Interest and dividends on trading securities | 139,429 | 188,089 | 116,404 | 157,029 |
| Interest and dividends on available-for-sale securities | 1,288,420 | 797,613 | 1,075,655 | 665,898 |
| Interest and dividends on held-to-maturity securities | 806,734 | 877,982 | 673,513 | 732,995 |
| Interest on loans | 5,190,680 | 4,330,436 | 4,333,511 | 3,615,325 |
| Other | 89,115 | 214,366 | 74,400 | 178,966 |
| | <u>7,563,951</u> | <u>6,463,576</u> | <u>6,314,870</u> | <u>5,396,206</u> |
| FEE INCOME (Note 26): | | | | |
| Commissions | 631,608 | 541,822 | 527,307 | 452,348 |
| Commissions received on credit cards | 466,281 | 861,722 | 389,281 | 719,421 |
| Guarantee fees | 26,286 | 24,446 | 21,945 | 20,409 |
| Other | 25,512 | 27,040 | 21,299 | 22,574 |
| | <u>1,149,687</u> | <u>1,455,030</u> | <u>959,832</u> | <u>1,214,752</u> |
| OTHER OPERATING REVENUE (Note 26): | | | | |
| Gain on trading securities | 154,185 | 168,568 | 128,723 | 140,731 |
| Gain on redemption of available-for-sales securities | 77,151 | 37,991 | 64,411 | 31,717 |
| Gain on securitized assets | 19,227 | 32,464 | 16,052 | 27,103 |
| Gain on foreign exchange | 469,900 | 287,212 | 392,303 | 239,783 |
| Gain on derivatives (Note 29) | 826,405 | 618,127 | 689,936 | 516,052 |
| Trust management fees | 50,359 | 70,558 | 42,043 | 58,906 |
| Reversal of allowance for possible losses | 66,950 | 298,784 | 55,894 | 249,444 |
| Other | 25,630 | 191,680 | 21,397 | 160,028 |
| | <u>1,689,807</u> | <u>1,705,384</u> | <u>1,410,759</u> | <u>1,423,764</u> |
| | <u>10,403,445</u> | <u>9,623,990</u> | <u>8,685,461</u> | <u>8,034,722</u> |
| OPERATING EXPENSES INTEREST EXPENSE (Note 26): | | | | |

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| | | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| Interest on deposits | (2,744,776) | (2,702,504) | (2,291,514) | (2,256,223) |
| Interest on borrowings | (387,098) | (505,631) | (323,174) | (422,133) |
| Interest on debentures | (641,968) | (507,275) | (535,956) | (423,506) |
| Interest on others | (68,560) | (40,904) | (57,239) | (34,149) |
| | <u>(3,842,402)</u> | <u>(3,756,314)</u> | <u>(3,207,883)</u> | <u>(3,136,011)</u> |
| OTHER OPERATING EXPENSES (Note 26): | | | | |
| Commissions | (250,750) | (286,991) | (209,342) | (239,598) |
| Loss on trading securities | (96,406) | (122,181) | (80,486) | (102,005) |
| Loss on redemption of available-for-sales securities | (31,866) | (992) | (26,604) | (828) |
| Loss on foreign exchange | (259,573) | (183,034) | (216,708) | (152,808) |
| Loss on derivatives (Note 29) | (876,823) | (569,627) | (732,028) | (475,561) |
| Subsidy for trust accounts adjustment | (17) | (2,719) | (14) | (2,270) |
| Loss on securitized assets | (1,515) | | (1,265) | |
| Provision for possible losses | (2,679,111) | (2,004,231) | (2,236,693) | (1,673,260) |

(continued)

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)****YEARS ENDED DECEMBER 31, 2003 AND 2002**

| | Korean won | | US dollars (Note 2) | |
|--|---------------------------------|-------------------|----------------------------------|----------------|
| | 2003 | 2002 | 2003 | 2002 |
| | (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) (1,176,158) | (Won) (1,056,614) | US\$ (981,932) | US\$ (882,129) |
| Rent | (83,471) | (58,742) | (69,687) | (49,042) |
| Entertainment | (11,957) | (13,073) | (9,982) | (10,914) |
| Depreciation and amortization | (212,408) | (136,969) | (177,332) | (114,350) |
| Taxes and dues | (92,465) | (117,800) | (77,196) | (98,347) |
| Advertising | (52,046) | (67,381) | (43,451) | (56,254) |
| Telecommunications | (41,868) | (27,682) | (34,954) | (23,111) |
| Service fees | (68,783) | (205,279) | (57,424) | (171,380) |
| IT operating expenses | (76,080) | (31,889) | (63,516) | (26,623) |
| Stock compensation (Note 19) | (1,460) | | (1,219) | |
| Other administrative expenses | (405,952) | (267,214) | (338,915) | (223,088) |
| | (6,418,709) | (5,152,418) | (5,358,748) | (4,301,568) |
| | (10,261,111) | (8,908,732) | (8,566,631) | (7,437,579) |
| OPERATING INCOME | 142,334 | 715,258 | 118,830 | 597,143 |
| NON-OPERATING INCOME (Note 21) | 586,267 | 540,113 | 489,452 | 450,921 |
| NON-OPERATING EXPENSES (Note 21) | (497,539) | (800,487) | (415,377) | (668,298) |
| ORDINARY INCOME | 231,062 | 454,884 | 192,905 | 379,766 |
| EXTRAORDINARY GAINS | | | | |
| INCOME BEFORE INCOME TAX EXPENSE AND MINORITY INTERESTS | 231,062 | 454,884 | 192,905 | 379,766 |
| INCOME TAX BENEFIT (EXPENSE) (Note 22) | (178,688) | 158,692 | (149,180) | 132,486 |
| INCOME BEFORE MINORITY INTERESTS | 52,374 | 613,576 | 43,725 | 512,252 |
| MINORITY INTERESTS, NET | 3,905 | (21,988) | 3,260 | (18,357) |
| NET INCOME | (Won) 56,279 | (Won) 591,588 | US\$ 46,985 | US\$ 493,895 |
| BASIC ORDINARY INCOME PER COMMON SHARE (Note 23) | (Won) 73 | (Won) 789 | US\$ 0.061 | US\$ 0.660 |
| BASIC NET INCOME PER COMMON SHARE (Note 23) | (Won) 73 | (Won) 789 | US\$ 0.061 | US\$ 0.660 |

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| | | | | | | | | |
|---|-------|----|-------|-----|------|-------|------|-------|
| DILUTED ORDINARY INCOME PER COMMON SHARE (Note 23) | (Won) | 72 | (Won) | 789 | US\$ | 0.060 | US\$ | 0.660 |
| DILUTED NET INCOME PER COMMON SHARE (Note 23) | (Won) | 72 | (Won) | 789 | US\$ | 0.060 | US\$ | 0.660 |

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
YEARS ENDED DECEMBER 31, 2003 AND 2002

| | Capital stock | Capital surplus | Retained earnings | Capital adjustments | Minority interests | Total |
|---|------------------|--------------------|----------------------|------------------------|-----------------------|-----------------|
| (In millions) | | | | | | |
| January 1, 2002 | (Won) 3,637,293 | (Won) | (Won) 558,852 | (Won) (116,546) | (Won) 359,595 | (Won) 4,439,194 |
| Net income | | | 591,588 | | | 591,588 |
| Issuance of new shares | 201,781 | 58,649 | | | | 260,430 |
| Changes in scope of consolidation | | (31,994) | (2,396) | (5,387) | | (39,777) |
| Acquisition of subsidiaries treasury stocks | | | | (9,282) | | (9,282) |
| Gain on valuation of investment securities | | | | 184,208 | | 184,208 |
| Gain on valuation using the equity method on subsidiaries | | | 1,430 | | | 1,430 |
| Stock option | | | | 135 | | 135 |
| Valuation on derivative instruments | | | | (6,296) | | (6,296) |
| Amortization of discount on stock issuance | | | (836) | 836 | | |
| Changes in minority interests | | (211) | | 6,981 | (114,537) | (107,767) |
| Others | | (1,415) | 2,475 | (143) | (13) | 904 |
| December 31, 2002 | 3,839,074 | 25,029 | 1,151,113 | 54,506 | 245,045 | 5,314,767 |
| January 1, 2003 | 3,839,074 | 25,029 | 1,151,113 | 54,506 | 245,045 | 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 |
| Gain on valuation of available-for-sale securities | | | | 351,479 | | 351,479 |
| Gain on valuation using equity method on subsidiaries | | | (1,517) | 9,642 | | 8,125 |
| Stock option | | | | 1,460 | | 1,460 |
| | | | | 3,495 | | 3,495 |

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| | | | | | |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Valuation on derivative instruments | | | | | |
| Discounts on stock issuance | | | | (4,050) | (4,050) |
| Changes in minority interests | 211 | | | (10,884) | (49,136) |
| Others | (298) | 3,440 | | (352) | 2,790 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| December 31, 2003 | (Won) 3,877,525 | (Won) 57,844 | (Won) 1,152,053 | (Won) 414,969 | (Won) 195,909 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

See accompanying notes to consolidated financial statements.

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****YEARS ENDED DECEMBER 31, 2003 AND 2002**

| | Korean won | | US dollars (Note 2) | |
|---|-----------------|-----------------|---------------------|----------------|
| | 2003 | 2002 | 2003 | 2002 |
| | (In millions) | | (In thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Net income | (Won) 56,279 | (Won) 591,588 | US\$ 46,985 | US\$ 493,895 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Loss on trading securities | 96,406 | 122,181 | 80,486 | 102,005 |
| Loss on redemption of available-for-sale securities | 31,866 | 992 | 26,604 | 828 |
| Loss on derivatives | 876,823 | 569,627 | 732,028 | 475,561 |
| Provision for possible losses | 2,679,111 | 1,829,018 | 2,236,693 | 1,526,981 |
| Interest expense (without cash outflows) | 3,937 | 6,837 | 3,286 | 5,709 |
| Provision for severance benefits | 98,535 | 91,944 | 82,263 | 76,761 |
| Depreciation and amortization | 212,408 | 136,969 | 177,332 | 114,350 |
| Stock compensation cost | 1,460 | | 1,219 | |
| Loss on disposal of tangible assets | 1,661 | 19,291 | 1,387 | 16,105 |
| Loss on valuation using the equity method of accounting | | 5,876 | | 4,905 |
| Loss on disposal of available-for-sale securities | 26,502 | 69,859 | 22,126 | 58,323 |
| Loss on impairment of available-for-sale securities | 270,390 | 435,283 | 225,739 | 363,402 |
| Loss on impairment of held-to-maturity securities | 63,762 | 6,300 | 53,233 | 5,260 |
| Loss on sale of loans | 16,900 | 190,796 | 14,109 | 159,289 |
| Loss on valuation of the Stock Market Stabilization Fund | 1,250 | | 1,044 | |
| Loss on impairment of intangible assets | 37,052 | | 30,933 | |
| Minority interests gain | | 21,988 | | 18,357 |
| Gain on trading securities | (154,185) | (168,568) | (128,723) | (140,731) |
| Gain on redemption of available-for-sale securities | (77,151) | (37,991) | (64,411) | (31,717) |
| Gain on derivatives | (826,405) | (618,127) | (689,936) | (516,052) |
| Reversal of allowance for possible losses | (66,950) | (27,131) | (55,895) | (22,651) |
| Gain on disposal of tangible assets | (17,718) | (8,649) | (14,792) | (7,221) |
| Gain on valuation using the equity method of accounting | (33,980) | (23,950) | (28,369) | (19,995) |
| Gain on disposal of available-for-sale securities | (76,323) | (184,945) | (63,719) | (154,404) |
| Reversal of loss on impairment of available-for-sale securities | (212,873) | (32,503) | (177,720) | (27,136) |
| Reversal of loss on impairment of held-to-maturity securities | (2,620) | (17,570) | (2,187) | (14,668) |
| Gain on sale of loans | (985) | (137,380) | (822) | (114,694) |
| Minority interests loss | (3,905) | | (3,260) | |
| | (Won) 2,944,968 | (Won) 2,250,147 | US\$ 2,458,648 | US\$ 1,878,567 |

(continued)

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)****YEARS ENDED DECEMBER 31, 2003 AND 2002**

| | Korean won | | US dollars (Note 2) | |
|---|------------------|------------------|---------------------|------------------|
| | 2003 | 2002 | 2003 | 2002 |
| | (In millions) | | (In thousands) | |
| Changes in operating assets and liabilities: | | | | |
| Increase (decrease) in present value discounts | (Won) (80,203) | (Won) 123,699 | US\$ (66,959) | US\$ 103,272 |
| Decrease (increase) in guarantee deposits | 294,277 | (9,197) | 245,681 | (7,678) |
| Decrease (increase) in other accounts receivable | (1,716,418) | 150,699 | (1,432,975) | 125,813 |
| Increase in accrued income | (50,218) | (20,033) | (41,925) | (16,725) |
| Decrease (increase) in prepaid expenses | 23,035 | (19,078) | 19,231 | (15,928) |
| Decrease (increase) in deferred income tax assets | 150,563 | (190,410) | 125,700 | (158,966) |
| Decrease (increase) in accounts receivable on disposal of assets | 3,486 | (4,615) | 2,910 | (3,853) |
| Decrease in domestic exchange settlements debits | 457,858 | 176,269 | 382,249 | 147,161 |
| Decrease in sundry assets | 12,744 | 104,949 | 10,640 | 87,618 |
| Payment of accrued severance benefits | (12,859) | (10,120) | (10,736) | (8,449) |
| Increase in deposits in employee retirement trust | (51,902) | | (43,331) | |
| Decrease (increase) in transfers to the National Pension Fund | 38 | (48,175) | 32 | (40,220) |
| Decrease in allowance for possible losses on confirmed acceptances and guarantees | (6,356) | (181,933) | (5,306) | (151,889) |
| Decrease in other allowances | (231,384) | (116,202) | (193,174) | (97,013) |
| Increase in foreign exchange remittance pending | 44,408 | 196,260 | 37,075 | 163,850 |
| Decrease in domestic exchange remittance pending | (89,109) | (146,323) | (74,394) | (122,160) |
| Increase (decrease) in borrowings from trust accounts | 1,438,630 | (573,199) | 1,201,060 | (478,543) |
| Increase (decrease) in accounts payable | 1,715,093 | (170,071) | 1,431,869 | (141,986) |
| Increase (decrease) in accrued expenses | (56,366) | 34,085 | (47,058) | 28,456 |
| Increase (decrease) in income taxes payable | (2,893) | 1,882 | (2,415) | 1,571 |
| Decrease in unearned revenue | (34,952) | (11,656) | (29,180) | (9,731) |
| Increase (decrease) in deposits for letter of guarantees and others | 6,688 | (8,839) | 5,584 | (7,379) |
| Increase (decrease) in deferred income taxes liabilities | 1,930 | (1,899) | 1,611 | (1,585) |
| Increase (decrease) in accounts for agency businesses | (16,720) | 45,544 | (13,959) | 38,023 |
| Increase in liabilities incurred by agency relationship | 203,073 | 43,819 | 169,538 | 36,583 |
| Decrease in sundry liabilities | (78,811) | (236,563) | (65,797) | (197,498) |
| | <u>1,923,632</u> | <u>(871,107)</u> | <u>1,605,971</u> | <u>(727,256)</u> |
| Net cash provided by operating activities | (Won) 4,924,879 | (Won) 1,970,628 | US\$ 4,111,604 | US\$ 1,645,206 |

(continued)

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)****YEARS ENDED DECEMBER 31, 2003 AND 2002**

| | Korean won | | US dollars (Note 2) | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 2003 | 2002 | 2003 | 2002 |
| | (In millions) | | (In thousands) | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Net decrease in trading securities | (Won) 273,736 | (Won) 301,040 | US\$ 228,532 | US\$ 251,327 |
| Net increase in available-for-sale securities | (756,668) | | (631,715) | |
| Net decrease (increase) in held-to-maturity securities | 357,485 | (1,693,864) | 298,451 | (1,414,146) |
| Net decrease in equity method investments | 982 | | 820 | |
| Net increase in loans | (15,089,082) | (16,029,402) | (12,597,330) | (13,382,369) |
| Net increase in tangible assets | (58,006) | (124,490) | (48,427) | (103,932) |
| Net increase in intangible assets | (110,383) | (30,845) | (92,155) | (25,751) |
| Net decrease in non-operating assets | 805 | 6,997 | 672 | 5,842 |
| Net decrease in operating lease assets | 5,219 | 5,853 | 4,357 | 4,886 |
| Net increase in leased assets | (4,252) | (6,497) | (3,550) | (5,425) |
| Net decrease in derivative instruments assets | 629,029 | 82,044 | 525,154 | 68,496 |
| Net decrease in derivative instruments liabilities | (719,235) | | (600,463) | |
| Net cash used in investing activities | (15,470,370) | (17,489,164) | (12,915,654) | (14,601,072) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Net increase in deposits | 10,113,271 | 9,585,171 | 8,443,205 | 8,002,313 |
| Net increase (decrease) in borrowings | (1,026,510) | 326,481 | (856,996) | 272,567 |
| Net increase in debentures in local currency | 35,792 | 5,254,842 | 29,881 | 4,387,078 |
| Net increase in debentures in foreign currencies | 1,365,751 | 377,149 | 1,140,216 | 314,868 |
| Issuance of new shares | 37,877 | 260,430 | 31,622 | 217,424 |
| Disposal of treasury stocks by subsidiaries | 16,788 | | 14,016 | |
| Payment of dividends | (57,262) | | (47,806) | |
| Increase in discount on stock issuance | (4,050) | | (3,381) | |
| Acquisition of treasury stocks by a subsidiary | (7,468) | (9,282) | (6,235) | (7,749) |
| Net decrease in minority interests | (25,681) | (45,046) | (21,440) | (37,607) |
| Net cash provided by financing activities | 10,448,508 | 15,749,745 | 8,723,082 | 13,148,894 |
| DECREASE IN CASH DUE TO CHANGE IN THE SCOPE OF CONSOLIDATION | (14) | (95,247) | (12) | (79,518) |
| NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS | (96,997) | 135,962 | (80,980) | 113,510 |

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| | | | | |
|---|-----------------|-----------------|----------------|----------------|
| CASH AND DUE FROM BANKS, BEGINNING OF THE YEAR | 6,568,852 | 6,432,890 | 5,484,098 | 5,370,588 |
| CASH AND DUE FROM BANKS, END OF THE YEAR | (Won) 6,471,855 | (Won) 6,568,852 | US\$ 5,403,118 | US\$ 5,484,098 |

See accompanying notes to consolidated financial statements.

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WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

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 five financial institutions, Woori Bank (formerly Hanvit Bank), Kyongnam Bank, Kwangju Bank, Woori Credit Card Co., Ltd. (formerly Peace Bank of Korea) and Woori Investment Bank (merged into Woori Bank on July 31, 2003) (hereafter collectively referred to as the Five Subsidiaries), 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. In accordance with its functional restructuring, the Company established or acquired seven more subsidiaries, and has four 2nd-tier subsidiaries. Upon incorporation, the Company's common stock amounted to (Won)3,637,293 million (US\$3,036,645 thousand), consisting of 727,458,609 common shares ((Won)5,000 per share) issued and outstanding. As a result of several capital increases and exercise of warrants since incorporation, the Company's common stock amounts to (Won)3,877,525 million (US\$3,237,206 thousand), consisting of 775,504,910 common shares issued and outstanding as of December 31, 2003.

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 KDIC owned 673,458,609 (86.8%) shares of the Company's common shares as of December 31, 2003.

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

(2) Consolidated subsidiaries

General information pertaining to the Company's consolidated subsidiaries is as follows:

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 the Agreement on the Implementation of the Business Plan. Woori Bank changed its name from Hanvit Bank to Woori Bank on May 20, 2002. Its common stock amounts to (Won)2,852,838 million (US\$2,381,732 thousand) consisting of 570,567,520 common shares issued and outstanding as of December 31, 2003. Woori

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Bank is wholly owned by the Company. The head office of Woori Bank is located in Seoul, Korea. Woori Bank has 685 branches and offices in Korea and 11 branches and offices in overseas.

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 the Agreement on the Implementation of the Business Plan. As of September 30, 2003, Kyongnam Bank's common stock amounts to (Won)259,000 million (US\$216,230 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 130 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 the Agreement on the Implementation of the Business Plan. As of December 31, 2003, its common stock amounts to (Won)170,403 million (US\$142,263 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 115 domestic branches and offices in Korea.

d. Woori Credit Card Co., Ltd.

Woori Credit Card Co., Ltd. (WCC , formerly Peace Bank of Korea) was established on November 6, 1991 to engage 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. On December 17, 2001, WCC changed its name from Peace Bank of Korea to Woori Credit Card Co., Ltd. and is engaged in the credit card business, factoring and other financing services. In connection with the infusion of public funds, WCC and the KDIC have entered into the Agreement on the Implementation of the Business Plan. Pursuant to the business transfer agreement entered into between Woori Bank and WCC on December 26, 2001, the banking business segment (including trust accounts) of WCC was merged into Woori Bank as of December 31, 2001. WCC acquired the credit card subscriber base of Woori Bank on January 31, 2002. WCC has issued new 40,000,000 common shares amounting to (Won)200 billion (US\$167 million) on March 27, 2003 and new 128,000,000 common shares amounting to (Won)640 billion (US\$534 million) on September 30, 2003 all of which are purchased by the Company. However, WCC curtailed 380,000,000 common shares amounting to (Won)1,900 billion (US\$1,586 million) on December 22, 2003, in a capital reduction without compensation. As a result, the number of issued common stock and capital of WCC decreased to 22,600,000 shares and (Won)113 billion (US\$94 million), respectively, as of December 31, 2003, which are entirely owned by the Company. The head office of WCC is located in Seoul, Korea.

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e. 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, WFIS changed its name from Hanviteun System Co., Ltd. to Woori Finance Information System Co., Ltd. As of December 31, 2003, its common stock amounts to (Won)4,500 million (US\$3,757 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.

f. 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, WF&I changed its name from Woori Asset Management Co., Ltd. to Woori F&I Co., Ltd. As of December 31, 2003, its common stock amounts to (Won)10,000 million (US\$8,349 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.

g. 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, 2003, its common stock amounts to (Won)10 million (US\$8 thousand) consisting of 2,000 shares issued and outstanding of which the Company owns 95%.

h. 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

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WCAAMC from WAMC as explained above. As of December 31, 2003, its common stock amounts to (Won)10 million (US\$8 thousand) consisting of 2,000 shares issued and outstanding, all of which are owned by the Company.

i. 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, WITM changed its name from Hanvit Investment Trust Management Co., Ltd. to Woori Investment Trust Management Co., Ltd. As of December 31, 2003, its common stock amounts to (Won)30,000 million (US\$25,046 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.

j. 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, Woori Securities changed its name from Hanvit Securities Co., Ltd. to Woori Securities Co., Ltd. As of December 31, 2003, its common stock amounts to (Won)164,782 million (US\$137,571 thousand) consisting of 32,956,413 shares issued and outstanding of which the Company owns 52.71%. The head office of Woori Securities is located in Seoul, Korea. Woori Securities has 41 branches and 21 offices in Korea.

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, WCI changed its name from Hanvit Credit Information Co., Ltd. to Woori Credit Information Co., Ltd. As of December 31, 2003, the common stock of WCI amounts to (Won)5,040 million (US\$4,208 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 6 branches or offices in Korea.

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I. 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, WAB changed its name from Hanvit America Bank to Woori America Bank. WAB merged with Panasia Bank N.A. on September 11, 2003. As of December 31, 2003, 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. BWI changed its name from P.T. Bank Hanvit Indonesia to PT. Bank Woori Indonesia on May 20, 2002. As of December 31, 2003, its common stock amounts to IDR 170,000 million consisting of 1,700 shares issued and outstanding of which Woori Bank owns 81.6%.

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., Ltds. As of December 31, 2003, WCAAMC s common stock amounts to (Won)4,000 million (US\$3,339 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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The Company's consolidated subsidiaries as of December 31, 2003 are summarized as follows:

| Parent companies | Subsidiaries | Number of shares owned | Percentage of owner- ship (%) | Fiscal year end |
|----------------------------------|---|------------------------------|-------------------------------------|--------------------|
| Woori Finance Holdings Co., Ltd. | Woori Bank ^{(*)1} | 570,567,520 | 100.0 | December 31 |
| | Kyongnam Bank | 51,800,000 | 99.9 | December 31 |
| | Kwangju Bank | 34,080,000 | 99.9 | December 31 |
| | Woori Credit Card Co., Ltd. ^{(*)2} | 22,600,000 | 100.0 | December 31 |
| | Woori Finance Information System Co., Ltd. | 900,000 | 100.0 | December 31 |
| | Woori F&I Co., Ltd. | 2,000,000 | 100.0 | December 31 |
| | Woori Second Asset Securitization Specialty Co., Ltd. | 1,900 | 95.0 | December 31 |
| | Woori Third Asset Securitization Specialty Co., Ltd. | 2,000 | 100.0 | December 31 |
| | Woori Investment Trust Management Co., Ltd. | 6,000,000 | 100.0 | March 31 |
| | Woori Securities Co., Ltd. ^{(*)3} | 17,372,300 | 52.7 | March 31 |
| Woori Bank | Woori Credit Information Co., Ltd. | 1,008,000 | 100.0 | December 31 |
| | Woori America Bank ^{(*)4} | 8,500,000 | 100.0 | December 31 |
| | PT. Bank Woori Indonesia | 1,387 | 81.6 | December 31 |
| Woori F&I Co., Ltd. | Woori CA Asset Management Co., Ltd. | 408,000 | 51.0 | December 31 |

^{(*)1} The number of outstanding shares of Woori Bank increased by 17,687,520 shares as a result of Woori Bank's merger with Woori Investment Bank on July 31, 2003.

^{(*)2} On March 27, 2003 and September 30, 2003, the Company purchased 40,000,000 new shares of WCC for (Won)200,000 million (US\$166,973 thousand) and 128,000,000 new shares of WCC for (Won)640,000 million (US\$534,313 thousand). However, WCC curtailed 380,000,000 shares amounting to (Won)1,900 billion (US\$1,586 million) in a capital reduction without compensation on December 10, 2003.

^{(*)3} The Company purchased 4,121,730 shares of Woori securities for (Won)16,899 million (US\$14,108 thousand) on November 28, 2003.

^{(*)4} Woori Bank purchased 1,500,000 new shares of WAB for US\$15 million on September 3, 2003.

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The Company's consolidated subsidiaries as of December 31, 2002 are summarized as follows:

| Parent companies | Subsidiaries | Number of shares owned | Percentage of owner- ship (%) | Fiscal year end |
|-------------------------------------|--|------------------------------------|-------------------------------------|--------------------|
| Woori Finance Holdings Co., Ltd. | Woori Bank ^{(*)1} | 552,880,000 | 100.0 | December 31 |
| | Kyongnam Bank | 51,800,000 | 99.9 | December 31 |
| | Kwangju Bank | 34,080,000 | 99.9 | December 31 |
| | Woori Credit Card Co., Ltd. | 234,600,000 | 100.0 | December 31 |
| | Woori Investment Bank ^{(*)1} | 498,240,000 | 100.0 | March 31 |
| | Woori Finance Information System Co., Ltd. ^{(*)2} | 900,000 | 100.0 | December 31 |
| | Woori F&I Co., Ltd. | 2,000,000 | 100.0 | December 31 |
| | Woori First Asset Securitization Specialty Co., Ltd. ^{(*)3} | 1,900 | 95.0 | December 31 |
| | Woori Second Asset Securitization Specialty Co., Ltd. | 1,900 | 95.0 | December 31 |
| | Woori Third Asset Securitization Specialty Co., Ltd. | 2,000 | 100.0 | December 31 |
| | Woori Investment Trust Management Co., Ltd. | 6,000,000 | 100.0 | March 31 |
| | Woori Securities Co., Ltd. | 13,250,570 | 40.2 | March 31 |
| | Woori Bank | Woori Credit Information Co., Ltd. | 1,008,000 | 100.0 |
| Woori America Bank | | 7,000,000 | 100.0 | December 31 |
| | P.T. Bank Woori Indonesia | 1,387 | 81.6 | December 31 |
| Woori F&I Co., Ltd. | Woori CA Asset Management Co., Ltd. | 408,000 | 51.0 | December 31 |

(*)1 WIB was merged into Woori Bank on July 31, 2003.

(*)2 WFIS changed its fiscal year end from March 31 to December 31 in 2002.

(*)3 WASS1 registered the completion of liquidation on December 11, 2003.

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- (3) Affiliates accounted for by using the equity method of accounting.

General information pertaining to the entities accounted for by using the equity method 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, 2003, its common stock amounts to (Won)44,000 million (\$36,734 thousand) consisting of 4,400,000 shares issued and outstanding. Woori Bank and Kyongnam Bank own 27.7% 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.

- b. Byucksan E&C Co., Ltd.

Byucksan E&C Co., Ltd. (Byucksan) was established in September 1958 to engage in construction and has listed its shares on the Korea Stock Exchange since June 1975. Byucksan entered into a Memorandum Of Understanding (MOU) with its committee of creditors on the implementation of the management improvement plan including reduction of capital to curtail, debt-equity swap, and issuance of convertible bonds on December 24, 1998. The committee of creditors approved the finalization of such MOU on October 11, 2002. Woori Bank and Kyongnam Bank, subsidiaries of the Company, purchased shares of Byucksan by debt-equity swap in connection with the MOU. As of December 31, 2003, Byucksan's stock amounts to (Won)190,671 million (US\$159,184 thousand) consisting of 37,895,093 of common shares and 239,130 of preferred shares issued and outstanding. Woori Bank and Kyongnam Bank own 30.03% and 0.53%, respectively, of the common stock of Byucksan.

- c. 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, 2003, its common stock amounts to (Won)7,000 million (\$5,844 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.

- d. Woori LB First Asset Securitization Specialty Co., Ltd.

Woori LB First Asset Securitization Specialty Co., Ltd. (WLBASS1) was established on September 16, 2002 as an asset securitization specialty company in accordance with the Act on Asset-Backed Securitization, and is engaged in the asset-backed securitization business of issuing asset-backed securities based on the securitization assets acquired from WASS1, and collection, management, operation, and disposition of the securitization assets. As of December 31, 2003, common stock of WLBASS1 amounts to (Won)8,000 million (\$6,679 thousand) consisting of 1,600,000 shares issued and outstanding. WF&I and LB Luxembourg own 30% and 70%, respectively, of WLBASS1.

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e. Woori LB Second Asset Securitization Specialty Co., Ltd.

Woori LB Second Asset Securitization Specialty Co., Ltd. (WLBASS2) was established on December 9, 2002 as an asset securitization specialty company in accordance with the Act on Asset-Backed Securitization, and is engaged in the asset-backed securitization business of issuing asset-backed securities based on the securitization assets acquired from WASS2, and collection, management, operation, and disposition of the securitization assets. As of December 31, 2003, common stock of WLBASS1 amounts to (Won)2,300 million (\$1,920 thousand) consisting of 460,000 shares issued and outstanding. WF&I and LB Luxembourg own 30% and 70%, respectively, of WLBASS2.

f. Woori LB Third Asset Securitization Specialty Co., Ltd.

Woori LB Third Asset Securitization Specialty Co., Ltd. (WLBASS3) was established on December 9, 2002 as an asset securitization specialty company in accordance with the Act on Asset-Backed Securitization, and is engaged in the asset-backed securitization business of issuing asset-backed securities based on the securitization assets acquired from WASS3, and collection, management, operation, and disposition of the securitization assets. As of December 31, 2003, common stock of WLBASS1 amounts to (Won)6,900 million (\$5,761 thousand) consisting of 1,380,000 shares issued and outstanding. WF&I and LB Luxembourg own 30% and 70%, respectively, of WLBASS3.

g. Woori LB Fourth Asset Securitization Specialty Co., Ltd.

Woori LB Fourth Asset Securitization Specialty Co., Ltd. (WLBASS4) was established on December 9, 2002 as an asset securitization specialty company in accordance with the Act on Asset-Backed Securitization, and is engaged in the asset-backed securitization business of issuing asset-backed securities based on the securitization assets acquired from WIB, and collection, management, operation, and disposition of the securitization assets. As of December 31, 2003, common stock of WLBASS4 amounts to (Won)7,200 million (\$6,011 thousand) consisting of 1,440,000 shares issued and outstanding. WF&I and LB Luxembourg own 30% and 70%, respectively, of WLBASS4.

h. Woori LB Fifth Asset Securitization Specialty Co., Ltd.

Woori LB Fifth Asset Securitization Specialty Co., Ltd. (WLBASS5) was established on March 11, 2003 as an asset securitization specialty company in accordance with the Act on Asset-Backed Securitization, and is engaged in the asset-backed securitization business of issuing asset-backed securities based on the securitization assets, acquired from Asset Securitization Specialties and Trust Accounts of Woori bank, and collection, management, operation, and disposition of the securitization assets. As of December 31, 2003, common stock of WLBASS5 amounted to (Won)39,000 million (\$32,560 thousand) consisting of 7,800,000 shares issued and outstanding. WF&I and LB Luxembourg own 30% and 70%, respectively, of WLBASS5.

i. Woori LB Sixth Asset Securitization Specialty Co., Ltd.

Woori LB Sixth Asset Securitization Specialty Co., Ltd. (WLBASS6) was established on March 11, 2003 as an asset securitization specialty company in accordance with the Act on Asset-Backed Securitization, and is engaged in the asset-backed securitization business of issuing asset-backed securities based on the securitization assets acquired from Woori bank, and collection, management, operation, and disposition of the securitization assets. As of December 31, 2003, common stock of WLBASS6 amounts to (Won)3,900 million (\$3,256 thousand) consisting of 780,000 shares issued and outstanding. WF&I and LB Luxembourg own 30% and 70%, respectively, of WLBASS6.

j. Woori LB Eighth Asset Securitization Specialty Co., Ltd.

Woori LB Eighth Asset Securitization Specialty Co., Ltd. (WLBASS8) was established on July 1, 2003 as an asset securitization specialty company in accordance with the Act on Asset-Backed Securitization, and is engaged in the asset-backed securitization business of issuing asset-backed

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securities based on the securitization assets acquired from WCC, and collection, management, operation, and disposition of the securitization assets. As of December 31, 2003, common stock of WLBASS8 amounts to (Won)2,000 million (\$1,670 thousand) consisting of 400,000 shares issued and outstanding. WF&I and HY Investment (Ireland) Ltd. own 30% and 70%, respectively, of WLBASS8.

k. Woori F&I First Asset Securitization Specialty Co., Ltd.

Woori F&I First Asset Securitization Specialty Co., Ltd. (WF&IASS1) was established on June 18, 2003 as an asset securitization specialty company in accordance with the Act on Asset-Backed Securitization, and is engaged in the asset-backed securitization business of issuing asset-backed securities based on the securitization assets acquired from Woori bank, and collection, management, operation, and disposition of the securitization assets. As of December 31, 2003, common stock of WF&IASS1 amounts to (Won)426 million (US\$356 thousand) consisting of 42,560 shares issued and outstanding. WF&I and Global Asset Investment Co., Ltd. own 30% and 70%, respectively, of WF&IASS1.

l. Woori F&I Second Asset Securitization Specialty Co., Ltd.

Woori F&I Second Asset Securitization Specialty Co., Ltd. (WF&IASS2) was established on June 18, 2003 as an asset securitization specialty company in accordance with the Act on Asset-Backed Securitization, and is engaged in the asset-backed securitization business of issuing asset-backed securities based on the securitization assets acquired from Woori Bank, and collection, management, operation, and disposition of the securitization assets. As of December 31, 2003, common stock of WF&IASS2 amounts to (Won)361 million (US\$301 thousand) consisting of 36,080 shares issued and outstanding. WF&I and HS Asset Investment Co., Ltd. own 30% and 70%, respectively, of WF&IASS2.

m. Woori F&I Fourth Asset Securitization Specialty Co., Ltd.

Woori F&I Fourth Asset Securitization Specialty Co., Ltd. (WF&IASS4) was established on July 15, 2003 as an asset securitization specialty company in accordance with the Act on Asset-Backed Securitization, and is engaged in the asset-backed securitization business of issuing asset-backed securities based on the securitization assets acquired from WIB, and collection, management, operation, and disposition of the securitization assets. As of December 31, 2003, common stock of WF&IASS4 amounts to (Won)69 million (US\$58 thousand) consisting of 6,900 shares issued and outstanding. WF&I

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and GB Synerworks Co., Ltd. own 30% and 70%, respectively, of WF&IASS4. The office of WF&IASS4 is located in Seoul, Korea.

The entities accounted for using the equity method of accounting by the subsidiaries of the Company as of December 31, 2003 are summarized as follows:

| Investors | Investees | Number of shares owned | Percentage of ownership (%) | Fiscal year end |
|---------------------------------|--|------------------------------|--------------------------------|--------------------|
| Woori Bank and Kyongnam Bank | BC Card Co., Ltd. | 1,303,920 | 29.6 | December 31 |
| " | Byucksan E&C Co., Ltd. | 11,552,500 | 30.6 | December 31 |
| Woori Bank | Korea Finance Security Co., Ltd. | 233,000 | 16.7 | March 31 |
| Woori F&I Co., Ltd. | Woori LB First Asset Securitization Specialty Co., Ltd. | 480,000 | 30.0 | December 31 |
| " | Woori LB Second Asset Securitization Specialty Co., Ltd. | 138,000 | 30.0 | December 31 |
| " | Woori LB Third Asset Securitization Specialty Co., Ltd. | 414,000 | 30.0 | December 31 |
| " | Woori LB Fourth Asset Securitization Specialty Co., Ltd. | 432,000 | 30.0 | December 31 |
| " | Woori LB Fifth Asset Securitization Specialty Co., Ltd. ^(*1) | 2,340,000 | 30.0 | December 31 |
| " | Woori LB Sixth Asset Securitization Specialty Co., Ltd. ^(*1) | 234,000 | 30.0 | December 31 |
| " | Woori LB Eighth Asset Securitization Specialty Co., Ltd. ^(*1) | 120,000 | 30.0 | December 31 |
| " | Woori F&I First Asset Securitization Specialty Co., Ltd. ^(*2) | 12,768 | 30.0 | December 31 |
| " | Woori F&I Second Asset Securitization Specialty Co., Ltd. ^(*2) | 10,824 | 30.0 | December 31 |
| " | Woori F&I Fourth Asset Securitization Specialty Co., Ltd. ^(*2) | 2,070 | 30.0 | December 31 |

^(*1) Woori F&I purchased common shares of Woori LB Fifth Asset Securitization Specialty Co., Ltd. and Woori LB Sixth Asset Securitization Specialty Co., Ltd. on March 11, 2003 and Woori LB Eighth Asset Securitization Specialty Co., Ltd. on July 10, 2003.

^(*2) Woori F&I purchased common shares of Woori F&I First Asset Securitization Specialty Co., Ltd. and Woori F&I Second Asset Securitization Specialty Co., Ltd. on June 18, 2003 and Woori F&I Fourth Asset Securitization Specialty Co., Ltd. on July 29, 2003.

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The entities accounted for by using the equity method of accounting by the subsidiaries of the Company as of December 31, 2002 is summarized as follows:

| <u>Investors</u> | <u>Investees</u> | <u>Number of shares owned</u> | <u>Percentage of ownership (%)</u> | <u>Fiscal year end</u> |
|---------------------------------|--|---------------------------------------|--|----------------------------|
| Woori Bank and Kyongnam Bank | BC Card Co., Ltd. | 1,303,920 | 29.6 | December 31 |
| " | Byucksan E&C Co., Ltd. | 11,887,060 | 29.9 | December 31 |
| Woori Bank | Korea Finance Security Co., Ltd. | 351,960 | 22.0 | March 31 |
| Woori F&I Co., Ltd. | Woori LB First Asset Securitization Specialty Co., Ltd. | 480,000 | 30.0 | December 31 |
| " | Woori LB Second Asset Securitization Specialty Co., Ltd. | 138,000 | 30.0 | December 31 |
| " | Woori LB Third Asset Securitization Specialty Co., Ltd. | 414,000 | 30.0 | December 31 |
| " | Woori LB Fourth Asset Securitization Specialty Co., Ltd. | 432,000 | 30.0 | December 31 |

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

The Company and its subsidiaries maintains its official accounting records in Korean won and prepares statutory 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 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 consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying consolidated financial statements have been restructured and translated into English from the Korean language financial statements.

The US dollar amounts presented in these financial statements were computed by translating Korean won into US dollars at the rate of (Won)1,197.80 to US\$1.00, the Base Rate announced by Seoul Money Brokerage Service, Ltd at December 31, 2003, solely for the convenience of the reader. This convenience translation into US 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.

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

(1) Accounting for consolidation

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 net assets acquired are recorded either in goodwill or negative goodwill amortized using the straight-line method over its estimated economic useful life. 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 consolidated 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 regarded as the acquisition date. All significant inter-company transactions are eliminated in the consolidated financial statements.

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 US dollar into Korean won based on the Base rate (\$1.00 to (Won)1,197.80 and (Won)1,200.40 at December 31, 2003 and 2002, respectively) published by Seoul Money Brokerage Service, Ltd. and cross rates.

c. The equity method of accounting

For investments in affiliates accounted for using the equity method of accounting, the difference between acquisition costs and net assets acquired at the acquisition date is added to or deducted from the carrying amount of investments and is being amortized using a straight-line method over five years. Changes in the Company and its subsidiaries' portion of net assets of affiliates accounted for using the equity method of accounting are added to or deducted from the carrying amount of investments. The increases or decreases in amount of investments resulting from changes in net income of the affiliates are added to or deducted from consolidated net income, changes in retained earnings of the affiliates are reflected in the consolidated retained earnings and the increases or decreases resulting from changes in capital surplus or capital adjustment of the affiliates are added to or deducted from consolidated capital surplus or consolidated capital adjustment, respectively.

d. Date of the consolidated financial statements

The accompanying consolidated financial statements are stated as of December 31, 2003 and 2002, the balance sheets date of the Company. In case the balance sheet dates of affiliates differ from the Company's, the Company used the balance sheets of affiliates as of December 31, 2003 and 2002 and the related consolidated statements of income for the year ended December 31, 2003 and 2002.

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e. Minority interests

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

(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 cost incurred in connection with acquisition of the related securities using the moving average method and divided into trading, available-for-sale, or held-to-maturity securities, based on their 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. Debt securities, when the Company and its subsidiaries have the positive intent to hold such securities to maturity and the ability to do so, are classified as held-to-maturity securities. All other securities are classified as available-for-sales securities.

The following details the Company's accounting for securities, except for the equity securities accounted for using the equity method of accounting:

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

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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.

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 on 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 by 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.

f. The effect of accounting change for adoption of Statements of Korea Accounting Statements (SKAS) No. 8

SKAS No. 8 Securities that revised the accounting and reporting for securities, is effective for the fiscal year beginning after December 31, 2002. The Company and its subsidiaries adopted SKAS No. 8 on January 1, 2003 and applied it retroactively, reclassifying the accounts relating to securities in the

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consolidated financial statements as of December 31, 2002, which are presented for comparative purposes in the accompanying consolidated financial statements. Such reclassification did not have an effect on the total assets, retained earnings, or net income in the consolidated financial statements as of and for the year ended December 31, 2002.

Up until the prior fiscal year, increases in fair values of impaired available-for-sale securities that were not objectively regarded as a reversal of impairment loss event were not accounted for as a capital adjustment. However, as explained above, since SKAS No. 8 was newly adopted in 2003, the increases in the fair value of the impaired available-for-sales securities are recorded as capital adjustments as gains on valuation of available-for-sales securities. As a result, (Won)220 billion (US\$184 million) of gain on valuation of available-for-sale securities relating to securitization subordinated bonds was recorded as capital adjustment as of December 31, 2003. In addition, the Company and its subsidiaries recorded (Won)14 billion (US\$12 million) of gains on valuation of the Stock Market Stabilization Fund as capital adjustment as of December 31, 2003.

(3) Convertible securities

SKAS No. 9 - Convertible Securities revises the accounting and reporting for convertible securities. The statement requires the recognition of the value of conversion rights when convertible bonds are issued. SKAS No. 9 is effective for the fiscal year beginning after December 31, 2002. Accordingly, 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.

(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

The Company and its subsidiaries classify corporate credits, including loans and confirmed acceptances and guarantees 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 to 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

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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 classification of the loans and the minimum percentages of allowances for possible loan losses by types of loans applied by the Company and its subsidiaries as of December 31, 2003 are as follows:

| Class | Classification | Loans to corporate | Loans to households | Credit card accounts |
|--------------|-----------------------|---------------------------|----------------------------|-----------------------------|
| 1 ~ 6 | Normal | Not less than 0.5% | Not less than 0.75% | Not less than 1% |
| 7 | Precautionary | Not less than 2% | Not less than 8% | Not less than 12% |
| 8 | Substandard | Not less than 20% | Not less than 20% | Not less than 20% |
| 9 | Doubtful | Not less than 50% | Not less than 55% | Not less than 60% |
| 10 | Loss | 100% | 100% | 100% |

Confirmed acceptances and guarantees are classified, as of the balance sheet date, using the same criteria as for loan classification. The allowance for possible losses on confirmed acceptances and guarantees is presented in other liabilities.

The Company and its subsidiaries classify loans and confirmed acceptances and guarantees extended to borrowers under workout and court receivership and mediation, financial institutions, and the top 50 percent of borrowers based on more detailed classification criteria than provided by the five categories above. An allowance for possible losses on those credits is calculated on the balances using 0.5 to 100 percent allowance rates and the resulting effect is charged to current operations.

(6) Restructuring of loans

A loan, whose contractual terms are modified in a troubled debt restructuring due to mutual agreements such as commencement of reorganization, court mediation and workout plans, is accounted for at the present value of expected future cash flows, if the book value of the loan differs from the present value. The difference between book value and present value is offset against the allowance for possible loan losses and any remaining amounts are charged to operations as bad debt expense. The difference between the book value of a loan and its present value is recorded as present value discount, which is presented as a deduction from the loan. The present value discount is amortized over the remaining maturity using the effective interest rate method, and the amortization amount is recorded as interest income.

(7) Disposition of loans

As loans are sold, which are evaluated by an independent appraiser, the losses or gains on disposition of the loans are charged to the allowance for possible losses on the loans.

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(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.

(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.

Depreciation is computed using the declining balance method or straight-line method based on the estimated useful lives of the assets.

(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 are recognized as interest expense or interest income on the debentures.

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(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 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, 2003 and 2002 amount to (Won)219,672 million (US\$183,396 thousand) and (Won)133,996 million (US\$111,868 thousand), respectively.

(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.

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(17) Income tax expense

Income tax expense is the amount currently payable and changes during 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. The difference between the amount currently payable for the period and income tax expense is accounted for as deferred income tax assets or liabilities and offset against income tax assets and liabilities in future 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 consolidated 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)1,197.80 and (Won)1,200.40 to \$1.00 at December 31, 2003 and 2002, 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 salary expense (included in administration expense) in the consolidated statement of income and credited as stock option (included in 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 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. Diluted securities were assumed to exercise or converted at the start of this fiscal year except for the securities, which were issued during this fiscal year.

(21) Adoption of SKAS

Korea Accounting Standards Board (KASB) has issued SKASs that replaced existing Korean Financial Accounting Standards (KFAS) in order to enhance the global convergence of existing accounting standards and usefulness of accounting information. Accordingly, the Company has adopted SKASs in 2003, except that the Company early adopted SKAS No. 6 - Subsequent Events in 2002.

Table of Contents**3. RESTRICTED DUE FROM BANKS**

Restricted due from banks as of December 31, 2003 are as follows (Unit: Korean won in millions):

| <u>Financial institution</u> | <u>Dec. 31, 2003</u> | <u>Reason of restriction</u> |
|--|------------------------|--------------------------------------|
| Due from banks in local currency | | |
| Bank of Korea | (Won) 2,634,748 | Banking law |
| Korea Stock Exchange and others | 400 | Indemnity fund and other |
| Korea Securities Finance Corporation and others | 146,450 | Regulation of securities supervisory |
| Korea Securities Depository | 190 | Indemnity fund and other |
| Others | 48 | Collateral for guarantees and other |
| Sub total | 2,781,836 | |
| Due from banks in foreign currencies | | |
| Bank of Korea and others | 209,230 | Banking law |
| Bank of Japan and others | 970 | Reserve deposits on overseas banks |
| Lehman Brothers | 47,912 | Collateral for credit derivatives |
| Bangladesh Bank and others | 17,966 | Reserve deposits on overseas banks |
| Bank of Indonesia and others | 6,964 | Reserve deposits on overseas banks |
| Federal Reserve Bank | 3,593 | Guarantee for FRB discount window |
| Industrial & Commercial Bank of China and others | 17,841 | Reserve deposits on overseas banks |
| Federal Tennessee National | 11,978 | Line of credit |
| Sub total | 316,454 | |
| Total | (Won) 3,098,290 | |

Restricted due from banks as of December 31, 2002 are as follows (Unit: Korean won in millions):

| <u>Financial institution</u> | <u>Dec. 31, 2002</u> | <u>Reason of restriction</u> |
|---|----------------------|--------------------------------------|
| Due from banks in local currency | | |
| Bank of Korea | (Won) 2,016,060 | Banking law |
| Korea Stock Exchange and others | 7,392 | Indemnity fund and other |
| Korea Securities Finance Corporation and others | 118,234 | Regulation of securities supervisory |
| Korea Life Insurance and others | 75,076 | Guarantee for employee benefits. |
| Hanareum Merchant Bank and others | 8,987 | Restructuring of merchant banks |
| Others | 373 | |
| Sub total | 2,226,122 | |
| Due from banks in foreign currencies | | |
| Bank of Korea | 282,897 | Banking law |
| Bank of Japan and others | 1,086 | Reserve deposits on overseas banks |
| Lehman Brothers | 88,881 | Collateral for credit derivatives |

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| | | |
|------------------------------|-----------------|------------------------------------|
| Bangladesh Bank and others | 17,406 | Reserve deposits on overseas banks |
| Bank of Indonesia and others | 4,785 | Reserve deposits |
| | <hr/> | |
| Sub total | 395,055 | |
| | <hr/> | |
| Total | (Won) 2,621,177 | |
| | <hr/> | |

Table of Contents**4. TRADING SECURITIES**

Trading securities as of December 31, 2003 and 2002 are as follows:

| | Korean won | | US dollars (Note 2) | |
|--|------------------------|------------------------|-----------------------|-----------------------|
| | Dec. 31, 2003 | Dec. 31, 2002 | Dec. 31, 2003 | Dec. 31, 2002 |
| | (In millions) | | (In thousands) | |
| Equity securities | (Won) 108,091 | (Won) 64,805 | US\$ 90,241 | US\$ 54,103 |
| Government bonds | 684,432 | 691,507 | 571,408 | 577,314 |
| Finance debentures | 626,851 | 845,419 | 523,335 | 705,810 |
| Corporate bonds | 580,765 | 849,810 | 484,860 | 709,476 |
| Beneficiary certificates | 600,471 | 305,625 | 501,312 | 255,155 |
| Trading securities in foreign currencies | 24,216 | 84,278 | 20,217 | 70,361 |
| Others | 103,017 | 102,356 | 86,005 | 85,453 |
| Total | (Won) 2,727,843 | (Won) 2,943,800 | US\$ 2,277,378 | US\$ 2,457,672 |

5. AVAILABLE-FOR-SALE SECURITIES

(1) Available-for-sale securities as of December 31, 2003 and 2002 are as follows:

| | Korean won | | US dollars (Note 2) | |
|---|-------------------------|-------------------------|------------------------|------------------------|
| | Dec. 31, 2003 | Dec. 31, 2002 | Dec. 31, 2003 | Dec. 31, 2002 |
| | (In millions) | | (In thousands) | |
| Equity securities | (Won) 1,149,975 | (Won) 855,514 | US\$ 960,073 | US\$ 714,238 |
| Equity investments in partnership | 58,905 | 59,234 | 49,178 | 49,452 |
| Government bonds | 728,525 | 588,680 | 608,219 | 491,468 |
| Financial debentures | 4,626,482 | 4,084,754 | 3,862,483 | 3,410,214 |
| Corporate bonds | 4,004,416 | 4,376,450 | 3,343,142 | 3,653,740 |
| Beneficiary certificates | 2,097,998 | 1,799,518 | 1,751,543 | 1,502,353 |
| Available-for-sale securities in foreign currencies | 1,337,860 | 1,155,119 | 1,116,931 | 964,367 |
| Other | 140,317 | 80,723 | 117,145 | 67,392 |
| Total | (Won) 14,144,478 | (Won) 12,999,992 | US\$ 11,808,714 | US\$ 10,853,224 |

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- (2) The details of equity securities in available-for-sale securities as of December 31, 2003 are as follows (Unit: Korean won in millions, thousand shares):

| | Shares | Percentage of ownership (%) | Acquisition Cost | Net asset Value | Book value |
|--|-----------|--------------------------------|---------------------|--------------------|----------------|
| Marketable equity securities: | | | | | |
| KP Chemical Corporation ^{(*)1} | 15,819 | 16.72 | (Won) 25,412 | (Won) 32,350 | (Won) 32,350 |
| Ssangyong Engineering & Construction Co., Ltd. | 74 | 0.25 | 202 | 176 | 176 |
| Nam-Kwang Engineering & Construction Co., Ltd. | 642 | 2.53 | 3,212 | 1,522 | 1,522 |
| Ssangyong Motor Company | 3,433 | 3.10 | 9,512 | 35,355 | 35,355 |
| Kocref -Reit 1 | 4,100 | 15.40 | 20,500 | 21,197 | 21,197 |
| Woobang Housing & Construction Co., Ltd. | 515 | 3.96 | 2,474 | 598 | 598 |
| Hyundai Eng & Const Co., Ltd. | 14,235 | 9.56 | 130,943 | 52,572 | 52,572 |
| Daewoo Precision Industries Co., Ltd. | 736 | 7.60 | 3,057 | 11,410 | 11,410 |
| Hynix Semiconductor Inc. | 64,529 | 13.60 | 248,060 | 361,360 | 361,360 |
| Ssangyong cement Industrial Co., Ltd. | 886 | 0.41 | 1,084 | 1,302 | 1,302 |
| Kia Steel Co., Ltd | 16 | 0.04 | 209 | 158 | 158 |
| Daewoo Engineering & Construction Co., Ltd. | 19,022 | 5.80 | 73,371 | 105,953 | 105,953 |
| SK Networks Co., Ltd. | 13,691 | 4.10 | 27,383 | 46,784 | 46,784 |
| Daewoo International Corporation | 1,875 | 2.00 | 4,602 | 13,685 | 13,685 |
| Daewoo Securities Co. Ltd. | 3,130 | 1.50 | 55,215 | 13,303 | 13,303 |
| Hyundai Corporation ^{(*)1} | 3,923 | 17.10 | 10,015 | 11,847 | 11,847 |
| Ssangyong Corporation ^{(*)1} | 2,831 | 16.30 | 38,821 | 11,040 | 11,040 |
| Daerim Corporation ^{(*)1} | 2,669 | 23.20 | 6,981 | 10,675 | 10,675 |
| Kocref Cr- Reit 3 | 2,000 | 14.70 | 10,000 | 10,200 | 10,200 |
| HanKang Restructuring Fund | 4,160 | 3.30 | 7,392 | 7,571 | 7,571 |
| Kocref Cr- Reit 2 | 1,400 | 12.50 | 7,000 | 6,958 | 6,958 |
| YTN | 3,190 | 7.60 | 15,950 | 4,594 | 4,594 |
| INI Steel Co., Ltd. | 175 | 0.20 | 628 | 1,839 | 1,839 |
| Kia Motors Corporation | 201 | 0.05 | 2,852 | 2,194 | 2,194 |
| Myasset Genhiskhan Growth[2] Fund | 2,999,970 | 56.71 | 3,000 | 3,143 | 3,143 |
| Others | | | 41,188 | 15,198 | 15,198 |
| Sub total | | | 749,063 | 782,984 | 782,984 |
| Non-marketable equity securities: | | | | | |
| CJ Investment Trust & Securities Co., Ltd. | 318 | 0.61 | 1,189 | 407 | 407 |
| The Kyongnam Shinmun | 200 | 14.07 | 970 | 1,072 | 970 |
| Renault Samsung Motors Co., Ltd. | 142 | 0.16 | 524 | 792 | 524 |
| Samsung Life Insurance Co., Ltd. | 555 | 2.80 | 159,262 | 216,688 | 159,262 |
| Korea Securities Corporation | 5,908 | 8.68 | 30,356 | 39,833 | 30,356 |

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| | Shares | Percentage of ownership (%) | Acquisition | | Net asset | | Book value |
|---|--------|--------------------------------|-----------------|-----------------|-----------------|------------|------------|
| | | | Cost | Value | Value | Book value | |
| Korea Housing Guarantee Co., Ltd. | 5,007 | 0.86 | (Won) 5,053 | (Won) 8,782 | (Won) 3,504 | | |
| Korea Aerospace Industries, Ltd. (Preferred stocks) | 4,468 | 4.80 | 22,338 | 14,842 | 14,842 | | |
| 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 | | |
| Moogoonghwa Restructuring Fund | 5,400 | 8.13 | 17,156 | 13,443 | 13,443 | | |
| SK Networks Co., Ltd. (Preferred stocks) | 1,433 | 0.40 | 28,663 | 42,575 | 42,575 | | |
| K-WON | 200 | 2.00 | 1,000 | 1,298 | 1,298 | | |
| DongWon Capital Co., Ltd. | 1,200 | 9.23 | 6,000 | 4,687 | 4,687 | | |
| Kiwoon.com Securities Co., Ltd. | 180 | 1.80 | 900 | 1,000 | 900 | | |
| My Asset Investment Management Advisory co., ltd. | 230 | 7.45 | 1,150 | 689 | 1,150 | | |
| MVP capital | 200 | 10.00 | 1,000 | 1,078 | 1,000 | | |
| Realty Advisors | 200 | 14.28 | 1,000 | 798 | 1,000 | | |
| Korea ECN Securities Co., Ltd. | 160 | 3.12 | 800 | 603 | 800 | | |
| Capital Partner | 100 | 7.10 | 500 | 456 | 900 | | |
| NexBITec Co. ^(*) | 102 | 50.50 | 510 | 1,158 | 510 | | |
| Others | | | 105,013 | 68,214 | 59,673 | | |
| Sub total | | | 416,004 | 447,605 | 366,991 | | |
| Total | | | (Won) 1,165,067 | (Won) 1,230,589 | (Won) 1,149,975 | | |

(*) Not accounted for using the equity method of accounting since those investees have entered into a Memorandum of Understanding on implementation of the management improvement.

(*) Not consolidated or accounted for using the equity method of accounting since total assets of the investee are not more than (Won)7 billion and the fluctuations on the investment security may not be material in the consolidated statements as of December 31, 2003 and 2002.

(3) The capital contributions in available-for-sales securities as of December 31, 2003 are as follows (Unit: Korean won in millions):

| | Percentage of ownership (%) | Dec. 31, 2003 |
|--|--------------------------------|------------------|
| Stock Market Stabilization Fund (SMSF) | 12.05% | (Won) 35,736 |
| Korea Asset Management Corp. (KAMCO) | 4.33% | 6,473 |
| Korea Stock Exchange and others | 3.38% | 2,438 |
| Other | | 14,258 |
| | | (Won) 58,905 |

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(4) The details of bonds in available-for-sale debt securities as of December 31, 2003 are as follows (Unit: Korean won in millions):

| | Adjustment amount | Unrealized Gain | Unrealized Loss | Fair Value |
|-----------------------------|-------------------------|---------------------|------------------------|-------------------------|
| Government bonds | (Won) 729,124 | (Won) 1,393 | (Won) (1,992) | (Won) 728,525 |
| Financial debentures | 4,661,592 | 4,326 | (39,436) | 4,626,482 |
| Corporate bonds | 4,034,052 | 4,852 | (34,488) | 4,004,416 |
| Bonds in foreign currencies | 1,269,752 | 39,806 | (24,388) | 1,285,170 |
| Total | (Won) 10,694,520 | (Won) 50,377 | (Won) (100,304) | (Won) 10,644,593 |

(5) The details of beneficial certificates in available-for-sale securities as of December 31, 2003 are as follows (Unit: Korean won in millions):

| | Dec. 31, 2003 |
|-------------------------------------|------------------------|
| Kyobo Investment Trust Management | (Won) 61,482 |
| Woori Investment Trust Management | 1,386,716 |
| Daehan Investment Trust Management | 20,483 |
| Korea Investment Trust Management | 649 |
| Hyundai Investment Trust Management | 176 |
| Dongwon Investment Trust Management | 77,687 |
| Deutsche Securities Korea Co. | 61,771 |
| I Investment Trust Management | 60,141 |
| Other | 428,893 |
| Total | (Won) 2,097,998 |

6. HELD-TO-MATURITY SECURITIES

(1) Held-to-maturity securities as of December 31, 2003 and December 31, 2002 are as follows:

| | Korean won | | US dollars (Note 2) | |
|---|------------------------|-------------------------|-----------------------|-----------------------|
| | Dec. 31, 2003 | Dec. 31, 2002 | Dec. 31, 2003 | Dec. 31, 2002 |
| | (In millions) | | (In thousands) | |
| Government bonds | (Won) 1,728,484 | (Won) 1,333,977 | US\$ 1,443,049 | US\$ 1,113,689 |
| Finance debentures | 1,067,045 | 755,202 | 890,837 | 630,491 |
| Corporate bonds | 6,830,143 | 7,619,965 | 5,702,240 | 6,361,634 |
| Held-to-maturity securities in foreign currencies | 263,061 | 317,695 | 219,620 | 265,232 |
| Other | 103,181 | 383,702 | 86,142 | 320,339 |
| Total | (Won) 9,991,914 | (Won) 10,410,541 | US\$ 8,341,888 | US\$ 8,691,385 |

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(2) The details of held-to-maturity securities as of December 31, 2003 are as follows (Unit: Korean won in millions):

| | Face Value | Acquisition cost | Amortized cost | Fair Value |
|---|-------------------------|-------------------------|------------------------|-------------------------|
| 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 |
| Held-to-maturity securities in foreign currencies | 291,153 | 290,522 | 263,061 | 263,061 |
| Other | 103,181 | 103,181 | 103,181 | 108,353 |
| Total | (Won) 10,211,296 | (Won) 10,067,331 | (Won) 9,991,914 | (Won) 10,319,588 |

7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD:

(1) Details of valuation of investment equity securities accounted for using the equity method of accounting for the year ended December 31, 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 | 2,081 | 3,120 | 8,462 | 11,582 |
| Woori LB Sixth Asset Securitization Specialty | 1,170 | 2,081 | (706) | 1,170 | 464 |
| Woori LB Eighth Asset Securitization Specialty | 600 | 2,081 | 248 | 600 | 848 |
| Woori F&I First Asset Securitization Specialty | 6,237 | 2,081 | (658) | 6,237 | 5,579 |
| Woori F&I Second Asset Securitization Specialty | 5,265 | 2,081 | (2,432) | 5,265 | 2,833 |
| Woori F&I Fourth Asset Securitization Specialty | 888 | 2,081 | 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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(2) Details of other increases or decreases for the year ended December 31, 2003 are as follows (unit: Korean won in millions) :

| | <u>Acquisition</u> | <u>Capital adjustment</u> | <u>Retained earnings</u> | <u>Dividends</u> | <u>Paid reduction of capital</u> | <u>Total</u> |
|---|---------------------|-------------------------------|------------------------------|-----------------------|--|---------------------|
| BC Card | (Won) 11,700 | (Won) (346) | (Won) 61 | (Won) (1,304) | (Won) (809) | (Won) (1,589) |
| Korea Finance Security | | | (207) | (106) | (809) | (1,122) |
| Byucksan E&C | | 5,955 | (1,371) | (1,172) | | 3,412 |
| Woori LB First Asset Securitization Specialty | | 4,029 | | (13,826) | | (9,797) |
| Woori LB Second Asset Securitization Specialty | | | | (158) | | (158) |
| Woori LB Third Asset Securitization Specialty | | | | (2,447) | | (2,447) |
| Woori LB Fourth Asset Securitization Specialty | | 4 | | (639) | | (635) |
| Woori LB Fifth Asset Securitization Specialty | 11,700 | | | (3,238) | | 8,462 |
| Woori LB Sixth Asset Securitization Specialty | 1,170 | | | | | 1,170 |
| Woori LB Eighth Asset Securitization Specialty | 600 | | | | | 600 |
| Woori F&I First Asset Securitization Specialty | 6,237 | | | | | 6,237 |
| Woori F&I Second Asset Securitization Specialty | 5,265 | | | | | 5,265 |
| Woori F&I Fourth Asset Securitization Specialty | 888 | | | | | 888 |
| Total | (Won) 25,860 | (Won) 9,642 | (Won) (1,517) | (Won) (22,890) | (Won) (809) | (Won) 10,286 |

(3) Details of valuation of investment equity securities accounted for using the equity method of accounting for the year ended December 31, 2002 are as follows (unit: Korean won in millions):

| | <u>Acquisition cost</u> | <u>Balance of Jan. 1, 2002</u> | <u>Gain (loss) on Valuation</u> | <u>Other Increase (decrease)</u> | <u>Balance of Dec. 31, 2002</u> |
|--|-----------------------------|--|---|--|---|
| BC Card | (Won) 12,472 | (Won) 39,395 | (Won) 7,942 | (Won) (4,724) | (Won) 42,613 |
| Korea Finance Security | 1,452 | 1,878 | 550 | 172 | 2,600 |
| Byucksan E&C | 39,078 | 35,919 | 7,983 | (5,700) | 38,202 |
| Woori LB First Asset Securitization Specialty | 2,400 | 2,400 | 7,653 | (34) | 10,019 |
| Woori LB Second Asset Securitization Specialty | 690 | 690 | (32) | | 658 |
| Woori LB Third Asset Securitization Specialty | 2,070 | 2,070 | (67) | | 2,003 |
| Woori LB Fourth Asset Securitization Specialty | 2,160 | 2,160 | (79) | | 2,081 |
| Total | (Won) 60,322 | (Won) 84,512 | (Won) 23,950 | (Won) (10,286) | (Won) 98,176 |

Table of Contents**8. LOSS ON IMPAIRMENT OF SECURITIES AND REVERSAL OF THE IMPAIRMENT**

- (1) The details of loss on impairment of available-for-sale and held-to-maturity securities sorted by subsidiaries for the year ended December 31, 2003, are as follows (unit: Korean won in millions):

| | Woori Bank | Kyongnam Bank | Kwangju Bank | Woori Securities | WASS2&3 | WCC | WIB | Total |
|--|----------------------|---------------------|---------------------|---------------------|------------------|--------------------|---------------------|----------------------|
| <Available-for-sale securities> | | | | | | | | |
| Equity securities | (Won) 89,053 | (Won) 10,997 | (Won) 2,240 | (Won) 19,056 | (Won) 481 | (Won) 6,697 | (Won) 4,003 | (Won) 132,527 |
| Debt securities | 44,546 | 156 | 7,606 | | | | 22,610 | 74,918 |
| Security in foreign currencies | 39,686 | 1,658 | | | | | | 41,344 |
| Beneficiary Certificate | 8,199 | | | | | | | 8,199 |
| Other | 12,043 | | | 1,359 | | | | 13,402 |
| Sub-total | 193,527 | 12,811 | 9,846 | 20,415 | 481 | 6,697 | 26,613 | 270,390 |
| <Held-to-maturity securities> | | | | | | | | |
| Security in local currency | | 34,313 | 1,900 | | | | | 36,213 |
| Security in foreign currencies | 27,549 | | | | | | | 27,549 |
| Sub-total | 27,549 | 34,313 | 1,900 | | | | | 63,762 |
| Total | (Won) 221,076 | (Won) 47,124 | (Won) 11,746 | (Won) 20,415 | (Won) 481 | (Won) 6,697 | (Won) 26,613 | (Won) 334,152 |

- (2) The reversal of the impairment loss of available-for-sale and held-to-maturity securities sorted by subsidiaries for the year ended December 31, 2003, are as follows (unit: Korean won in millions):

| | Woori Bank | Kyongnam Bank | WIB | Total |
|--------------------------------------|----------------------|--------------------|---------------------|----------------------|
| Available-for-sale securities | | | | |
| Debt securities | (Won) 183,049 | (Won) 424 | (Won) | (Won) 183,473 |
| Other | | | 29,400 | 29,400 |
| Sub-total | 183,049 | 424 | 29,400 | 212,873 |
| Held-to-maturity securities | | | | |
| | | 2,620 | | 2,620 |
| Total | (Won) 183,049 | (Won) 3,044 | (Won) 29,400 | (Won) 215,493 |

Table of Contents**9. LOANS AND ALLOWANCE FOR POSSIBLE LOAN LOSSES**

(1) Loans as of December 31, 2003 and 2002 are as follows:

| <u>Accounts</u> | <u>Korean won</u> | | <u>US dollars (Note 2)</u> | |
|--|----------------------|----------------------|----------------------------|----------------------|
| | <u>Dec. 31, 2003</u> | <u>Dec. 31, 2002</u> | <u>Dec. 31, 2003</u> | <u>Dec. 31, 2002</u> |
| | <u>(In millions)</u> | | <u>(In thousands)</u> | |
| Loans in local currency | (Won) 72,907,422 | (Won) 59,730,472 | US\$ 60,867,776 | US\$ 49,866,816 |
| Loans in foreign currency | 7,129,394 | 6,870,832 | 5,952,074 | 5,736,210 |
| Bills bought in local currency | 490,386 | 375,347 | 409,406 | 313,364 |
| Bills bought in foreign currency | 3,798,134 | 3,339,736 | 3,170,925 | 2,788,225 |
| Advances for customers | 98,769 | 174,115 | 82,459 | 145,362 |
| Credit card accounts | 1,919,060 | 3,386,753 | 1,602,154 | 2,827,478 |
| Purchased bonds under resold agreements | 154,000 | 25,564 | 128,569 | 21,342 |
| Call loans | 897,963 | 605,052 | 749,677 | 505,136 |
| Private placed bonds | 586,257 | 274,926 | 489,445 | 229,526 |
| Factoring receivables | | 506,813 | | 423,120 |
| Loans to be converted to equity securities | 31,232 | 57,516 | 26,074 | 48,018 |
| Financing leases | 189,788 | 242,561 | 158,447 | 202,505 |
| Others | 139,269 | 784,208 | 116,271 | 654,707 |
| Sub-total | 88,341,674 | 76,373,895 | 73,753,277 | 63,761,809 |
| Discounts | (14,929) | (57,283) | (12,464) | (47,824) |
| Allowance for possible loan losses | (2,249,448) | (2,712,499) | (1,877,984) | (2,264,567) |
| Total | (Won) 86,077,297 | (Won) 73,604,113 | US\$ 71,862,829 | US\$ 61,449,418 |

(2) The maturity structure of loans as of December 31, 2003 are as follows (Unit: Korean won in billions):

| <u>Accounts</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> |
|--|-------------------------------|-------------------------------|-----------------------------|------------------------------|------------------------------|--------------|
| Loans in local currency ^(*1) | (Won) 14,688 | (Won) 11,142 | (Won) 20,725 | (Won) 20,117 | (Won) 5,784 | (Won) 72,456 |
| Loans in foreign currency | 2,323 | 1,114 | 1,112 | 1,495 | 1,085 | 7,129 |
| Bills bought in local currency | 488 | | 1 | | 1 | 490 |
| Bills bought in foreign currency | 3,069 | 533 | 70 | 1 | 125 | 3,798 |
| Advances for customers | 26 | | | | 73 | 99 |
| Credit card accounts ^(*2) | 1,742 | 2 | 3 | | 176 | 1,923 |
| Purchased bonds under resold agreements | 154 | | | | | 154 |
| Call loans | 898 | | | | | 898 |
| Private placed bonds ^(*3) | | | 78 | 458 | 728 | 1,264 |
| Loans to be converted to equity securities | | | | | 31 | 31 |
| Total | (Won) 23,388 | (Won) 12,791 | (Won) 21,989 | (Won) 22,071 | (Won) 8,003 | (Won) 88,242 |

(*1) Before eliminating (Won)229 billion of inter-company transactions and excluding (Won)680 billion of loans, which were transferred from WIB to Woori Bank.

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(*2) Before eliminating (Won)4 billion of inter-company transactions.

(*3) Before eliminating (Won)678 billion of inter-company transactions.

(3) The allowance for possible loan losses as of December 31, 2003 and 2002 are as follows (Unit: Korean won in millions):

| | <u>Dec. 31, 2003</u> | <u>Dec. 31, 2002</u> |
|--|----------------------|----------------------|
| Loans in local currency | (Won) 1,179,109 | (Won) 1,051,569 |
| Loans in foreign currencies | 235,065 | 408,953 |
| Bills bought in local currency | 112 | 5,522 |
| Bills bought in foreign currencies | 131,362 | 145,712 |
| Advances for customers | 50,452 | 64,902 |
| Credit card accounts | 391,919 | 213,302 |
| Private placed bonds | 45,397 | 12,231 |
| Loans to be converted to equity securities | 185 | |
| Direct financing lease | 2,459 | 3,610 |
| | <u>2,036,060</u> | <u>1,905,801</u> |
| Sub-total | | |
| Others | 213,388 | 806,698 |
| | <u>2,249,448</u> | <u>2,712,499</u> |
| Total | | |

(4) The ratio of the allowance for possible loan losses by loans subject to allowance for possible loan losses as of December 31, 2003, 2002, and 2001 are as follow (Unit: Korean won in millions):

| | <u>Loans subject to allowance for possible loan losses^(*1)</u> | <u>Allowance for possible loan losses</u> | <u>Ratio</u> |
|------|---|---|--------------|
| 2003 | 87,289,711 | 2,249,448 | 2.58% |
| 2002 | 75,743,279 | 2,712,499 | 3.58% |
| 2001 | 59,934,660 | 3,734,354 | 6.23% |

(*1) Excluded securities Purchased under resale agreements and call loans

Table of Contents**10. FIXED ASSETS**

(1) Tangible assets as of December 31, 2003 are as follows:

| | Korean won | | | US dollar (Note 2) | | |
|-----------------------------|------------------------|-----------------------------|------------------------|-----------------------|-----------------------------|-----------------------|
| | Acquisition cost | Accumulated depreciation | Book value | Acquisition cost | Accumulated depreciation | Book value |
| | (In millions) | | | (In thousands) | | |
| Land | (Won) 1,219,222 | (Won) | (Won) 1,219,222 | US\$ 1,017,884 | US\$ | US\$ 1,017,884 |
| Buildings | 915,158 | 173,383 | 741,775 | 764,032 | 144,751 | 619,281 |
| Structures in leased office | 113,155 | 82,077 | 31,078 | 94,469 | 68,523 | 25,946 |
| Equipment and furniture | 711,337 | 465,650 | 245,687 | 593,871 | 388,754 | 205,117 |
| Construction in process | 4,666 | | 4,666 | 3,895 | | 3,895 |
| Others | 1,151 | 614 | 537 | 961 | 513 | 448 |
| Total | (Won) 2,964,689 | (Won) 721,724 | (Won) 2,242,965 | US\$ 2,475,112 | US\$ 602,541 | US\$ 1,872,571 |

(2) Tangible assets as of December 31, 2002 are as follows:

| | Korean won | | | US dollar (Note 2) | | |
|-----------------------------|------------------------|-----------------------------|------------------------|-----------------------|-----------------------------|-----------------------|
| | Acquisition cost | Accumulated depreciation | Book value | Acquisition cost | Accumulated depreciation | Book value |
| | (In millions) | | | (In thousands) | | |
| Land | (Won) 1,316,866 | (Won) | (Won) 1,316,866 | US\$ 1,099,404 | US\$ | US\$ 1,099,404 |
| Buildings | 919,878 | 155,084 | 764,794 | 767,973 | 129,474 | 638,499 |
| Structures in leased office | 92,992 | 71,765 | 21,227 | 77,636 | 59,914 | 17,722 |
| Equipment and furniture | 653,165 | 412,045 | 241,120 | 545,304 | 344,002 | 201,302 |
| Construction in process | 4,107 | | 4,107 | 3,429 | | 3,429 |
| Others | 2,965 | 1,341 | 1,624 | 2,475 | 1,120 | 1,355 |
| Total | (Won) 2,989,973 | (Won) 640,235 | (Won) 2,349,738 | US\$ 2,496,221 | US\$ 534,510 | US\$ 1,961,711 |

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(3) Intangible assets as of December 31, 2003 and 2002 are as follows:

| | Korean won | | US dollar (Note 2) | |
|-------------------------------|----------------------|----------------------|---------------------|---------------------|
| | Dec. 31, 2003 | Dec. 31, 2002 | Dec. 31, 2003 | Dec. 31, 2002 |
| | (In millions) | | (In thousands) | |
| Goodwill | | | | |
| The Company ^{(*)1} | (Won) 312,531 | (Won) 331,147 | US\$ 260,921 | US\$ 276,463 |
| Woori Bank | 29 | | 24 | |
| Woori Securities | | 325 | | 271 |
| | <u>312,560</u> | <u>331,472</u> | <u>260,945</u> | <u>276,734</u> |
| Negative goodwill | | | | |
| The Company ^{(*)2} | | (41) | | (34) |
| Deferred Development Expenses | 105,314 | 88,380 | 87,923 | 73,785 |
| Software | 25,745 | 8,551 | 21,494 | 7,139 |
| Other intangible assets | 36,879 | 10,430 | 30,788 | 8,708 |
| | <u>(Won) 480,498</u> | <u>(Won) 438,792</u> | <u>US\$ 401,150</u> | <u>US\$ 366,332</u> |

(*)1 The excess of the subsidiaries' net assets acquired over the acquisition cost in the amount of (Won)391,834 million (US\$327,128 thousand) was classified as goodwill. Goodwill is amortized using the straight-line method over 20 years and the amortization for the year ended December 31, 2003 and accumulated amortization as of December 31, 2003 are (Won)18,616 million (US\$15,542 thousand) and (Won)56,721 million (US\$47,354 thousand), respectively. In addition, there was a decrease of (Won)22,582 million (US\$18,853 thousand) due to an adjustment in the acquisition costs of Woori Bank's investment stock in 2002.

(*)2 The excess of the acquisition cost over the subsidiaries' net assets acquired in the amount of (Won)116 million (US\$97 thousand) was classified as negative goodwill. Negative goodwill is amortized using the straight-line method over 5 years and the amortization for the year ended December 31, 2003 and accumulated amortization as of December 31, 2003 are (Won)41 million (US\$34 thousand) and (Won)116 million (US\$97 thousand), respectively.

(4) Carrying values of assets leased under financing lease agreements as of December 31, 2003 and 2002 are (Won)10,749 million (US\$8,974 thousand) and (Won)6,497 million (US\$5,424 thousand), respectively.

(5) Carrying values of non-operating assets as of December 31, 2003 and 2002 are (Won)404 million (US\$337 thousand) and (Won)1,156 million (US\$965 thousand), respectively.

Table of Contents**11. OTHER ASSETS**

Other assets as of December 31, 2003 and 2002 are as follows:

| Accounts | Korean won | | US dollar (Note 2) | |
|---|-----------------|-----------------|--------------------|----------------|
| | Dec. 31, 2003 | Dec. 31, 2002 | Dec. 31, 2003 | Dec. 31, 2002 |
| | (In millions) | | (In thousands) | |
| Guarantee deposits | (Won) 992,209 | (Won) 1,286,486 | US\$ 828,359 | US\$ 1,074,041 |
| Other accounts receivable | 3,225,454 | 1,509,050 | 2,692,815 | 1,259,852 |
| Accrued income | 727,632 | 676,775 | 607,474 | 565,015 |
| Prepaid expenses | 17,572 | 40,607 | 14,670 | 33,901 |
| Deferred income tax assets | 274,368 | 424,931 | 229,060 | 354,760 |
| Accounts receivable on disposal of assets | 6,189 | 9,675 | 5,167 | 8,077 |
| Derivative instruments assets | 505,224 | 307,848 | 421,794 | 257,011 |
| Domestic exchange settlements debits | 383,320 | 841,178 | 320,020 | 702,269 |
| Operating lease assets | 844 | 5,778 | 705 | 4,824 |
| Sundry assets | 430,359 | 443,294 | 359,291 | 370,090 |
| Sub-total | 6,563,171 | 5,545,622 | 5,479,355 | 4,629,840 |
| Present value discount | (85,896) | (123,745) | (71,711) | (103,310) |
| Total | (Won) 6,477,275 | (Won) 5,421,877 | US\$ 5,407,644 | US\$ 4,526,530 |

12. THE ASSETS COVERED BY INSURANCE

The assets covered by insurance as of December 31, 2003 are as follows (unit: Korean won in millions):

| Insurance | Covered assets | Dec. 31, 2003 | Coverage |
|--|---|-----------------|-----------------|
| Insurance for losses | Buildings used for business purpose | (Won) 665,870 | (Won) 783,357 |
| | Equipment and furniture | 266,135 | 267,763 |
| Insurance for fire | Real estate not used for business purpose | 404 | 404 |
| | Equipment and furniture | 5,842 | 5,237 |
| | Buildings used for business purpose | 95,639 | 95,304 |
| | Tangible asset in oversea | 19,003 | 18,615 |
| | Structures in leased office | 663,860 | 646,095 |
| Insurance for liability of reparation of directors | | | 30,000 |
| Total | | (Won) 1,716,753 | (Won) 1,846,775 |

Table of Contents**13. COLLATERALIZED ASSETS**

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

| Financial institution | Collateralized assets | Dec. 31, 2003 | Reason of collateral |
|--|--------------------------------------|------------------------|---|
| Bank of Korea | Securities | (Won) 4,803,431 | Collateral borrowings, settlement risk and others |
| Deutsche Bank H.K. and Others | Securities | 1,104,800 | Collateral for borrowings in foreign currencies |
| Lehman Brothers and others | Due from banks and securities | 322,036 | Trading credit derivatives |
| Federal Reserve Bank | Securities | 3,593 | Guarantee for FRB discount window and others |
| HSBC and others | Due from banks in foreign currencies | 1,577 | Guarantee for receivables |
| Dongwon Securities Co., Ltd. and others | Securities | 28,600 | Futures maintenance margin |
| Samsung Futures Trading Co. and others | Securities | 1,003 | Futures maintenance margin |
| Nova Scotia Bank | Securities | 60,010 | Borrowings in foreign currency |
| Sumitomo Mitsui Banking Co. | Securities | 131,923 | Borrowings in foreign currency |
| American Express Bank | Securities | 15,000 | Borrowings in foreign currency |
| Bank of America | Securities | 15,000 | Borrowings in foreign currency |
| Trust accounts of Kwangju Bank and Kyongnam Bank | Securities | 915,468 | RP transactions |
| Total | | (Won) 7,402,441 | |

Collateralized assets as of December 31, 2002 are as follows (Unit: Korean won in millions):

| Financial Institution | Collateralized assets | Dec. 31, 2002 | Reason of Collateral |
|--|----------------------------------|----------------------|--|
| Bank of Korea | Securities and loans | (Won) 4,529,497 | Collateral borrowings, settlement risk and repurchase transactions |
| Deutsche Bank H.K. and others | Securities | 1,009,800 | Borrowings in foreign currency |
| Korea Industrial Bank and others | Securities and leased assets | 32,718 | RP transactions, Borrowings |
| Lehman Brothers and others | Due from banks and securities | 562,304 | Trading credit derivatives |
| KAMCO | Securities | 238,955 | Non-performing management fund |
| Samsung Futures Trading Co. and others | Securities | 38,355 | Futures maintenance margin |
| Peace First Securitization Specialty Co., Ltd. | Securities | 15,797 | Credit maintenance |
| Korea Stock Exchange and others | Securities | 25,335 | Index futures |
| Federal Reserve Bank and other | Securities | 6,282 | |

| | | | |
|------------------------------|------------|--------|--|
| Dongwon Securities Co., Ltd. | Securities | 35,800 | Guarantee for FRB Discount Window and others Futures maintenance margin |
|------------------------------|------------|--------|--|

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| Financial Institution | Collateralized | | Reason of Collateral |
|--------------------------------|------------------|------------------------|--------------------------------|
| | assets | Dec. 31, 2002 | |
| KB | Other guarantees | 358,338 | ABS issuance |
| Goldman Sachs | Due form bank | 71,027 | Trading credit derivatives |
| Nova Scotia Bank | Securities | 45,000 | Borrowings in foreign currency |
| Sumitomo Mitsui Banking Co. | Securities | 53,000 | Borrowings in foreign currency |
| Express Bank | Securities | 15,000 | Borrowings in foreign currency |
| Trust accounts of Kwangju Bank | Securities | 260,000 | Guarantee for RP |
| | | <u>(Won) 7,297,208</u> | |

14. DEPOSITS

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

| Accounts | Details | Korean won | US dollar (Note 2) |
|-------------------------------------|-------------------------------|-------------------------|------------------------|
| | | (In millions) | (In thousands) |
| Deposits in local currency | Demand deposits | (Won) 7,256,065 | US\$ 6,057,827 |
| | Time & Saving deposits | 70,491,971 | 58,851,203 |
| | Mutual installment deposits | 319,019 | 266,337 |
| | Mutual installment for hosing | 568,252 | 474,413 |
| | Other deposits | 2,707,818 | 2,260,660 |
| | Sub-total | <u>81,343,125</u> | <u>67,910,440</u> |
| Deposits in foreign currency | Demand deposits | 448,269 | 374,244 |
| | Time & Saving deposits | (Won) 3,407,601 | US\$ 2,844,883 |
| | Sub-total | <u>3,855,870</u> | <u>3,219,127</u> |
| Negotiable certificates of deposits | | <u>3,850,630</u> | <u>3,214,752</u> |
| | Total | <u>(Won) 89,049,625</u> | <u>US\$ 74,344,319</u> |

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(2) The maturity structure of deposits as of December 31, 2003 is as follows (Unit: Korean won in billions):

| <u>Accounts</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) 28,800 | (Won) 9,994 | (Won) 15,317 | (Won) 4,378 | (Won) 22,315 | (Won) 80,804 |
| Deposits in foreign currencies | 2,512 | 117 | 672 | 49 | 506 | 3,856 |
| Negotiable certificates of deposits ^{(*)2} | 1,303 | 2,203 | 370 | 4 | | 3,880 |
| Total | (Won) 32,615 | (Won) 12,314 | (Won) 16,359 | (Won) 4,431 | (Won) 22,821 | (Won) 88,540 |

(*)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

15. BORROWINGS

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

| <u>Accounts</u> | <u>Details</u> | <u>Korean won (In millions)</u> | <u>US dollar (Note 2) (In thousands)</u> |
|--|--|-------------------------------------|--|
| Borrowings in local currency | Bank of Korea | (Won) 1,239,424 | US\$ 1,034,750 |
| | Borrowings from Government Funds | 1,730,773 | 1,444,960 |
| | Others | 2,689,152 | 2,245,076 |
| | Sub total | 5,659,349 | 4,724,786 |
| Borrowings in foreign currencies | Borrowings in foreign currencies | 4,926,626 | 4,113,062 |
| | Off-shore borrowings in foreign currencies | 19,405 | 16,201 |
| | Sub total | 4,946,031 | 4,129,263 |
| Bonds sold under repurchase agreements | In local currency | 680,188 | 567,864 |
| | In foreign currencies | 976,752 | 815,455 |
| | Sub total | 1,656,940 | 1,383,319 |
| Bills sold | | 115,678 | 96,576 |
| Due to the Bank of Korea in foreign currencies | | 4,801 | 4,008 |

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| | | | |
|------------|----------------------------------|-------------------------|------------------------|
| Call money | Local currencies | 69,500 | 58,023 |
| | Foreign currencies | 342,299 | 285,773 |
| | Inter-Banks reconciliation funds | 18,506 | 15,450 |
| | | <u>430,305</u> | <u>359,246</u> |
| Total | | <u>(Won) 12,813,104</u> | <u>US\$ 10,697,198</u> |

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(2) Borrowings from financial institutions as of December 31, 2003 are as follows (Unit: Korean won in millions):

| <u>Accounts</u> | <u>Bank of Korea</u> | <u>Other Banks</u> | <u>Other financial institutions</u> | <u>Total</u> |
|--|------------------------|------------------------|-------------------------------------|-------------------------|
| 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 BOK in foreign currencies | 4,715 | | 86 | 4,801 |
| Call money | | 191,461 | 238,844 | 430,305 |
| Total | (Won) 1,244,139 | (Won) 3,053,158 | (Won) 6,220,877 | (Won) 10,518,174 |

(3) The maturity structure of borrowing as of December 31, 2003 is as follows (Unit: Korean won in billions):

| <u>Accounts</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 | 477 | 74 | 4,947 |
| Bonds sold under repurchase agreements ^(*2) | 853 | 701 | 117 | 1 | | 1,672 |
| Bills sold | 92 | 17 | 6 | | | 115 |
| Due to BOK in foreign currencies | 2 | | 2 | | | 4 |
| 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 (Won)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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16. DEBENTURES

(1) Debentures as of December 31, 2003 and 2002 are as follows:

| Accounts | Korean won | | US dollars (Note 2) | |
|--|-------------------------|-------------------------|------------------------|-----------------------|
| | Dec. 31, 2003 | Dec. 31, 2002 | Dec. 31, 2003 | Dec. 31, 2002 |
| | (In millions) | | (In thousands) | |
| Debentures in local currency ^{(*)1} | (Won) 9,582,428 | (Won) 9,597,597 | US\$ 8,000,023 | US\$ 8,012,687 |
| Add: redemption premium | 2,314 | | 1,932 | |
| Less: reconciliation for conversion right | (2,509) | | (2,095) | |
| Less: discounts | (632,729) | (683,690) | (528,243) | (570,788) |
| Debentures in foreign currencies ^{(*)2} | 3,262,951 | 1,894,609 | 2,724,120 | 1,581,741 |
| Add: long-term accrued interest | 2,154 | 354 | 1,799 | 295 |
| Add: redemption premium | 3,258 | | 2,720 | |
| Less: reconciliation for conversion right | (4,179) | | (3,489) | |
| Less: discounts | (18,529) | (15,938) | (15,469) | (13,306) |
| Total | (Won) 12,195,159 | (Won) 10,792,932 | US\$ 10,181,298 | US\$ 9,010,629 |

^{(*)1} Consisting of ordinary bonds of (Won)7,787,612 million (US\$6,501,596 thousand), convertible bonds of (Won)20,000 million (US\$16,697 thousand), bonds with warrants of (Won)614,816 (US\$513,288 thousand), and subordinated bonds of (Won)1,160,000 million (US\$968,442 thousand) as of December 31, 2003.

^{(*)2} Consisting of ordinary bonds of (Won)3,152,753 million (US\$2,632,120 thousand) and convertible bonds of (Won)110,198 million (US\$92,000 thousand) as of December 31, 2003.

(2) The maturity structure of debentures as of December 31, 2003 is as follows (Unit: Korean won in billions):

| Account | Less than | Less than | Less than | Less than | More than | Total |
|--|--------------------|------------------|--------------------|--------------------|--------------------|---------------------|
| | 3 months | 6 months | 1 year | 3 years | 3 years | |
| 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 | | 180 | 549 | 2,366 | 3,263 |
| Total | (Won) 1,278 | (Won) 640 | (Won) 2,425 | (Won) 3,727 | (Won) 5,463 | (Won) 13,533 |

^{(*)1} Before eliminating (Won)688 billion of inter-company transactions

Table of Contents**17. OTHER LIABILITIES**

Other liabilities as of December 31, 2003 and 2002 are as follows:

| | Korean won | | US dollars (Note 2) | |
|---|------------------------|------------------------|-----------------------|-----------------------|
| | Dec. 31, 2003 | Dec. 31, 2002 | Dec. 31, 2003 | Dec. 31, 2002 |
| | (In millions) | | (In thousands) | |
| Accrued severance benefits | (Won) 219,672 | (Won) 133,996 | US\$ 183,396 | US\$ 111,868 |
| Less: deposits in employee retirement trust | (127,932) | (76,030) | (106,806) | (63,475) |
| Less: transfers to the National Pension Fund | (436) | (474) | (364) | (396) |
| Allowance for possible losses on confirmed acceptances and guarantees (Note 28) | 38,641 | 60,012 | 32,260 | 50,102 |
| Other allowances | 223,347 | 475,538 | 186,464 | 397,010 |
| Foreign exchange remittance pending | 393,685 | 349,277 | 328,673 | 291,599 |
| Domestic exchange remittance pending | 439,803 | 528,912 | 367,176 | 441,570 |
| Borrowings from trust accounts | 2,215,493 | 776,863 | 1,849,635 | 648,575 |
| Accounts payable | 2,375,409 | 661,392 | 1,983,143 | 552,172 |
| Accrued expenses | 1,530,542 | 1,587,123 | 1,277,794 | 1,325,032 |
| Income taxes payable | 13,384 | 16,277 | 11,174 | 13,589 |
| Unearned revenues | 99,993 | 134,945 | 83,481 | 112,661 |
| Deposits for letter of guarantees and others | 143,636 | 136,948 | 119,917 | 114,333 |
| Derivative liabilities | 420,508 | 266,415 | 351,067 | 222,420 |
| Deferred income tax liabilities | 4,363 | 2,433 | 3,643 | 2,031 |
| Accounts for agency businesses | 263,459 | 280,179 | 219,952 | 233,911 |
| Liabilities incurred by agency relationship | 590,466 | 387,393 | 492,959 | 323,421 |
| Sundry liabilities | 167,499 | 257,634 | 139,839 | 215,090 |
| Total | (Won) 9,011,532 | (Won) 5,978,833 | US\$ 7,523,403 | US\$ 4,991,513 |

Table of Contents**18. SHAREHOLDERS EQUITY**

(1) Common stock

The Company's common stock issued and outstanding as of December 31, 2003 and 2002 is summarized as follows:

| | <u>Dec. 31, 2003</u> | <u>Dec. 31, 2002</u> |
|------------|----------------------|----------------------|
| Authorized | 2,400,000,000 shares | 2,400,000,000 shares |
| Par value | (Won) 5,000 | (Won) 5,000 |
| Issued | 775,504,910 shares | 767,814,797 shares |

The changes in the capital stock of the Company during the period from the establishment date to December 31, 2003 are as follows (unit: Korean won in millions):

| <u>Issuance date</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 | Issue of new shares | 36,000,000 | 180,000 |
| In 2002 | Exercise of warrants | 4,356,188 | 21,781 |
| Dec. 31, 2002 | | 767,814,797 | 3,839,074 |
| In 2003 | Exercise of warrants | 7,690,113 | 38,451 |
| Dec. 31, 2003 | | 775,504,910 | (Won) 3,877,525 |

(2) Dividends by net income as of December 2003 and 2002 are as follows:

| | <u>Korean won</u> | | <u>US dollars (Note 2)</u> | |
|-----------------------------|-------------------------------------|----------------------|--------------------------------------|----------------------|
| | <u>Dec. 31, 2003</u> | <u>Dec. 31, 2002</u> | <u>Dec. 31, 2003</u> | <u>Dec. 31, 2002</u> |
| | (In millions, except for par value) | | (In thousands, except for par value) | |
| The number of issued shares | 775,504,910 | 767,814,797 | 775,504,910 | 767,814,797 |
| Par value | (Won) 5,000 | (Won) 5,000 | US\$ 4.174 | US\$ 4.174 |
| Contributed capital | (Won) 3,877,525 | (Won) 3,839,074 | US\$ 3,237,206 | US\$ 3,205,104 |
| Dividend ratio per share | 2.0% | 1.0%/5.0% | 2.0% | 1.0%/5.0% |
| Dividend | (Won) 77,550 | (Won) 57,262 | US\$ 64,744 | US\$ 47,806 |
| Non-consolidated net income | (Won) 202,565 | (Won) 589,214 | US\$ 169,114 | US\$ 491,914 |
| Dividend payout ratio | 38.28% | 9.72% | 38.28% | 9.72% |

Table of Contents**19. 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 (210,000 shares) given to 8 directors of its subsidiaries, who subsequently retired, were cancelled by the decision of the board of directors of the Company on December 11, 2003.
- (3) The summary of stock options granted as of December 31, 2003 is summarized as follows:

| <u>Description</u> | <u>The Company</u> | <u>Subsidiaries</u> | <u>Total</u> |
|------------------------------|-------------------------------------|-------------------------------------|------------------|
| Exercisable number of shares | 450,000 shares | 890,000 shares | 1,350,000 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:

| <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 forfeiture 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 exercisable period is summarized as follows (Unit: Korean won in millions):

| <u>Description</u> | <u>The Company</u> | <u>Subsidiaries</u> | <u>Total</u> |
|---------------------------------|------------------------|---------------------|--------------------|
| Recorded in 2002 and 2003 | (Won) 507 | (Won) 1,015 | (Won) 1,522 |
| To be recorded thereafter | 429 | 858 | 1,287 |
| Total stock option costs | (Won) 936 | (Won) 1,873 | (Won) 2,809 |

20. LOSS OF SUBSIDIARIES IN EXCESS OF MINORITY INTERESTS

Minority interests' portion of losses of subsidiaries in excess of minority interests are charged to the Company's retained earnings, not to minority interests. Such losses of a subsidiary (Woori First Asset Securitization Specialty Co., Ltd.) in excess of minority interests as of December 31, 2002 amounted to (Won)6,594 million (US\$5,505 thousand).

21. NON-OPERATING INCOME AND EXPENSES

(1) Non-operating income for the years ended December 31, 2003 and 2002 are as follows:

| | <u>Korean won</u> | | <u>US dollars (Note 2)</u> | |
|---|----------------------|----------------------|----------------------------|---------------------|
| | <u>2003</u> | <u>2002</u> | <u>2003</u> | <u>2002</u> |
| | (In millions) | | (In thousands) | |
| Gain on disposal of tangible assets | (Won) 17,718 | (Won) 8,649 | US\$ 14,792 | US\$ 7,221 |
| Gain on valuation using the equity method of accounting | 33,980 | 23,950 | 28,369 | 19,995 |
| Rental income | 6,664 | 5,538 | 5,564 | 4,623 |
| Gain on disposal of available-for-sale securities | 76,323 | 184,945 | 63,719 | 154,404 |
| Reversal of loss on impairment of available-for-sale securities (Note 8) | 212,873 | 32,503 | 177,720 | 27,136 |
| Reversal of loss on impairment of held-to-maturity securities (Note 8) | 2,620 | 17,570 | 2,187 | 14,668 |
| Gain on valuation of the Stock Market Stabilization Fund | | 15,988 | | 13,348 |
| Gain on sale of loans | 985 | 137,380 | 822 | 114,694 |
| Others | 235,104 | 113,590 | 196,279 | 94,832 |
| Total | (Won) 586,267 | (Won) 540,113 | US\$ 489,452 | US\$ 450,921 |

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(2) Non-operating expenses for the years ended December 31, 2003 and 2002 are as follows:

| | Korean won | | US dollars (Note 2) | |
|--|----------------------|----------------------|---------------------|---------------------|
| | 2003 | 2002 | 2003 | 2002 |
| | (In millions) | | (In thousands) | |
| Loss on disposal of tangible assets | (Won) 1,661 | (Won) 19,291 | US\$ 1,387 | US\$ 16,105 |
| Loss on valuation using the equity method of accounting | | 5,876 | | 4,905 |
| Loss on disposal of available-for-sale securities (Note 8) | 26,502 | 69,859 | 22,126 | 58,323 |
| Loss on impairment of available-for-sale securities (Note 8) | 270,390 | 435,283 | 225,739 | 363,402 |
| Loss on impairment of held-to-maturity securities | 63,762 | 6,300 | 53,233 | 5,260 |
| Loss on sale of loans | 16,900 | 190,796 | 14,109 | 159,289 |
| Loss on valuation of the Stock Market Stabilization Fund | 1,250 | 1,250 | 1,044 | 1,044 |
| Loss on impairment of other assets | 2,193 | | 1,831 | |
| Donations | 2,013 | 2,245 | 1,680 | 1,874 |
| Loss on impairment of intangible assets | 37,052 | | 30,933 | |
| Others | 75,816 | 69,587 | 63,295 | 58,096 |
| Total | (Won) 497,539 | (Won) 800,487 | US\$ 415,377 | US\$ 668,298 |

22. INCOME TAX EXPENSES

(1) Income tax expense for the years ended December 31, 2003 are as follows (Unit: Korean won in millions):

| | Income tax expense (income) | Deferred income tax credits | Deferred income tax debits |
|--------------|--------------------------------|--------------------------------|-------------------------------|
| The Company | (Won) | (Won) | (Won) |
| Subsidiaries | 178,688 | 274,368 | 4,363 |
| | (Won) 178,688 | (Won) 274,368 | (Won) 4,363 |

(2) Income tax expense for the years ended December 31, 2002 are as follows (Unit: Korean won in millions):

| | Income tax expense (income) | Deferred income tax credits | Deferred income Tax debits |
|--------------|--------------------------------|--------------------------------|-------------------------------|
| The Company | (Won) | (Won) | (Won) |
| Subsidiaries | (158,692) | 424,931 | 2,433 |
| | (Won) (158,692) | (Won) 424,931 | (Won) 2,433 |

Table of Contents**23. EARNINGS PER COMMON SHARE**

(1) Basic consolidated ordinary income and net income per common share for the years ended December 31, 2003 and 2002 are as follows:

| | Korean won | | US dollars (Note 2) | |
|---|----------------------------------|---------------|----------------------------------|--------------|
| | 2003 | 2002 | 2003 | 2002 |
| | (In millions, except for earning | | (In millions, except for earning | |
| | per share data) | | per share data) | |
| Consolidated net income on common shares | (Won) 56,279 | (Won) 591,588 | US\$ 46,985 | US\$ 493,895 |
| Extraordinary gain | | | | |
| Income tax effect on extraordinary gain | | | | |
| Consolidated ordinary income on common shares | (Won) 56,279 | (Won) 591,588 | US\$ 46,985 | US\$ 493,895 |
| Weighted average number of common shares | 771,723,994 | 749,383,489 | 771,723,994 | 749,383,489 |
| Basic consolidated ordinary income per common share | (Won) 73 | (Won) 789 | US\$ 0.061 | US\$ 0.660 |
| Basic consolidated net income per common share | (Won) 73 | (Won) 789 | US\$ 0.061 | US\$ 0.660 |

(2) Diluted consolidated ordinary income and net income per common share for the years ended December 31, 2003 and 2002 are as follows:

| | Korean won | | US dollars (Note 2) | |
|---|----------------------------------|----------------------|----------------------------------|----------------------|
| | 2003 | 2002 ^(*1) | 2003 | 2002 ^(*1) |
| | (In millions, except for earning | | (In millions, except for earning | |
| | per share data) | | per share data) | |
| Diluted consolidated net income on common shares | (Won) 56,279 | (Won) 591,588 | US\$ 46,985 | US\$ 493,895 |
| Extraordinary gain | | | | |
| Income tax effect on extraordinary gain | | | | |
| Diluted consolidated ordinary income on common shares | (Won) 56,279 | (Won) 591,588 | US\$ 46,985 | US\$ 493,895 |
| Weighted average number of common shares equivalents | 776,091,925 | 749,383,489 | 776,091,925 | 749,383,489 |

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| | | | | | | | | |
|---|-------|----|-------|-----|------|-------|------|-------|
| Diluted consolidated ordinary income per common share | (Won) | 72 | (Won) | 789 | US\$ | 0.060 | US\$ | 0.660 |
| Diluted consolidated net income per common share | (Won) | 72 | (Won) | 789 | US\$ | 0.060 | US\$ | 0.660 |

(*1) There was no dilution effect on December 31, 2002.

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(3) Common stock equivalents as of December 31, 2003 are as follows (unit: Korean won in millions and US 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 | (Won) 20,000 | Mar. 27, 2004 ~ Feb. 26, 2006 | 3,717,472 shares | Convert 1 share at (Won)5,380 |
| Convertible bonds | US\$ 39,000 | Mar. 27, 2004 ~ Feb. 26, 2006 | 8,661,914 shares | Using exchange rate of (Won)1,194.9, convert 1 shares at (Won)5,380 |
| Convertible bonds | US\$ 1,000 | Jul.10,2004 ~ Jun.10,2006 | 164,429 shares | Using exchange rate of (Won)1,185.5, convert 1 shares at (Won)7,228 |
| Stock options | | Dec. 5, 2005 ~ Dec. 4, 2008 | 1,350,000 shares | (Note 19) |

24. CONSOLIDATED STATEMENTS OF CASH FLOWS

- (1) Cash for the purpose of the cash flow statements is cash and due from banks.
- (2) Cash flows from investing activities and financing activities in the consolidated statements of cash flows for the year ended December 31, 2003 are presented at netted amount.

25. OPERATIONAL RESULTS FOR THE THREE-MONTH PERIODS ENDED DECEMBER 31, 2003 AND 2002

| | Korean won | | US dollars (Note 2) | |
|-------------------|---|--------------------|---------------------|--------------------|
| | Three months ended | Three months ended | Three months ended | Three months ended |
| | Dec. 31, 2003 | Dec. 31, 2002 | Dec. 31, 2003 | Dec. 31, 2002 |
| | (In millions, except for income per share data) | | | |
| | (Unaudited) | | (Unaudited) | |
| Operating revenue | (Won) 2,566,674 | (Won) 2,607,221 | US\$ 2,142,824 | US\$ 2,176,675 |
| Operating expense | (2,648,954) | (2,348,926) | (2,211,517) | (1,961,034) |
| Operating income | (82,280) | 258,295 | (68,693) | 215,641 |

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| | | | | |
|---|-------------|-----------|------------|-----------|
| Non-operating revenue | 14,526 | 284,207 | 12,127 | 237,274 |
| Non-operating expense | (245,607) | (345,247) | (205,048) | (288,234) |
| Income before income tax expense and minority interests | (313,361) | 197,255 | (261,614) | 164,681 |
| Income tax income (expense) | 9,827 | 181,902 | 8,204 | 151,863 |
| Income before minority interests | (303,534) | 379,157 | (253,410) | 316,544 |
| Minority interests loss (gain) net | 181 | (1,973) | 152 | (1,647) |
| Consolidated net income (loss) | (303,353) | 377,184 | (253,258) | 314,897 |
| Net income (loss) per common share | (Won) (393) | (Won) 503 | US\$ (328) | US\$ 420 |

Table of Contents**26. INTERCOMPANY TRANSACTIONS**

A. Significant balances as of December 31, 2003 and transactions for year ended December 31, 2003 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 & liabilities

1) Due from Banks

| Company | The Company | Woori Bank | Kyongnam Bank | Kwangju Bank | WCC | WFIS | WF&I | Woori Securities | Other |
|---------------|----------------------|---------------------|--------------------|---------------------|----------------------|--------------------|--------------------|---------------------|---------------------|
| Woori Bank | (Won) 322,145 | (Won) | (Won) 3,272 | (Won) 10,638 | (Won) 94,364 | (Won) 8,658 | (Won) 4,034 | (Won) 31,999 | (Won) 16,511 |
| Kyongnam Bank | 16,204 | 5,805 | | 5 | | | | 3 | 10,035 |
| Kwangju Bank | 11,236 | 7,015 | | | 16,000 | | | 36 | |
| Other | 954 | 3,664 | | | | | | 4,595 | 1,457 |
| Total | (Won) 350,539 | (Won) 16,484 | (Won) 3,272 | (Won) 10,643 | (Won) 110,364 | (Won) 8,658 | (Won) 4,034 | (Won) 36,633 | (Won) 28,003 |

2) Deposits

| Company | Woori Bank | Kyongnam Bank | Kwangju Bank | Other |
|------------------|----------------------|---------------------|---------------------|---------------------|
| The Company | (Won) 322,145 | (Won) 16,204 | (Won) 11,236 | (Won) 954 |
| Woori Bank | | 5,805 | 7,015 | 3,664 |
| Kyongnam Bank | 3,272 | | | |
| Kwangju Bank | 10,638 | 5 | | |
| WCC | 94,364 | | 16,000 | |
| WFIS | 8,658 | | | |
| WF&I | 4,034 | | | |
| Woori Securities | 31,999 | 3 | 36 | 4,595 |
| Other | 16,511 | 10,035 | | 1,457 |
| Total | (Won) 491,621 | (Won) 32,052 | (Won) 34,287 | (Won) 10,670 |

3) Loans

| Company | The Company | Woori Bank | Kyongnam Bank | Kwangju Bank | WF&I | Other |
|---------------|---------------|------------|---------------|--------------|-------|--------------|
| Woori Bank | (Won) 600,000 | (Won) | (Won) 43,291 | (Won) 27,213 | (Won) | (Won) 68,155 |
| Kyongnam Bank | | | | | | |

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| | | | | | | |
|------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Kwangju Bank | 50,000 | | | | | |
| WFIS | 30,000 | | | | | |
| WF&I | 126,850 | | | | | |
| Woori Securities | | | | | 15,000 | |
| Other | 27,890 | 60,639 | 11,075 | | | |
| Total | <u>(Won) 834,740</u> | <u>(Won) 60,639</u> | <u>(Won) 54,366</u> | <u>(Won) 27,213</u> | <u>(Won) 15,000</u> | <u>(Won) 68,155</u> |

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4) Borrowings

| <u>Company</u> | <u>Woori Bank</u> | <u>Kwangju Bank</u> | <u>WFIS</u> | <u>WF&I</u> | <u>Woori Securities</u> | <u>Other</u> |
|----------------|----------------------|---------------------|---------------------|----------------------|-------------------------|---------------------|
| The Company | (Won) 600,000 | (Won) 50,000 | (Won) 30,000 | (Won) 126,850 | (Won) | (Won) 27,890 |
| Woori Bank | | | | | | 60,639 |
| Kyongnam Bank | 43,291 | | | | | 11,075 |
| Kwangju Bank | 27,213 | | | | | |
| Woori F&I | | | | | 15,000 | |
| Other | 68,155 | | | | | |
| Total | (Won) 738,659 | (Won) 50,000 | (Won) 30,000 | (Won) 126,850 | (Won) 15,000 | (Won) 99,604 |

5) Other assets

| <u>Company</u> | <u>The Company</u> | <u>Woori Bank</u> | <u>Kyongnam Bank</u> | <u>Kwangju Bank</u> | <u>WCI</u> | <u>WFIS</u> | <u>WF&I</u> | <u>Woori Securities</u> | <u>Other</u> |
|------------------|---------------------|----------------------|----------------------|---------------------|--------------------|---------------------|-----------------|-------------------------|----------------------|
| The Company | (Won) | (Won) 18,398 | (Won) | (Won) | (Won) 93 | (Won) | (Won) | (Won) | (Won) |
| Woori Bank | 49,340 | | 114 | 36 | 5,982 | 21,436 | 9 | 6,149 | 329,071 |
| Kyongnam Bank | 14 | | | | | 2,069 | | | 9,104 |
| Kwangju Bank | 2,253 | | | | 827 | 961 | | 32 | 15,238 |
| WCC | 8 | 6,399 | | 328 | | 1,904 | | 9,794 | 678 |
| WFIS | 464 | | | | 161 | | | | |
| Woori Securities | | | | | 105 | 1,828 | 2 | | 1 |
| Other | 714 | 290,767 | 677 | 400 | 47 | 263 | | | 106,588 |
| Total | (Won) 52,793 | (Won) 315,564 | (Won) 791 | (Won) 764 | (Won) 7,215 | (Won) 28,461 | (Won) 11 | (Won) 15,975 | (Won) 460,680 |

6) Other liabilities

| <u>Company</u> | <u>The Company</u> | <u>Woori Bank</u> | <u>Kyongnam Bank</u> | <u>Kwangju Bank</u> | <u>WCC</u> | <u>WFIS</u> | <u>Woori Securities</u> | <u>Other</u> |
|----------------|--------------------|-------------------|----------------------|---------------------|------------|-------------|-------------------------|--------------|
| The Company | (Won) | (Won) 49,340 | (Won) 14 | (Won) 2,253 | (Won) 8 | (Won) 464 | (Won) | (Won) 714 |
| Woori Bank | 18,398 | | | | 6,399 | | | 290,767 |
| Kyongnam Bank | | 114 | | | | | | 677 |
| Kwangju Bank | | 36 | | | 328 | | | 400 |
| WCC | 93 | 5,982 | | 827 | | 161 | 105 | 47 |
| WFIS | | 21,436 | 2,069 | 961 | 1,904 | | 1,828 | 263 |
| WF&I | | 9 | | | | | 2 | |

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| | | | | | | | | |
|------------------|--------------|---------------|--------------|--------------|--------------|-----------|-------------|---------------|
| Woori Securities | | 6,149 | | 32 | 9,794 | | | |
| Other | | 329,071 | 9,104 | 15,238 | 678 | | 1 | 106,588 |
| | | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total | (Won) 18,491 | (Won) 412,137 | (Won) 11,187 | (Won) 19,311 | (Won) 19,111 | (Won) 625 | (Won) 1,936 | (Won) 399,456 |
| | | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

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(2) Income & Expense

1) Interest income

| Company | The Company | Woori Bank | Kyongnam Bank | Kwangju Bank | WCC | WFIS | WF&I | Woori Securities | Other |
|------------------|---------------------|--------------------|--------------------|--------------------|--------------------|------------------|---------------------|--------------------|---------------------|
| Woori Bank | (Won) 28,315 | (Won) 80 | (Won) 3,156 | (Won) 1,059 | (Won) 6,731 | (Won) 425 | (Won) 527 | (Won) 1,186 | (Won) 11,448 |
| Kyongnam Bank | 507 | 29 | | 17 | | | 91 | 160 | 347 |
| Kwangju Bank | 2,642 | 27 | 113 | | 586 | | | 34 | 589 |
| WCC | 3,163 | 680 | | 903 | | | | 57 | |
| WFIS | 11,028 | | | | | | | | |
| WF&I | 7,746 | | | | | | | | |
| Woori Securities | | 37 | 1 | | | | 2 | | |
| Other | 3,658 | 1,285 | 1,036 | 39 | | | 10,935 | | |
| Total | (Won) 57,059 | (Won) 2,138 | (Won) 4,306 | (Won) 2,018 | (Won) 7,317 | (Won) 425 | (Won) 11,555 | (Won) 1,437 | (Won) 12,384 |

2) Interest expense

| Company | Woori Bank | Kyongnam Bank | Kwangju Bank | WCC | WFIS | WF&I | Woori Securities | Other |
|------------------|---------------------|--------------------|--------------------|--------------------|---------------------|--------------------|------------------|---------------------|
| The Company | (Won) 28,315 | (Won) 507 | (Won) 2,642 | (Won) 3,163 | (Won) 11,028 | (Won) 7,746 | (Won) 37 | (Won) 3,658 |
| Woori Bank | 80 | 29 | 27 | 680 | | | | 1,285 |
| Kyongnam Bank | 3,156 | | 113 | | | | 1 | 1,036 |
| Kwangju Bank | 1,059 | 17 | | 903 | | | | 39 |
| WCC | 6,731 | | 586 | | | | | |
| WFIS | 425 | | | | | | | |
| WF&I | 527 | 91 | | | | | 2 | 10,935 |
| Woori Securities | 1,186 | 160 | 34 | 57 | | | | |
| Other | 11,448 | 347 | 589 | | | | | |
| Total | (Won) 52,927 | (Won) 1,151 | (Won) 3,991 | (Won) 4,803 | (Won) 11,028 | (Won) 7,746 | (Won) 40 | (Won) 16,953 |

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3) Fee income

| <u>Company</u> | <u>Woori Bank</u> | <u>Kyongnam Bank</u> | <u>Kwangju Bank</u> | <u>WFIS</u> | <u>Woori Securities</u> | <u>Other</u> |
|----------------|---------------------|----------------------|---------------------|---------------------|-------------------------|---------------------|
| The Company | (Won) | (Won) | (Won) | (Won) 1,058 | (Won) | (Won) |
| Woori Bank | | 26 | | | 543 | 3,613 |
| Kyongnam Bank | | | | 320 | | |
| WCC | 72,286 | | 3,453 | 20,875 | | |
| Other | | | | | | 13,584 |
| Total | (Won) 72,286 | (Won) 26 | (Won) 3,453 | (Won) 22,253 | (Won) 543 | (Won) 17,197 |

4) Fee expense

| <u>Company</u> | <u>The Company</u> | <u>Woori Bank</u> | <u>Kyongnam Bank</u> | <u>WCC</u> | <u>Other</u> |
|------------------|--------------------|--------------------|----------------------|---------------------|---------------------|
| Woori Bank | (Won) | (Won) | (Won) | (Won) 72,286 | (Won) |
| Kyongnam Bank | | 26 | | | |
| Kwangju Bank | | | | 3,453 | |
| WFIS | 1,058 | | 320 | 20,875 | |
| Woori Securities | | 543 | | | |
| Other | | 3,613 | | | 13,584 |
| Total | (Won) 1,058 | (Won) 4,182 | (Won) 320 | (Won) 96,614 | (Won) 13,584 |

5) Other incomes

| <u>Company</u> | <u>The Company</u> | <u>Woori Bank</u> | <u>Kwangju Bank</u> | <u>WFIS</u> | <u>Other</u> |
|------------------|---------------------|---------------------|---------------------|----------------------|---------------------|
| The Company | (Won) | (Won) 6,388 | (Won) | (Won) 882 | (Won) |
| Woori Bank | 17,078 | | | 189,677 | 33,226 |
| Kyongnam Bank | | | | 15,896 | 88 |
| Kwangju Bank | | | | 9,165 | 34 |
| WCC | | 221 | 2,827 | | 7,274 |
| WFIS | | 5,217 | | | |
| Woori Securities | | 354 | | 1,677 | 12 |
| Other | | 15,203 | 792 | 682 | |
| Total | (Won) 17,078 | (Won) 27,383 | (Won) 3,619 | (Won) 217,979 | (Won) 40,634 |

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6) Other Expenses

| <u>Company</u> | <u>The Company</u> | <u>Woori Bank</u> | <u>Kyongnam Bank</u> | <u>Kwangju Bank</u> | <u>WCC</u> | <u>WFIS</u> | <u>Woori Securities</u> | <u>Other</u> |
|----------------|--------------------|----------------------|----------------------|---------------------|---------------------|--------------------|-------------------------|---------------------|
| The Company | (Won) | (Won) 17,078 | (Won) | (Won) | (Won) | (Won) | (Won) | (Won) |
| Woori Bank | 6,388 | | | | 221 | 5,217 | 354 | 15,203 |
| Kwangju Bank | | | | | 2,827 | | | 792 |
| WFIS | 882 | 189,677 | 15,896 | 9,165 | | | 1,677 | 682 |
| Other | | 33,226 | 88 | 34 | 7,274 | | 12 | |
| Total | (Won) 7,270 | (Won) 239,981 | (Won) 15,984 | (Won) 9,199 | (Won) 10,322 | (Won) 5,217 | (Won) 2,043 | (Won) 16,677 |

B. In addition, details of elimination of unrealized gain or loss among the Company and its subsidiaries for the year ended December 31, 2003 are as follows (unit: Korean won in millions):

| | <u>Operating income</u> | <u>Operating expenses</u> | <u>Non-operating income</u> | <u>Non-operating expenses</u> | <u>Total</u> |
|---------------|-------------------------|---------------------------|-----------------------------|-------------------------------|-----------------------|
| Woori Bank | (Won) (1,069) | (Won) | (Won) (9,853) | (Won) | (Won) (10,922) |
| Kyongnam Bank | | | | (15) | (15) |
| Kwangju Bank | | | | 261 | 261 |
| WCC | | | | (2,700) | (2,700) |
| WFIS | (41,193) | 40,135 | | | (1,058) |
| Total | (Won) (42,262) | (Won) 40,135 | (Won) (9,853) | (Won) (2,454) | (Won) (14,434) |

C. Pursuant to the transfer agreement between Kwangju Bank and WCC, subsidiaries of the Company, dated December 23, 2002, Kwangju Bank sold its credit card subscriber base to WCC for (Won)27 billion (US\$23 million) on February 28, 2003 (See Note 34 a. for a subsequent event).

Table of Contents**27. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES**

The assets and liabilities in foreign currencies of the Company and subsidiaries for the year ended December 31, 2003 are as follow (unit: Korean won in millions, US dollars in thousands):

| <u>Accounts</u> | | <u>US dollars</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 |
| | Borrowing 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 in foreign currencies | 285,773 | 342,299 |
| | Bonds in foreign currencies | 2,709,680 | 3,245,655 |
| | Others | 1,101,106 | 1,318,905 |
| | Total | US\$ 12,591,110 | (Won) 15,081,633 |

(*) Currencies other than US dollars were translated into US dollars based on Base Rate announced by Seoul Money Brokerage Services Ltd. at December 31, 2003.

Table of Contents**28. CONTINGENCIES AND COMMITMENTS**

- (1) On December 31, 2003 and 2002, confirmed acceptances and guarantees and non-confirmed acceptances and guarantees are as follow (unit: Korean won in millions):

| | <u>Dec. 31, 2003</u> | <u>Dec. 31, 2002</u> |
|--|------------------------|------------------------|
| Confirmed acceptances and guarantees: | | |
| Local currency: | | |
| Guarantees for debenture-issuing | (Won) 72,273 | (Won) 116,951 |
| Guarantees for loans | 105,620 | 103,214 |
| Guarantees for bills | 19,121 | 48,017 |
| Others | 443,842 | 393,105 |
| Sub-total | <u>640,856</u> | <u>661,287</u> |
| Foreign currencies: | | |
| Acceptance | 422,683 | 461,154 |
| Guarantee in acceptance of imported goods | 76,972 | 98,838 |
| Credit derivatives sold | 62,416 | 120,040 |
| Others | 788,904 | 578,513 |
| Sub-total | <u>1,350,975</u> | <u>1,258,545</u> |
| Total | <u>1,991,831</u> | <u>1,919,832</u> |
| Non-confirmed acceptances and guarantees: | | |
| Local letter of credit in foreign currencies | 697,476 | 659,882 |
| Local letter of credit in local currency | 223,624 | 336,310 |
| Letter of credit | 2,242,753 | 1,826,042 |
| Others | 150,496 | 244,886 |
| Total | <u>3,314,349</u> | <u>3,067,120</u> |
| Grand total | <u>(Won) 5,306,180</u> | <u>(Won) 4,986,952</u> |

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

| | <u>Dec. 31, 2003</u> | <u>Dec. 31, 2002</u> |
|---|----------------------|----------------------|
| Line of credit in local currency | (Won) 979,932 | (Won) 434,978 |
| Line of credit in foreign currencies | 24,516 | 7,788 |
| Other commitments in foreign currencies | 59,890 | |
| Sub-total | <u>1,064,338</u> | <u>442,766</u> |
| Endorsed bills without guarantee | 3 | 1,018 |
| Endorsed bills with guarantee | 27,923 | 30,283 |
| Sub-total | <u>27,926</u> | <u>31,301</u> |

| | | |
|-------|------------------------|----------------------|
| Total | <u>(Won) 1,092,264</u> | <u>(Won) 474,067</u> |
|-------|------------------------|----------------------|

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- (3) The allowance for confirmed acceptances and guarantees outstanding as of December 31, 2003 and 2002 are as follows (unit: Korean won in billions):

| | Dec. 31, 2003 | | | Dec. 31, 2002 | | |
|---------------|------------------|-----------|---------------------|------------------|-----------|---------------------|
| | Allowance | Ratio (%) | Outstanding | Allowance | Ratio (%) | Outstanding |
| Normal | (Won) | | (Won) 18,710 | (Won) | | (Won) 17,227 |
| Precautionary | | | 618 | | | 1,188 |
| Substandard | 38 | 26.8% | 142 | 15 | 34.1% | 44 |
| Doubtful | 340 | 77.3% | 440 | 401 | 72.1% | 556 |
| Loss | 8 | 100% | 8 | 184 | 100% | 184 |
| Total | (Won) 386 | | (Won) 19,918 | (Won) 600 | | (Won) 19,199 |

- (4) As of December 31, 2003, the Company and its subsidiaries had filed 2,237 of lawsuits as a plaintiff pleading damages amounting to (Won)343,376 million (US\$286,672 thousand) and had been designated as a defendant in 177 of lawsuits claiming damages amounting to (Won)1,536,581 million (US\$1,282,836 thousand). Among the lawsuits in which Woori Bank is a defendant, Woori Bank, two other domestic banks and others are named as co-defendants in a lawsuit filed in the United States of America claiming damages of US\$880 million ((Won)1,054 billion). The Company and its subsidiaries do not anticipate the outcome of these lawsuits would have a significant effect on the financial conditions or results of operations of the Company and its subsidiaries.

In addition, Kwangju Bank is named as a defendant in a lawsuit filed by the Export-Import Bank of Korea, which is related to issuing Daewoo Corp.'s deferred payment export guarantee document. The plaintiff alleges the defendant to verify the existence of a guarantee obligation, which amounted to US\$100 million ((Won)120 billion). The remaining guarantee value is US\$41 million ((Won)49 billion) as of December 31, 2003. The lawsuit is in the process of trial and the outcome cannot presently be determined. Kwangju Bank recorded (Won)38 billion (US\$32 million) as other allowances concerning this lawsuit.

- (5) Among the non-performing loans sold by subsidiaries of the Company to KAMCO, (Won)326 billion and (Won)864 billion of loans as of December 31, 2003 and 2002, respectively, were subject to payment guarantees or repurchase obligation and in connection, allowances for loan losses of (Won)110 billion and (Won)327 billion were provided as of December 31, 2003 and 2002, respectively.

Table of Contents**29. DERIVATIVES**

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

| | <u>For trading</u> | <u>For hedging</u> | <u>Total</u> |
|-------------------------|-------------------------|------------------------|-------------------------|
| Interest rate: | | | |
| Interest rate forward | (Won) 50,000 | (Won) | (Won) 50,000 |
| Interest rate swap | 4,991,636 | 3,509,984 | 8,501,620 |
| CD interest rate future | 268,363 | | 268,363 |
| Government bond future | 54,180 | | 54,180 |
| Sub-total | 5,364,179 | 3,509,984 | 8,874,163 |
| Currency: | | | |
| Currency forward | 13,354,273 | | 13,354,273 |
| Currency swap | 4,879,380 | 15,116 | 4,894,496 |
| Currency future | 49,888 | | 49,888 |
| Buy currency option | 148,527 | | 148,527 |
| Sell currency option | 123,373 | | 123,373 |
| Sub-total | 18,555,441 | 15,116 | 18,570,557 |
| Stock Index: | | | |
| Stock index future | 8,557 | | 8,557 |
| Buy stock index option | 78,290 | 9,059 | 87,349 |
| Sell stock index option | 699,943 | 9,059 | 709,002 |
| Sub-total | 786,790 | 18,118 | 804,908 |
| Total | (Won) 24,706,410 | (Won) 3,543,218 | (Won) 28,249,628 |

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- (2) Gains or losses on valuation of derivatives in 2003 and cumulated gains or losses on valuation of derivatives as of December 31, 2003 are as follows (Unit: Korean won in millions):

| | 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 forward | (Won) 1,773 | (Won) | (Won) 1,773 | (Won) | (Won) | (Won) | (Won) | (Won) 213 | (Won) 1,827 |
| Interest rate swap | 60,825 | 61,375 | 122,200 | (67,511) | (58,387) | (125,898) | (2,801) | 259,702 | 161,547 |
| Sub-total | 62,598 | 61,375 | 123,973 | (67,511) | (58,387) | (125,898) | (2,801) | 259,915 | 163,374 |
| Currency: | | | | | | | | | |
| Currency forward | 94,822 | | 94,822 | (91,815) | | (91,815) | | 94,331 | 91,207 |
| Currency swap | 108,022 | | 108,022 | (103,287) | (1,258) | (104,545) | | 140,475 | 152,446 |
| Currency future | 290 | | 290 | | | | | | |
| Buy currency option | 702 | | 702 | (56) | | (56) | | 3,362 | |
| Sell currency option | 63 | | 63 | (726) | | (726) | | | 3,752 |
| Sub-total | 203,899 | | 203,899 | (195,884) | (1,258) | (197,142) | | 238,168 | 247,405 |
| Stock Index : | | | | | | | | | |
| Buy stock index option | 82 | 286 | 368 | (403) | | (403) | | 7,141 | |
| Sell stock index option | 1,213 | | 1,213 | (27) | (286) | (313) | | | 9,729 |
| Sub-total | 1,295 | 286 | 1,581 | (430) | (286) | (716) | | 7,141 | 9,729 |
| Total | (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

30. CREDITS TO SK NETWORKS CO., LTD.

Woori Bank has loan receivables from and payment guarantees for SK Networks Co., Ltd. (formerly known as SK Global) and its overseas subsidiaries (collectively referred to as SK Networks) in the total amount of (Won)177 billion (US\$147.7 million) and available-for-sale securities in the total amount of (Won)89 billion (US\$74.3 million) ((Won)47 billion of common stock and (Won) 43 billion of preferred stock). In connection therewith, Woori Bank provided (Won)106 billion (US\$88.5 million) as allowances for credit losses as of December 31, 2003. However, SK Networks is currently undergoing a corporate restructuring and depending on the results of this restructuring, Woori Bank's actual loss on SK Networks credit may differ from the current estimate.

Table of Contents**31. CREDITS TO LG CARD CO., LTD**

Woori Bank, Kyongnam Bank and Kwangju Bank, subsidiaries of the Company, have loan receivables from LG Card Co., Ltd. (LG Card) in the total amount of (Won)279 billion (US\$232.9 million) as of December 31, 2003. In connection therewith, the banks provided (Won)80 billion (US\$66.8 million) as allowances for credit losses. In addition, those banks have corporate bonds of (Won)200 billion (US\$167.0 million) and asset backed securities of (Won)100 billion (US\$83.5 million) issued by LG Card and beneficiary certificates of (Won)22 billion (US\$18.4 million) relating to LG Card. The banks recognized losses on valuation of trading securities of (Won)34 billion (US\$28.4 million), losses on impairment of available-for-sale securities of (Won)43 billion (US\$35.9 million), and losses on impairment of held-to-maturity securities of (Won)11 billion (US\$9.2 million) for the year ended December 31, 2003. With relation to Commercial Paper (CP) in trust accounts, for which repayment of principal or interest is guaranteed by the banks, in the total amount of (Won)145 billion (US\$121.1 million), the banks charged (Won)63 billion (US\$52.6 million) in losses on trust management. However, LG Card is currently undergoing a corporate restructuring and depending on the result of this restructuring, the Company's bank subsidiaries' actual losses on LG Card credit may differ from the current estimate.

32. WOORI AMERICA BANK'S MERGER WITH PANASIA BANK N.A.:

On September 11, 2003, Woori America Bank, an overseas 2nd-tier subsidiary of the Company, merged with Panasia Bank N.A. pursuant to an agreement with National Penn Bancshares dated February 10, 2003, which had owned 100% stock of Panasia Bank N.A. The merger consideration was US\$34,500 thousand and in connection with the merger, Woori Bank increased its capital holding in Woori America Bank by US\$15,000 thousand on September 3, 2003.

33. WOORI BANK'S MERGER WITH WOORI INVESTMENT BANK

Woori Bank merged with WIB, a subsidiary of the Company, on July 31, 2003 pursuant to a merger agreement dated June 25, 2003. As a result, Woori Bank took over substantially all of the assets and liabilities of WIB by exchanging one common share of WIB for 0.0355 share of Woori Bank. Accordingly, the number of issued common shares of Woori Bank increased from 553 million to 571 million and contributed capital of Woori Bank increased from (Won)2,764.4 billion (US\$2,307.9 million) to (Won)2,852.8 billion (US\$2,381.7 million).

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34. SUBSEQUENT EVENTS

a. WCC's merger into Woori Bank

On February 5, 2004, WCC, a subsidiary of the Company, made a resolution to split off a part of its credit card business, which was previously purchased from Kwangju Bank, and to transfer back such part to Kwangju Bank. In addition, WCC resolved to transfer all other assets and liabilities including credit card subscriber base to Woori Bank and entered into a merger agreement (the "Merger Agreement") with Woori Bank. The transfers to Kwangju Bank and Woori Bank are scheduled to take place on March 29, 2004 and March 31, 2004, respectively. According to the Merger Agreement, one common share of Woori Bank will be issued for 0.3581 common share of WCC and as a result, the number of issued common shares of Woori Bank will increase from 571 million to 636 million and contributed capital of Woori Bank will increase from (Won)2,852.8 billion (US\$2,381.7 million) to (Won)3,179.8 billion (US\$2,654.7 million). There will be no newly issued common shares of Kwangju Bank for the transfer of WCC's credit card business back to Kwangju Bank.

b. Plan of WCC's capital increase

The Company made a resolution to increase its investment in WCC by purchasing new common stocks of WCC, amounting to (Won)800 billion (US\$667.9 million) for the purpose of maintaining capital adequacy of Woori Bank following the merger with WCC. The capital increase is scheduled to take place before the date of planned merger (March 31, 2004) of WCC into Woori Bank.

c. Swap of loans receivables from LG Card for LG Card's common stock

On February 13, 2004, Woori Bank, a subsidiary of the Company, obtained 17,620,000 shares of LG Card's common stock for (Won)88.1 billion (US\$73.6 million) by exchanging its loan receivables, in accordance with an agreement reached among creditors of LG Card. In addition, Woori Bank plans to provide a new credit facility to LG Card and to further exchange its debt with stock of LG Card.

35. ECONOMIC UNCERTAINTIES

The economic environment in the Republic of Korea continues to be volatile. In addition, the Korean government and the private sector continue to implement structural reforms to historical business practices, including corporate governance. The Company and its subsidiaries may be either directly or indirectly affected by these economic conditions and the reform program described above. The accompanying financial statements reflect management's assessment of the impact to date of the economic environment on the financial position and results of operations of the Company and its subsidiaries. Actual results may differ materially from management's current assessment.

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Exhibit 99.2

Results of the Annual General Meeting of Shareholders for the Fiscal Year 2003

The annual general meeting of shareholders of Woori Finance Holdings was held on March 30, 2004 and all five agenda items listed below were approved and ratified as originally proposed.

Key Details Relating to the Annual General Meeting of Shareholders

Meeting Date and Time: March 30, 2004; 10:00 a.m.

Venue: 203, Hoehyon-dong 1-ga, Woori Bank head office building, 5th floor, Chung-ku, Seoul, Korea

Agenda:

1) Approval of non-consolidated financial statements for the fiscal year 2003

2) Partial amendment to the Articles of Incorporation

3) Appointment of directors

a) Standing Directors

Young-Key Hwang (New)

Jong-Wook Kim (New)

Euoo-Sung Min (Incumbent)

b) Non-standing Directors

Seuk-Jin Kang (New)

Je-Hoon Lee (New)

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Sung-Tae Ro(New)

Do-Soung Choi (New)

Oh-Seok Hyun (Incumbent)

Chung-Sook Moon (New)

- 4) Appointment of candidates for the members of the Audit Committee who are non-standing directors

All 6 non-standing directors appointed

- 5) Approval of directors compensation limit

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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 30, 2004

By: /s/ Won Gihl Sohn

(Signature)

Name: Won Gihl Sohn

Title: Managing Director