



WOORI FINANCIAL GROUP • ANNUAL REPORT 2002



WOORI FINANCIAL GROUP
ANNUAL REPORT

FINANCIAL HIGHLIGHTS⁽¹⁾

SELECTED FINANCIAL DATA

(Years ended 12/31)	2002	2001	% Change
<i>KRW in billions, except where indicated otherwise</i>			
INCOME STATEMENT KEY FIGURES			
Operating Revenue ⁽²⁾	9,325.2	9,752.9	(4.4)
Operating Expenses ⁽³⁾	6,904.5	7,699.2	(10.3)
Loan Loss Provision	1,705.4	1,742.0	(2.1)
Operating Income	715.3	311.7	129.5
Net Income	591.6	686.3	(13.8)
Cost/Income Ratio (%) ⁽⁴⁾	43.6	44.6	-
PROFITABILITY RATIOS			
ROAA (%)	0.6	0.7	-
ROAE (%)	12.8	18.3	-
ASSET QUALITY RATIOS			
Loan Loss Reserves/NPLs (%) ⁽⁵⁾	103.3	90.0	-
NPLs/Total Credit (%)	3.3	6.8	-
BALANCE SHEET KEY FIGURES			
Total Assets	114,843.5	100,085.8	14.7
Shareholders' Equity	5,314.8	4,439.2	19.7
MARKET CAPITALIZATION⁽⁶⁾			
	3,263.2	-	
BIS CAPITAL RATIOS⁽⁷⁾			
Tier I (%)	6.6	6.3	-
Total BIS (%)	11.5	11.3	-
HEADCOUNT (FULL-TIME EQUIVALENTS)			
	14,215	14,175	0.3

Notes: (1) Based on Korean Generally Accepted Accounting Principles.

(2) Operating revenue, net of reversal of provisions for possible loan losses.

(3) Operating expense, net of contribution to provisions for possible loan losses.

(4) Selling and general administration expenses (SG&A) / Operating income + SG&A + Provisions for possible loan losses.

(5) Substandard or below credits.

(6) Based on the stock price on December 30, 2002 (4,250 KRW).

(7) For Woori Bank, Kwangju Bank and Kyongnam Bank only.

SHAREHOLDER INFORMATION

SHARE INFORMATION

(Years ended 12/31)	2002	2001
<i>KRW, except where indicated otherwise</i>		
Common Shares Outstanding (Shares)	767,814,797	727,458,609
Earning Per Share	770	940
Book Value Per Share	6,603	5,605
Dividend Per Share ⁽¹⁾	250	-
Dividend Payout Ratio (%)	9.7	-
Share Price High (July 8, 2002)	7,090	-
Share Price Low (October 11, 2002)	3,740	-

Note: (1) KDIC received lower dividends per share of 50 KRW on its common shares.

MAJOR SHAREHOLDERS

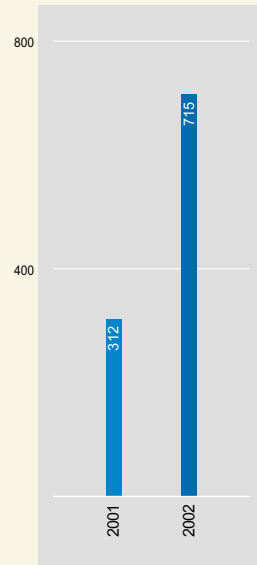
(unit : %)	2002
Korea Deposit Insurance Corporation	87.71
Hyundai Trust & Investment Securities	3.51
Korea Trust & Investment	0.35
Korea Investment Trust Management & Securities Co., Ltd.	0.26
CJ Investment & Trust	0.26
Daehan Investment Trust Securities	0.21

KEY RESULTS

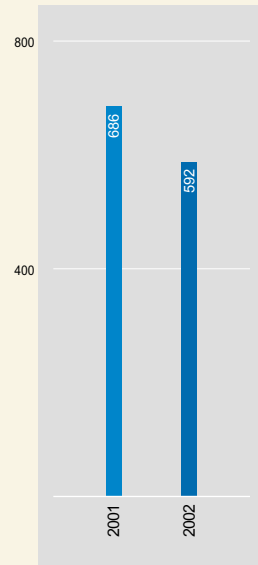
During its first full year of operations in 2002, the Woori Financial Group achieved solid growth in loans and deposits as well as its pre-provision operating income. Net income declined in 2002 largely because of increased provisioning in 2002 and one-time gains recorded in 2001. We set aside these provisions to prudently maintain our NPL coverage ratio above 100% so that we were well positioned for long-term profitable growth.

The year 2002 was a time of investment for the Woori Financial Group. We focused our management efforts on key tasks including reducing problem assets, strengthening risk management, accessing the public capital markets and forming key strategic partnerships with world-class financial institutions such as Lehman Brothers. We believe these investments will translate into large rewards for our shareholders in 2003 and beyond.

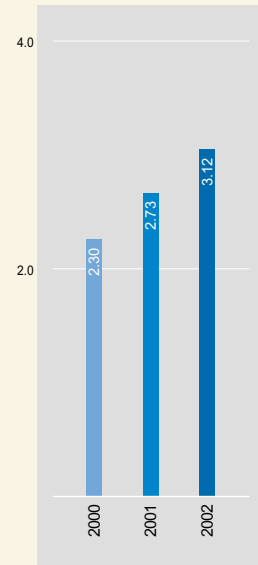
OPERATING INCOME AFTER PROVISIONS
(unit : billion won)



NET INCOME
(unit : billion won)

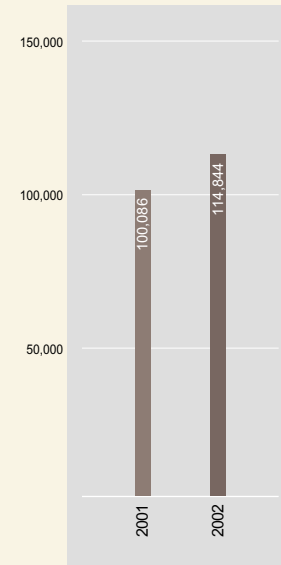


NET INTEREST MARGIN
(unit : %)

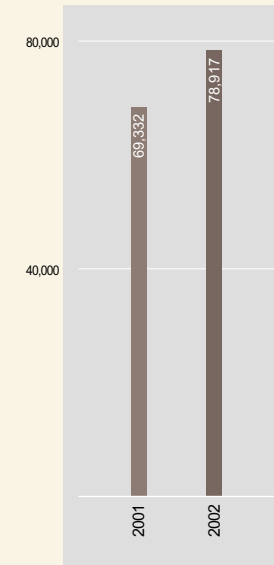


Note : Based on the guidelines by the Financial Supervisory Service.

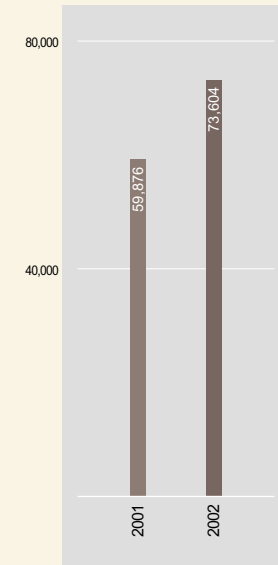
ASSETS
(unit : billion won)



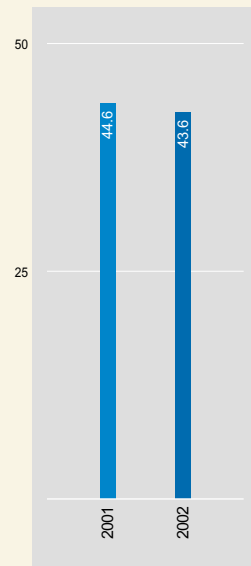
DEPOSITS
(unit : billion won)



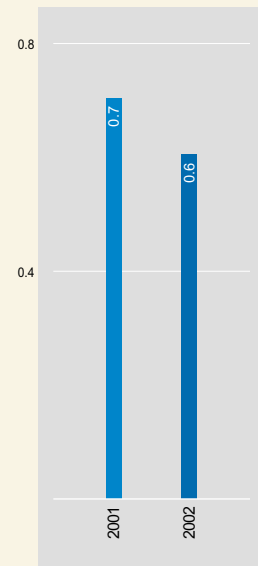
LOANS, NET OF ALLOWANCE
(unit : billion won)



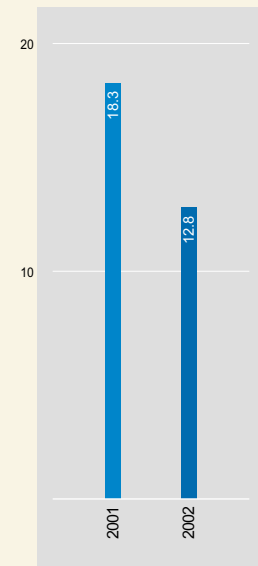
COST / INCOME RATIO
(unit : %)



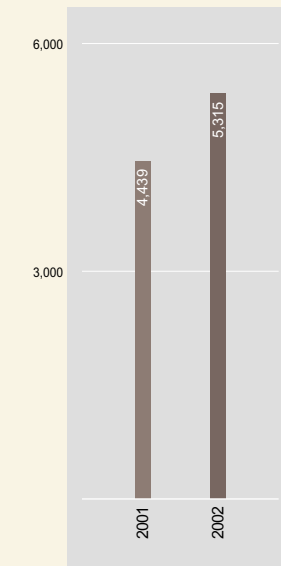
ROAA
(unit : %)



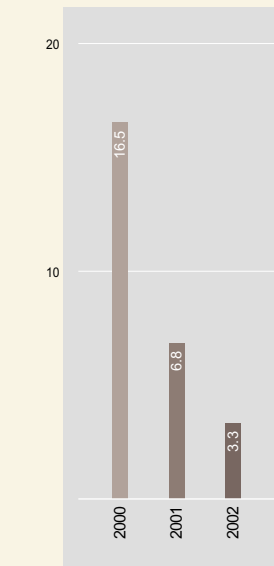
ROAE
(unit : %)



SHAREHOLDERS' EQUITY
(unit : billion won)

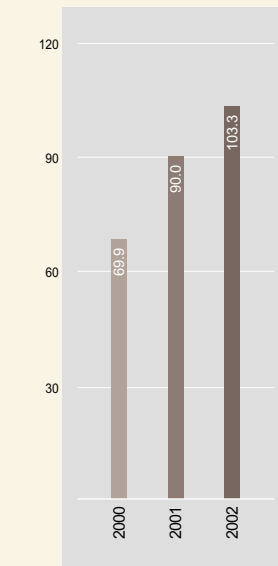


NPLS / TOTAL CREDIT
(unit : %)



* Based on the FSS guidelines

ALLOWANCE / NPLS
(unit : %)



TO OUR SHAREHOLDERS



In less than two years since its foundation, the Woori Financial Group has made excellent progress across all areas of management and operations. In 2002, we increased our operating income by 17.9% from the year before to 2,421 billion won; realized solid balance sheet growth while aggressively reducing problem assets; continued to restructure our internal operations to enhance operating efficiency; and cut costs by eliminating redundancies.

In 2003, we will continue to make sound investments in our people, technology, marketing, branding, and product development, bringing us a step closer to our goal of becoming the leader in Korea's integrated financial services market.

For the past two years, the Woori Financial Group has worked tirelessly to position itself for profitability and growth in a challenging global and domestic economic environment. Today, I believe we have reached this point thanks to the hard work and commitment of our staff and partners.

In 2002, we focused our attention on the formation and restructuring of our subsidiaries to allow the Woori Financial Group to function as a truly integrated financial services company. Woori Credit Card was created through the successful restructuring of the credit card operations of Peace Bank and Woori Bank. We also integrated Woori Securities and Woori Investment Trust Management as subsidiaries, and established the Woori Finance Information System as a subsidiary to handle all of the company's IT-related tasks.



BYUNG-CHUL YOON
CHAIRMAN & CEO

Our primary mission for 2003 is to build a solid platform on which we can effectively serve our customers and create value for our shareholders. Strengthened by our accomplishments in 2002 and the solidified will of our organization, I am confident we will see stronger performance across the board in 2003 and beyond. Our management's constant commitment to transparency, prudent risk management, and aggressive marketing of products and services will form the main pillars of our institution's blueprint for continued success.

2002 ACHIEVEMENTS

Thanks to the combined efforts of our staff and patronage of our clients and investors, our Group made many strides in 2002. In addition to the restructuring of our subsidiaries, we saw improvements in asset quality for sound profitability; undertook business process reengineering (BPR) to help raise our overall operational efficiency; and introduced highly-structured risk management

Sound Balance Sheet _ The Woori Financial Group is the second largest financial institution in Korea with total assets of 114.8 trillion won at year-end 2002. This 14.7% rise over the previous year is largely because of an increase in loans to households and well-performing small- and medium-sized enterprises (SMEs), reflecting a shift in our customer base for a healthy balance between consumer and corporate lending. With our banking subsidiaries' Tier I and BIS capital ratios of 6.6% and 11.5%, respectively, we have demonstrated unwavering commitment to strengthening our capital base and emerging as one of the strongest financial companies in Korea.

Growth in Operating Income _ In 2002, our operating income before provisions increased 17.9% from a year earlier to 2,421 billion won, largely attributable to a 61.2% increase in net interest income during the same period because of a surge in interest-earning assets and a decrease in funding cost. Net interest margin for our banking subsidiaries also increased from 2.73% to 3.12%. Despite the loan loss provisions and impairment losses on investment securities totaling approximately 2 trillion won, we were still able to realize net income of 592 billion won.

Improved Asset Quality _ Our Group has prioritized ongoing restructuring of our subsidiaries to strengthen our competitiveness and profitability. But we have also given equal priority to the task of cleaning our asset portfolio by aggressively disposing of bad assets to realize management normalization. In forming a joint-venture arrangement with Lehman Brothers in September 2002 to restructure our bad debts, we further confirmed our resolve to clean up our balance sheets and fortify our bad asset restructuring capabilities. The result has been an improvement in asset quality. Normal credits reached 92.4% of our total, up from 85.9% a year earlier, while the ratio of substandard or below credits, or NPLs, to total credits fell to 3.3% in 2002 compared to 6.8% in 2001 and 16.5% in 2000.

Business Process Reengineering _ Our Group is the first financial institution in Korea to implement back-office integration

across all banking operations. Whereas it has generally taken 10-20 years in other countries to reach this stage, Korea's existing IT infrastructure and the Group's own advanced IT system has made this possible in just two years. BPR will be completed at Woori Bank by the first half of 2003 and eventually expanded to the remainder of the Group's networks. This will not only result in overall enhanced cost efficiency, but also allow a reallocation of resources to focus more effectively on marketing and sales activities.

Cultivating a Risk Management Culture _ Today we are more disciplined in assessing risks and prudent in managing those risks than ever before. We have introduced sophisticated risk management systems and worked tirelessly to set them firmly in place across all business lines and subsidiary levels, ready to provide management with enhanced capability to monitor group-wide credit, interest rates, and market and operational risks. Our Group was also the first financial institution in Korea to introduce the risk adjusted performance measurement (RAPM), which was first implemented at Woori Bank in January 2002. We intend to standardize the RAPM system and implement

it throughout the Group, which will help to ensure the dissemination of a risk management culture at the individual staff level and strict adherence to the Group's risk policies and procedures.

OUR MANAGEMENT STRATEGIES

The year 2003 will be a time of both challenges and promise. While various indicators point to slowdowns in consumer spending and capital investments, our stronger fundamentals and proven resilience will help us ride out any difficulties until economic recovery resumes and demand for credits from both consumers and corporations inevitably rises again. Utilizing a strategy in 2003 focusing on the key areas of Unified Banking, Active Cross-selling, Earnings Base Diversification, Enhanced Asset Quality and Profitability, and Efficient Management System, we will distinguish ourselves from the rest as an advanced and competitive institution.

In 2002, we focused our attention on the formation and restructuring of our subsidiaries to allow the Woori Financial Group to function as a truly integrated financial services company

Unified Banking _ The Woori Financial Group consists of three banking subsidiaries—Woori, Kyongnam, and Kwangju. Our goal is to unify these three banks in terms of business operations and management. Customers will notice no difference in the products and services of each bank, rather, a new corporate logo will bring the banks under one business umbrella. This unified banking strategy will underpin our future growth, eliminating administrative barriers and redundancies for enhanced efficiency and operational efficacy.

Active Cross-selling _ In the highly competitive domestic financial market, we face the challenge of retaining our existing customers and garnering new interest in our products and services. We plan to meet this challenge by focusing on customer satisfaction and offering diverse and attractive high-yield products and cost-effective services at every point of client contact. We will strengthen cross-selling of those products and services to both corporate and household customers as a key part of our strategy, taking advantage of customer database sharing among group companies and an integrated customer relationship management (CRM) system.

Earnings Base Diversification _ In addition to intensifying competition, today's financial markets present challenges inherent in their volatility, changing landscape, and uncertainties. Combined with the general world-wide trend of declining interest rates, we recognize the need to reduce our traditional dependence on interest spreads as a revenue source and expand our fee-based businesses. Particularly in the corporate segment, we will continue to pursue a strategy of fostering our Group's traditionally strong capabilities in corporate banking by strengthening our investment banking and advisory services. In the consumer segment, we plan to strengthen our relationship with profitable retail customers, expand our private banking operations within our commercial banking subsidiaries, and develop additional fee-based products such as mutual funds, trust accounts, beneficiary certificates, and insurance.



Our primary mission for 2003 is to build a solid platform on which we can effectively serve our customers and create value for our shareholders

Asset Quality and Profitability _ One of the ways we guard against asset deterioration and ensure a profitable financial portfolio is by implementing a conservative policy of provisioning against risky assets. Even until we fully adopted U.S. GAAP guidelines in November 2002, our loan loss provisions already reflected U.S. GAAP standards in an effort to raise the accounting transparency of our business activities to global standards. Our ratio of loan loss reserves to substandard or below credits (NPL coverage ratio) at year-end 2002 recorded 103.3%—one of the highest coverage ratios among all Korean banks. In addition to a conservative provisioning approach, we will continue to improve our profitability by minimizing the cost of bad assets through our enhanced NPL restructuring capabilities and state-of-the-art group-wide risk management systems.

Efficient Management System _ Our holding company system offers the unique benefit of a synergy effect arising from our group-level management. At the group level, we will coordinate the interests of various subsidiaries, build a closer system of cooperation, and nurture a management culture that prioritizes raising the value of the entire group. In particular, we will fully integrate the Group's IT systems and set up a group-wide integrated management information system (MIS) to strengthen group-wide management. We are also in the process of establishing an enterprise-wide risk management system (ERMS), which will enable

the Group to effectively allocate risk capital and risk limits by subsidiary and risk factor. These technological upgrades throughout the company will facilitate our efforts to remove internal inefficiencies and integrate overlapping functions of subsidiaries

MANAGING FOR FUTURE GROWTH

With our listing on the Korea Stock Exchange in June 2002, we are obligated to meet the earnings expectations of

our largest shareholder, the Korea Deposit Insurance Co., and our public shareholders. We believe, however, that earnings reveal just a small part of the overall performance of our business. Our management decisions are based on achieving not only short-term growth in earnings, but also long-term growth for the Group.

Managing Opportunities _ In a growing market like ours, there are many opportunities for creating value. The wealth management market is growing with disposable income and the number of high-net-worth individuals on the rise, creating demand for tailor-made private banking services. In the capital market, the preference for engineered products that combine fixed and variable-income securities has grown as individual investors become increasingly sophisticated, and mutual funds have also risen in popularity. In the insurance sector, the emerging bancassurance market offers banks a new direction for business expansion. These market developments require a certain well-functioning infrastructure to be in place, which Woori has successfully constructed to maximize such new business opportunities.

Managing the Power of Franchise _ Woori is a powerful brand name, encompassing more than 17 million customers. Our customers are our top priority. In addition to our extensive networks of physical outlets—953 branches and 7,090 automatic teller machines and cash dispensers—ready to serve our clients, the population utilizing our online services continues to grow. Given our advanced infrastructure, we have the unique capacity to achieve growth purely through proper management of franchise power. In the coming years, our image will both drive and substantiate our never-ending campaign to upgrade our services and give our customers more value for their business.

Managing Innovative Human Resources _ Our people are our assets. We will invest more in training our staff to enhance their capability, upgrade productivity, attain a higher level of professionalism and increase job satisfaction. We have an excellent pool of professionals who will fuel our efforts to develop the best products, formulate successful strategies and manage business resources for high performance. We are setting the highest standards and expectations for every one of our staff, supported by a performance-based compensation system that will motivate our associates to perform confidently and to the best of their capabilities.

On a personal note, I believe leadership is key to the success of an organization and important in fostering a healthy corporate culture. It is management's responsibility to encourage leadership through constructive exchange of opinions among executives and employees. I also believe in the social responsibility of corporations to the community and its people. Woori will proudly carry on its long tradition of giving back to the community and working for the betterment of society, culture and the arts.

Our greatest source of pride, however, is our employees. Not only does our staff contribute a small portion of their earnings every month to building their community, but they are also deeply dedicated to building one of the best financial services companies in Korea. As Chairman and CEO of this proud organization, I have an even greater responsibility to lead our staff to achieve the goals before them.

We here at the Woori Financial Group take great pride in having come so far in such a short period of time. I would like to thank everyone for helping us build an exceptional institution that serves the interests of not only our shareholders, staff, clients and partners, but also the people of this dynamic nation and international financial community.

Thank you.

A handwritten signature in black ink, appearing to read 'Byung-Chul Yoon'.

BYUNG-CHUL YOON
CHAIRMAN & CEO



WOORI
HEADQUARTERS :
SETTING A NEW
TREND IN
MANAGEMENT FOR
FINANCIAL
COMPANIES IN
KOREA

OUR PLEDGE

YOUR TRUST IS PARAMOUNT TO US



The Woori Financial Group places the highest priority on earning the respect and trust of its customers, shareholders, employees, business partners and the larger community in which we operate. Our executives and more than 20,000 employees are committed to honoring these principles and helping the Woori Financial Group emerge as the most valuable and trusted financial company in Korea. We are dedicated to delivering the highest quality products and services to the 17 million loyal individual and corporate customers of the Woori Financial Group and its predecessors. We are thankful to them for the trust and confidence that they have bestowed upon us and pledge to abide by firm values and principles:

- ✓ We shall pursue excellence
- ✓ We shall seek creation and maximization of shareholder value at all times
- ✓ We shall make customer satisfaction a key measure of our success
- ✓ We shall manage risk prudently and professionally
- ✓ We shall conduct all business within the bounds of our legal and regulatory framework
- ✓ We shall ensure transparency in management at all levels of operation
- ✓ We shall be a good corporate citizen by accepting social responsibility
- ✓ We shall select business partners based on their ability to contribute international best practices and expertise
- ✓ We shall earn trust by adhering to the principles of ethics, fairness, honesty, transparency and accountability
- ✓ We shall listen to the voices of all our shareholders

BYUNG-CHUL YOON
CHAIRMAN & CEO

DUK-HOON LEE
VICE CHAIRMAN AND
CEO OF WOORI BANK

KWANG-WOO JUN
VICE CHAIRMAN AND
CHIEF STRATEGY OFFICER

EWOO-SUNG MIN
VICE CHAIRMAN AND
CHIEF FINANCIAL OFFICER

NAM-HONG CHO
DIRECTOR

SANG-CHUL LEE
DIRECTOR

CHAE-WOONG LEE
DIRECTOR

GAE-MIN LEE
DIRECTOR

OH-SEOK HYUN
DIRECTOR

HAE-SUK SUH
DIRECTOR



WOORI BANK :
COMBINING LONG
HISTORY AND
MODERN
MANAGEMENT FOR
FULL CUSTOMER
SATISFACTION

PROFILE

KOREA'S FIRST FINANCIAL HOLDING COMPANY



The Woori Financial Group is Korea's first integrated financial services company. It was established in April 2001 under the recently enacted Financial Holding Company Act (FHCA). In the aftermath of the 1997-1998 financial crisis, which resulted in the closure of dozens of unviable financial companies and the injection of substantial public funds to rescue near-bankrupt banks and other financial companies, it became imperative for Korean banks to employ a new management model based on market principles and transparent governance to eliminate the risk of another crisis in the financial sector. The FHCA and related regulations and decrees were designed to create an organization in which a bank and financial affiliates comprise a single corporate entity in the form of a holding company. The holding company is therefore more capable of delivering a full set of financial products and services to its customers.

The Woori Financial Group, consisting of 12 subsidiaries including its largest subsidiary, Woori Bank, was founded to project an innovative new management system and organizational structure that we are pioneering, becoming a role model for Korea's other financial companies. The foundation of our company in April 2001 was the result of determined efforts by the Korean government—our shareholder through the government-owned Korea Deposit Insurance Corporation (KDIC)—to strengthen and modernize the Korean banking sector.

When our company was founded, our management received a clear mandate, mission and set of goals from the government. The mandate was to restructure and reform our problem-ridden subsidiaries into financially healthy and profitable companies. The mission was to institute a workable, professional and transparent management system. The goal was to create value for our sharehold-



The Woori Financial Group was founded to project an innovative new management system and organizational structure that we are pioneering, becoming a role model for Korea's other financial companies

ers, including taxpayers who financed the rescue of dozens of distressed financial companies. We are proud of the positive results achieved in the first two years of operation, as well as the fact that we met nearly all of the management targets set for us by our principal shareholder. In fact, the government has adopted our non-performing loans resolution approach as the template for addressing asset-quality issues in the banking sector.

One of the key tasks before us is achieving a transition in our Group's ownership from the government to the public through orderly sales and offerings of the government's stakes. The privatization process started in June 2002 with a targeted completion date of March 2005. The privatization plan allows for the KDIC to retain less than a 50% interest in the company. In June 2002, the Woori Financial Group became publicly listed through an initial public offering of 12% of its outstanding common shares. Our shares are now traded on the Korea Stock



**WOORI
EMPLOYEES :
PROFESSIONALISM
& PERFORMANCE**

Exchange. The privatization plan also includes plans for an overseas depositary receipt listing, as well as attracting major foreign financial companies as strategic partners.

Under the FHCA, the Woori Financial Group is regulated at the group and subsidiary level to ensure soundness in the financial operations and conditions of the holding company and its subsidiaries. We have tapped capital markets to raise funds at the holding company level to provide appropriate levels of support to our subsidiaries and, in turn, are dependent upon dividends paid by the subsidiaries to the holding company. We are subject to limitations on the level of support provided by the holding company pursuant to both regulatory and rating agency guidelines.

Woori is in the process of emerging as one of the country's

leaders in the integrated financial services sector. We are striving to provide the convenience of a one-stop transaction facility to all of our corporate and household customers. With the integration of data and information into a single system, we will be able to effectively provide our 17 million clients with a wide range of tailored products and services. We intend to provide our services through a single offline or online point. Our corporate customers, who include 16 of Korea's 35 largest conglomerates, will also benefit from the ease of handling all corporate finance matters through a single and dedicated relationship manager.

Despite our brief two-year history as a holding company, we are already close to achieving our mission of instituting a new and modernized management system. We have come a long way in creating an efficient, profitable, transparent and trustworthy company.

WOORI BANK

Founded in 1899, Woori Bank is the core of the Woori Financial Group and largest subsidiary. Woori Bank derives from two of Korea's oldest commercial banks in Korea—the Commercial Bank of Korea and Hanil Bank. At the height of the financial crisis in 1998, the two commercial banks were merged to create Hanvit Bank, which was later renamed Woori Bank following the establishment of the Woori Financial Group. Woori Bank

provides a wide range of banking and other financial services to both households and corporations, including small- and medium-sized enterprises (SMEs). As of December 31, 2002, Woori Bank was the second largest commercial bank in Korea based on total assets. At the end of 2002, it had 12 million active customers and 655 branches nationwide, as well as 10 branches and 1 representative office overseas.

KYONGNAM BANK

Kyongnam Bank was established in 1970 as a regional commercial bank to provide services to the southeastern regions of Korea, including the industrial cities of Ulsan, Masan and Changwon. It provides such services as consumer banking to individuals, households and corporate banking to SMEs. As of December 31, 2002, Kyongnam Bank had approximately 2 million active customers, with 127 branches in the southeast and Seoul.

WOORI CREDIT CARD

Woori Credit Card was organized as a specialized credit card company in December 2001 by combining the credit card operations of Woori Bank and Peace Bank. The Woori Financial Group contributed more than 900 billion won in new capital and subsequently combined it with the credit card operations of Kwangju Bank in February 2003. Woori Credit Card has a total of 5.3 million customers.

WOORI INVESTMENT TRUST MANAGEMENT

Woori Investment Trust Management (WITM) was a subsidiary of Woori Bank established in 1988. In March 2002, Woori Bank transferred the ownership of WITM to the holding company, becoming a direct subsidiary. WITM manages investment trusts and offers various in-

vestment trust products such as beneficiary certificates and mutual funds to household and corporate customers. As of December 31, 2002, WITM had 3.7 trillion won in assets under management.

WOORI INVESTMENT BANK

Woori Investment Bank was established in November 2000 as a bridge investment bank that took over the assets of unviable merchant banks. It was founded as Hanaro Merchant Bank and operates nationwide with a branch office in Seoul, Busan, Daegu, and Gumi. Its principal businesses include short-term financing, including discounting of notes, for-

eign currency transactions and lending, lease financing, and securities operations. Like a commercial bank, a merchant bank can raise funds in the open market and offer households and individual customers such services as receiving deposits for cash management accounts and discounting of corporate promissory notes.

KWANGJU BANK

Kwangju Bank was established in 1968 as a regional commercial bank to serve the communities of the city of Kwangju and southwestern Korea. The bank offers deposits and loan products, as well as other general banking services. It concentrates on households and individual consumers, SMEs, and to a lesser extent, large corporate customers. As of December 31, 2002, the bank had 2 million active customers with 112 branches throughout the southwest and 3 branches in Seoul.

WOORI SECURITIES

Woori Securities was established in 1954 as a subsidiary of Hanil Bank, which later became Woori Bank. Woori Bank transferred Woori Securities to the holding company to become a direct subsidiary, now operating as a full-service brokerage house and underwriting firm. As of December 31, 2002, Woori Securities had 43 branches and 18 brokerage outlets that have been integrated into Woori Bank branches.

WOORI F&I

Woori F&I is a company designed as a vehicle for distressed assets by establishing joint venture special purpose companies (JV-SPCs) and a joint venture asset company (JV-AMC). The JV-SPCs are intended to purchase a part of the Group's NPLs, while the JV-AMC manages the bad assets. Pursuant to an agreement with Lehman Brothers on September 2002, Woori F&I holds a 51% stake in the JV-AMC.

WOORI FINANCE INFORMATION SYSTEM

Woori Finance Information System, which was founded in 1989 by Hanil Bank, became a subsidiary of the Woori Financial Group in September 2001. It handles all IT-related needs of the Group and its subsidiaries. The company is being restructured to handle all system integration tasks relating to financial companies and Woori's subsidiaries.



STRATEGIC ALLIANCE WITH WORLD-CLASS FINANCIAL COMPANIES IS A KEY ELEMENT OF OUR STRATEGY GOING FORWARD

FORWARD STRATEGY

BEING THE LEADER



The Woori Financial Group has a unique position in the Korean market. We are one of the largest participants in the corporate banking and retail banking markets. We also have the capability to provide non-banking services including credit card, retail brokerage and short-term money market, investment management, and bancassurance services. Our strategy going forward is centered on providing our customers with attractive financial products, as well as the convenience of one-stop service through any of our online or offline distribution channels.

At present, the banking segment accounts for about 80% of total revenue generated within the Group. The strategy that we are developing calls for taking full advantage of our efficient internal management and human, financial and technological resources to create value. Our strategic drive will be to raise the overall standards of the non-banking segments of our business and invest in technology to create a system that supports our strategic initiatives and enhances our overall management efficiency and capability.

Outlined below are the key elements of our forward strategy:

CONTINUOUS INTEGRATION AND STRENGTHENING OF GROUP-WIDE MANAGEMENT

Our main strategy seeks to achieve balanced development of all core business segments by strengthening group-wide management through efficient deployment of financial and human resources. The group-wide management gives us greater flexibility in responding to new developments in the market environment. We have invested heavily in IT infrastruc-

ture to allow quick and rational decision-making at all levels of management and operations. We have also introduced an advanced system to evaluate management performance based on targeted business results. We instituted a group-wide auditing system and established a Code of Ethics to be adhered to by all executives and employees. We are in the process of creating a unique and uniform corporate culture of our own. We created

the integrated brand "Woori" in 2002, and executives of the holding company now serve on the boards of most of our subsidiaries.

CROSS-SELLING THROUGH INTEGRATED MARKETING OF ALL PRODUCTS

Given the diversity of products and services that we offer, cross-selling to both corporate and household customers is a key part of our strategy. We are rolling out a new and powerful customer relationship management (CRM) system intended to facilitate our cross-sell strategy. With our CRM system in place, a customer will be able to enjoy the benefits of one-stop service, online or offline, ranging from the



The strategy that we are developing calls for taking full advantage of our efficient internal management and human, financial and technological resources to create value



purchase of an insurance policy to reviewing his or her portfolio investment. Similarly, a corporate customer may be provided with a trading and financing package combined with foreign currency management services. With real interest rates hovering at around 1-2%, customers will shop for financial products that offer more attractive yields. Thus, our strategy will be focused on offering our 13 million active customers with cost-effective and high-yield products across all business segments. As 72% of our customers currently use only one of the many services that we offer, our focus is to convert them into customers for multiple products and services. Besides our online system, we have one of the largest networks of physical outlets—953 branches and 7,090 ATMs and CDs—across the country.

INCREASING PROFITABILITY BY DIVERSIFYING OUR REVENUE BASE

Given the low-interest market environment and continuing diversification of funding sources for corporations to obtain credit, we can no longer rely exclusively on traditional net interest spreads as the main source of our revenue. Leading global financial institutions have sought to generate as much fee income as possible to diversify their revenue bases. Our strategy is to prepare each of our subsidiaries to be able to expand non-interest incomes by developing new fee-based income sources. In corporate segment, we plan to focus on expanding the volume of fee-based foreign exchange, trade finance and derivatives products and services, increase our investment banking and advisory capabilities within Woori Securities and other commercial banking subsidiaries, and develop additional investment trust and other asset management products and services. In the consumer segment, we plan to strengthen our relationship with profitable retail customers, expand our private banking operations within our commercial banking subsidiaries, and develop additional fee-based products such as mutual funds, trust accounts, beneficiary certificates, and insurance.



KWANG-WOO JUN
VICE CHAIRMAN AND
CHIEF STRATEGY OFFICER

We believe the winner in this competitive market will be the firm that provides the discerning customer with tailor-made financial services

REDUCTION IN COSTS THROUGH HIGHER OPERATIONAL EFFICIENCY

Through business process reengineering (BPR), we are working to reduce overlapping functions among subsidiaries, eliminate redundancies, and streamline our operations. We have restructured our credit evaluation and approval processes, foreign exchange operations, and back-office functions at head offices or regional centers instead of maintaining them at the branch level. We have completed these projects at Woori Bank and are commencing implementation at Kyongnam Bank and Kwangju Bank. Another key part of this strategy is to develop a single CRM and procurement management systems to be used by all subsidiaries. Our strategy is to aggressively cut costs through operational efficiency. We also believe that the integration of our IT systems through Woori Finance Information System will allow us to eliminate redundant functions and equipment, resulting in an additional reduction in our overall long-term expenses. These measures have resulted in benefits to our customers and the creation of value to our shareholders through cost savings.

MAINTAINING STRONG ASSET QUALITY THROUGH RISK MANAGEMENT

Management of risks will continue to be an integral part of our strategy. Our strategy is to institute a strong risk management system that not only gives advanced warning on potential risk hazards, but also provides us with a mechanism to act quickly to control potential losses. Besides various policies, tools and systems that we have introduced in the past two years, we plan to establish an enterprise-wide risk management system (ERMS) to effectively monitor credit risks in our loan portfolios and carefully measure risks through carefully developed policies and procedures.

INVESTMENT IN IT TO HELP US REMAIN HIGHLY COMPETITIVE IN THE MARKET

We recognize the importance of leveraging technology to allow the Woori Financial Group to effectively manage its businesses and provide customers with real-time information on their accounts and the benefits of a specialized marketing system encompassing all our subsidiaries and their products. Thus, our strategy has been to build systems and platforms that will allow us to share customer databases among group subsidiaries and integrate CRM and product marketing. Woori Bank, for example, is implementing a new system that will significantly shorten the time lag between product development and introduction in the market. The system will also help Kyongnam Bank and Kwangju Bank respond to developments in the market quickly. The system is scheduled for completion in September 2004.

PURSUING STRATEGIC ALLIANCES TO PROVIDE A BASE FOR GROWTH

As we go forward and seek to raise the level of our non-banking business segments, we are committed to selectively reviewing mergers, acquisitions, or strategic alliances with leaders in the domestic and global market. We want to enhance our competitiveness in major segments—investment banking, asset management, credit card and insurance. In investment banking and asset management, we are looking forward to forming profitable strategic alliances with leading global companies. In bancassurance, we are in the process of negotiating a joint venture with Samsung Life Insurance Co., Korea's largest life insurance company. Depending on developments in the domestic insurance market, our goal is to convert this joint venture into a full-fledged insurance company. In the credit card sector, which is currently facing an industry-wide shake-up following the increase in credit delinquencies, we are in a unique position to strengthen our operations by forming a strategic



EUOO-SUNG MIN
VICE CHAIRMAN AND
CHIEF FINANCIAL OFFICER

We will institute a strong risk management system that not only gives advanced warning on potential risk hazards, but also provides us with a mechanism to act quickly to control potential losses

EXPLORING NEW OPPORTUNITIES IN THE MARKET

Customers with increased disposable income and interest in wealth management are constantly seeking new and sophisticated services that can provide them with higher returns. Modern financial technology has made it possible to offer these customers effective information and high margin products and services through cross-selling, cross-marketing, and integration of related front-and back-office functions. We believe the winner in this competitive market will be the firm that provides the discerning customer with tailor-made financial services and manages his or her wealth with consistent returns that outperform the competition. In the second half of 2003, we will begin providing a wide range of bancassurance services to our customers by forming marketing and strategic alliances with several insurance companies.

EMPHASIS ON INVESTMENT BANKING FOR CORPORATE CUSTOMERS

We are also strengthening our investment-banking activities. Woori Bank is one of the largest banks in terms of corporate banking in the Korean market, serving as the primary bank for 16 of the 35 largest business conglomerates in Korea. Given that companies are relying less on indirect bank credits and more on direct financing, we must also enhance our capability to serve our prime customers in the capital markets. Thus, our strategy is to upgrade our investment banking capabilities to undertake various forms of debt, equity and structured finance alternatives to our corporate borrowers. Such a shift in the focus of our corporate banking will also lead us to rely less on narrowing interest margin-related revenue sources and more on fees from investment banking services.

CREATING VALUE

LEVERAGING INTERNAL RESOURCES



Creating value for our shareholders is the primary objective of management. Consistent value creation depends on management's ability to effectively focus the tremendous resources available within our Group. As a financial holding company in an extremely competitive market, our ability to create value through the generation of revenues and earnings will depend on how we take advantage of the opportunities offered by the market. We believe that we can be successful if we apply our capital, experience, technology and professional resources where they can create the highest value for our customers. Discussed below are some of the key attributes that are expected to help our Group grow and create consistent value.

Demonstrated Excellence in Management _ Our board is one of the finest among Korean financial institutions. Standing directors involved in day-to-day management have substantial experience in managing banks and financial businesses. Our non-standing directors have professional expertise in a variety of areas, which has been crucial for our operations. Our directors assume substantial responsibility to provide appropriate guidance and oversight of our management team.

Transparent Corporate Governance _ The building block of corporate governance is the fundamental separation of ownership and management. Professional managers with proven track records have delegated authority to manage our company. The Korean government, despite its significant ownership stake, has no formal presence in the board. The relationship between the government and our company is specifically outlined in a memorandum of understanding. As a result, our board and management are solely dedicated to executing their business strategy focused on the creation of value.

Extensive Branch Network _ When combining the physical outlets of all of our subsidiaries, the Woori Financial Group has one of the largest networks of branches in Korea and a presence in nearly every corner. This network, combined with our state-of-the-art online system, presents enormous opportunities to market our products and services across all customer segments. Our challenge is to consistently develop and deliver innovative products and services that take advantage of this marketing infrastructure to further create substantial value.

Customer-oriented Mindset _ In a competitive market, attracting new customers is as important as retaining existing clients. We have 17 million customers, and retention represents one of our most central tasks. We have invested heavily in developing a state-of-the-art customer relationship management (CRM) system, which will help us keep track of customer needs and preferences. When we know what our customers want, meeting their

needs translates into creation of value.

Cross-selling Advantage _ As a diversified financial holding company, we have products and services that range from retail brokerage to banking, bancassurance and beneficiary certificates. Setting Woori apart from the competition, government regulations on financial holding companies give Woori the unique advantage of selling all of these products and services more efficiently as a result of its ability to share individual credit information among group companies.

Commitment to Operational Efficiency _ We have invested heavily in IT technology to improve cost efficiency within our organization. Through business process reengineering (BPR), we have eliminated redundancies and streamlined operations by integrating several overlapping functions. Further value will be created by cutting costs as we set up joint procurement for all subsidiaries. We will be rolling out a new credit and risk assessment system that will be used by all banking subsidiaries.

Large Customer Base _ We are one of the largest financial institutions in Korea both in consumer and corporate banking. Based on the long individual histories of our affiliate companies, our Group now boasts a combined large and stable customer base of 17 million individual and corporate clients. Particularly with regard to corporate banking, we are the primary bank for 16 of Korea's 35 largest conglomerates. Woori has been able to enlarge its earnings base by creating services that are customized to meet the individual needs of our diverse clientele.

Prudent Risk Management _ Long-term rewards to a financial company come from its ability to manage acceptable levels of risk. Our risk management is aimed at ensuring proper development of policies and procedures equipped with comprehensive tools to allow for effective underwriting and monitoring of risk positions. We are continually seeking to improve and reengineer our risk procedures to protect shareholder value.

2002

THE YEAR IN REVIEW



- JAN 01** • Risk adjusted performance measurement (RAPM) system implemented at Woori Bank
- FEB 04** • Woori Credit Card officially launched as a subsidiary
- MAR 05** • Woori Bank signs business cooperation agreement with the National Bank of New Zealand
- 19** • Retail brokerage business units established in a bank branch for the first time in Korea
- 22** • Third special purpose vehicle company for NPL transfers organized
- 28** • Woori Securities receives exclusive permission from the Korea Securities Dealers' Association for the use of a new foreign exchange risk management tool designed for SMEs
- 29** • Woori Investment Trust Management becomes a subsidiary
- APR 08** • Woori Bank's credit rating raised 2 notches to Baa2 (Moody's)
- MAY 16** • Group and subsidiaries launch and adopt new uniform "Woori" corporate identity
- JUN 24** • Successful IPO and listing on Korea Stock Exchange (issue oversubscribed by 26 to 1)
- JUL 04** • Woori Bank signs business cooperation agreement with Bank of China
- 29** • Woori Securities becomes a subsidiary
- AUG 09** • Business Process Reengineering (BPR) launched at Woori Bank branches
- SEP 05** • A comprehensive NPL joint venture arrangement signed with Lehman Brothers
Recognized as the Deal of the Year by Asia Money, Institutional Investor, CFO Asia, Finance Asia, and The Asset
- 13** • Rules announced and implemented regarding the privacy and handling of individual credit information among subsidiaries (As a financial holding company, Woori is able to share individual credit information among group companies in accordance with government regulations)
- OCT 18** • Woori Bank receives the Grand Internet Prize and e-CEO Award from the Korea Management Association
- NOV 08** • The Group completes U.S. Generally Accepted Accounting Principles (GAAP) for fiscal year 2000-2001
- 10** • Woori Bank selected as one of three banks to manage the operations of the National Housing Fund
- 12** • Group Chairman distributes "CEO Report" to employees to foster greater communication and sharing of the Group's principles and achievements
- 20** • Woori Introduces an employee exchange program among the Group's subsidiaries
- DEC 04** • Woori Bank receives "2002 e-Commerce Prize," sponsored by the Ministry of Information and Communications
- 31** • Kyongnam Bank and Kwangju Bank sign an agreement to outsource IT program development to Woori Finance Information System



WOORI BANK'S
MAIN BRANCH :
SERVICING
CONGLOMERATES
AND SMEs WITH
EQUAL RIGOR

CORE BUSINESS

SYNERGY MANAGEMENT



The Woori Financial Group is a provider of both banking and non-banking services to corporate and individual customers through its specialized subsidiaries. Corporate and retail banking remains the core of our services. However, we are moving strategically to expand our non-banking services. Our current core businesses mainly consist of those conducted by our subsidiaries before they became a part of the Group. In the next few years, business lines will be less prominent as subsidiaries work together to engineer new products, embedding elements of both banking and non-banking services. Our core business structure will change as our banks offer insurance- and investment-related products. In today's dynamic market, our business structure cannot but constantly evolve to remain competitive and profitable.

CORPORATE BANKING

We are one of the largest financial institutions engaged in corporate banking in Korea. In addition to serving as the prime bank for 16 of the 35 largest Korean conglomerates, we include among our corporate customers large government-run enterprises and hundreds of successful small- and medium-sized enterprises (SMEs). We provide our corporate banking services predominantly through Woori Bank, although Kyongnam Bank and Kwangju Bank provide similar services to SMEs in their respective regions.

Large Corporate Banking _ Large corporate customers include all companies that are either affiliates of the top six chaebols in Korea or have assets of at least 7 billion won and therefore subject to an external audit under the External Audit Act of Korea. We have set up a network of dedicated corporate marketing centers, primarily under the umbrella of Woori Bank. Woori Bank operates 22 corporate marketing centers, 17 of which are located in the Seoul metropolitan area. Each center is staffed with specially trained relationship managers and a senior



DUK-HOON LEE
VICE CHAIRMAN AND
CEO OF WOORI BANK

We operate customer loyalty programs for profitable SMEs and furnish benefits and services that range from preferential rates to invitations to cultural events sponsored by our institution

relationship manager for supervisory purposes. Each relationship manager is responsible for designated corporate customers that are either affiliates of a major conglomerate or operate in a particular region or industry. Flexibility in terms of organizational structure is the key to making us more efficient and raising the satisfaction of our corporate customers. To assist the relationship managers, we are building a knowledge management database that will allow broader sharing of marketing techniques and skills.

Our marketing strategy is based on the cross-selling of products. Besides traditional corporate banking services such as trade financing and foreign currency management, we are also developing other products that generate fee-based income. These products and services include risk-hedging derivative products, investment banking and advisory services, and engineered financial products. We monitor the credit status of our existing customers and those of our competitors with a view to identifying a target group of high-quality customers on

whom we can concentrate our marketing efforts.

Small- and Medium-Sized Enterprises _ Under Korea's Small and Medium Industry Basic Act, an SME is defined as a company that has less than 300 full-time employees, total stockholders' equity of no more than 7 billion won, or sales revenue of no more than 30 billion won. This can vary depending on the industry, but the total number of full-time employees should not exceed 1,000. With increased development of the critical components and parts sector across all industries in the past few years, this segment of corporate banking is becoming increasingly attractive. Furthermore, the government has a policy of nurturing SMEs and, as a result, several government-sponsored credit guarantee corporations provide credit guarantees on behalf of SMEs to banks and lenders. Thanks to our persistent effort to expand our exposure in this segment of the market, we have seen a 44.5% rise in SMEs' credits in local currency in 2002 over the previous year.

We service SME customers primarily through Woori Bank's network of branches, relationship managers who are assigned to serve SMEs, and the branch networks of Kwangju Bank, Kyongnam Bank, and Woori Securities. Considering the overall importance of SMEs in our total business portfolio, we have placed 402 SME relationship managers in 332 branches across the nation in 2002, of which 122 were designated as SME support branches. We plan to nearly double the number of such relationship professionals to 700 in 2003.

Continuous business growth in the SME area requires that we undertake the hard task of identifying promising industries and firms. Based on the requirements of the SMEs, which can vary sector-to-sector and company-to-company, we develop products and services that are most suitable to our customers. In 2002, for example, we went beyond the traditional focus in the manufacturing sector to such business areas as real estate rental and development, hotel and food services, pharmacies, and medical services. In 2003, we intend to broaden our focus to IT-related ser-

vices, sports and leisure, and retail distribution, focusing on areas that have strong cash flow. In addition, we operate customer loyalty programs for profitable SMEs and furnish benefits and services that range from preferential rates to invitations to cultural events sponsored by our institution.

We provide both working capital and facility loans to our SME customers. At the end of 2002, working capital loans and facility loans accounted for 79% and 11%, respectively, of our total SME loans. Working capital loans generally have a maturity of one year but may be extended up to an aggregate term of three years.

Facility loans have a maximum maturity of 10 years. We have emerged as one of the largest financial companies among Korean banks providing Won-denominated loans to SMEs, serving approximately 154,000 SME customers.

CONSUMER BANKING

Consumer or retail banking is another major business operation for the Woori Financial Group. Besides normal banking services that include deposit-taking and personal loans, we also provide several fee-based services. Banking services are made primarily available through Woori Bank, although we service a significant portion of our regional banking customers through Kwangju Bank and Kyongnam Bank.

We have historically attracted a large amount of deposits through our extensive branch network which continues to provide competitive funding to service the recent trend of consumer lending growth in Korea.

We believe that consumer or retail banking is as important as any other banking service that we provide. Thus, we plan to attract as many high-net-worth customers as possible through differentiated products and service delivery channels. We have divided our customers into four broad categories: high-net-worth, mass-affluent, middle class, and mass market. We are

making use of our integrated customer relationship management (CRM) database and combined marketing teams to target our marketing and cross-selling efforts based on this segmentation. We have set up private banking operations to service high-net-worth and mass-affluent customers. Our customers in the middle-class segment will be taken care of by our branch staff to maximize the overall volume of products and services that we provide. For our customers in the mass-market segment, we are providing several service delivery choices, including Internet-based online services, call centers, and ATMs.

We provide two broad categories of consumer lending—general purpose household loans and mortgage loans. Our general purpose household loans, which include overdraft loans, are primarily unsecured. A borrower's eligibility for general purpose household loans is determined first by the borrower's credit status. A borrower's eligibility for mortgage loans depends on the borrower's creditworthiness, the value of the property and our ability to take a first-priority mortgage. A borrower's eligibility for home equity loans further depends on the intended use of proceeds and our ability to secure the appropriate mortgage. The growth in consumer lending has slowed down in recent months as a result of growing concerns of rising delinquencies and increased consumer leverage, prompting the Korean government to adopt more stringent bank consumer lending regulations.

We provide a wide variety of choices in customer deposits to suit the needs of individual customers. In addition to demand, time, savings, and installment deposits, we also offer certificates of deposit and a foreign currency deposit service. Regulatory restrictions on interest rates paid on deposits have largely been eliminated. Currently, only maximum interest rates payable on demand deposits are subject to regulation by the central bank, which has indicated possibly abolishing this regulation as well. Korea has a deposit insurance scheme under the Depositor Protection Act run by the Korea Deposit Insurance Corporation (KDIC) guaranteeing depositors repayment of their eligible bank deposits. Woori pays the KDIC annual premiums of 0.1% of total deposits for this assurance.

PRIVATE BANKING

Private banking is a relatively new service in Korea. We commenced private banking operations within Woori Bank, Kyongnam Bank and Kwangju Bank, currently aimed at servicing our high-net-worth and mass-affluent retail clientele—defined as possessing a combined deposit and loan balance of at least 100 million won with our institution. As of December 31, 2002, 116,000 customers qualified for this private banking service and accounted for 34% of total deposits.

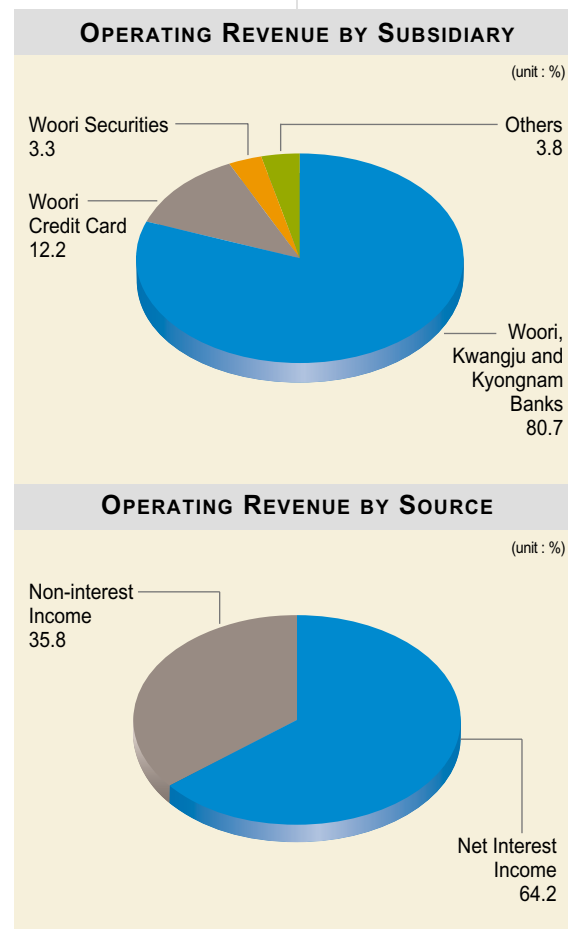
Woori Bank currently operates 3 dedicated private banking centers, each staffed by two private bankers, and 13 branches with a separate private banking section overseen by a private banker. Woori Bank plans to establish such private banking section at 25 additional branches by the end of 2003.

We have appointed private bankers to serve our high-net-worth and mass-affluent customers. Besides providing financial and real estate advisory services to these customers, we also market differentiated banking and investment products and services, including beneficiary certificates, overseas mutual fund products, specialized bank accounts and credit cards. We have also developed a customer loyalty program that consists of preferential rates, fee benefits, and rewards for our private banking customers. We plan to further differentiate high-net-worth customers and provide services exclusively for this clientele in response to the expected increase in Korea's mass-affluent market, accompanied by a steady rise in transaction volume from high-net-worth individual customers.

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CREDIT CARDS

As of December 2002, Woori Credit Card, which was created by combining the credit card division of Woori and Peace Banks, had more than 5.5 million card holders outstanding, placing it fourth in terms of total transaction volume. Approximately 60.7% of these accounts were active, meaning that they had been used at least once during the previous 12 months. In 2002, the market share of Woori Credit Card based on transaction volume was approximately 5.4%. Woori Credit Card is affiliated with BC Card, which provides efficient processing and marketing services.



We plan to further differentiate high-net-worth customers and provide services exclusively for this clientele in response to the expected increase in Korea's mass-affluent market, accompanied by a steady rise in transaction volume from high-net-worth individual customers

As of the end of 2002, Woori Credit Card had agency contracts with approximately 1,413 individual sales agents and 28 corporate direct sales agents. Currently, approximately 27% of Woori Credit Card's new accounts originated through these agents, while approximately 61% of new accounts originate through Woori Bank's branch network.

Credit card usage has increased dramatically in recent years following the government's initiatives to increase credit-card-based transactions to increase tracking of taxable purchases. Credit card holders are also eligible for tax deductions on qualifying amounts spent using credit cards. These initiatives have resulted in an explosive growth in both the number of credit cards issued and transaction volume. However, there are concerns that indiscriminant issuance of credit cards without regard for the customer's credit standing, combined with the increased popularity of using credit card cash advances to repay other debts, has resulted in record levels of delinquency and a sharp deterioration in the asset quality of credit card companies. In response to such concerns, the Korean government has increased its regulatory oversight of the credit card industry.

We have selectively reissued delinquent card account balances as restructured loans to credit-worthy customers. Such restructured credit, however, is relatively small at 264 billion won, or 4.6% of total credit card account balances. Nonetheless, we see positive developments for our credit card business. Unlike the non-bank, mono-line credit card companies that have been targeted by the government for monitoring of asset quality, we have relatively low acquisition costs since we can use our extensive branch network, which is larger than those of most of our competitors, to acquire new customers or service existing customers. By integrating our other financial services into our credit card services, we will sig-

nificantly increase our revenue generation capability through cross-selling. One positive note is that while many credit card companies experience high levels of delinquency, Woori Credit Card has done relatively well, recording a delinquency rate (on amounts due for more than 30 days) of 6.2% as of the end of 2002, which is lower than the average for all credit card companies.

In line with our plans to provide differentiated services to our credit card customers, we intend to offer new products like Woori MORE/FLEX Cards, localize products with respect to regional areas, and conduct joint marketing programs, including customer loyalty programs. We also intend to introduce services offered by overseas credit card companies, such as low-cost balance transfers and enhanced online services, while leveraging the "Woori" brand to attract new customers and build brand loyalty.



Woori Credit Card has done relatively well, recording a delinquency rate (on amounts due for more than 30 days) of 6.2% as of the end of 2002, which is lower than the average for all credit card companies

vestment banking services to our corporate and SME clients. By expanding our investment banking operations, we will take advantage of opportunities arising from the increasing size and volume of business conducted among SMEs and M&A activity.

Securities Brokerage _ Woori Securities provides retail brokerage services to clients on a relatively smaller scale than other Korean brokerage houses. Equipped with 43 branches and 18 brokerage

CAPITAL MARKET ACTIVITIES

Investment Banking _ We engage in investment banking through Woori Securities and Woori Bank. Through Woori Securities, we underwrite equity and debt securities issued in the Korean capital markets. We also provide M&A and financial advisory services, as well as provide finance advisory services to various companies and agencies undertaking infrastructure and social overhead capital projects. We offer these services primarily through Woori Bank and plan to cross-sell these in-

units located within Woori Bank locations, the securities brokerage arm of our Group is actively reaching out to clients. Our retail brokerage is commission based, and revenues are subject to the volatility of the Korean stock market.

Derivatives Trading _ We also offer derivative products and derivatives trading, mostly for our corporate customers using both banking and securities-related services. We have seen a steady growth in derivatives trading which includes foreign exchange spot contracts. Other products we offer include interest rate swaps that are related to won interest rate risks, cross-currency swaps, foreign exchange forwards, swaps, and options, all of which are related to foreign exchange risk hedging for our corporate customers. We also engage in limited hedging activities for our own risk exposure.

Asset Securitization Services _ Our Group is active in the Korean asset-backed securities (ABS) market, taking part in asset securitization transactions in Korea as arranger, trustee, or liquidity provider. The securities issued in ABS transactions are sold mainly through Korean securities firms to institutional investors.

Securities Investment and Trading _ We engage in a wide variety of capital market activities. Through Woori Bank, and to a lesser extent our other two banking subsidiaries, we invest and trade in securities, primarily treasury and other debt issues of central and provincial governments or government-owned companies like the KDIC. As of December 31, 2002, our total investment portfolio consisted primarily of fixed-income securities and accounted for about 80% of our total investments in marketable securities. We invested in securities to maintain adequate liquidity and generate interest, as well as dividend income and capital gains. From time to time, we also invest in equities listed on the main board (Korea Stock Exchange) and KOSDAQ. Although our equity portfolio has been growing, we maintain a conservative approach when investing in equities.

INTERNATIONAL BANKING

Through Woori Bank, we engage in various international banking activities, including foreign exchange services and dealing, import- and export-related services, offshore lending, syndicated loans and foreign currency securities investment. These services are provided primarily to our domestic customers, as well as to overseas subsidiaries and affiliates of Korean companies. In addition, we provide commercial banking services to retail and corporate customers in selected overseas markets. We

have 10 branches, 2 subsidiaries and 1 representative office overseas. Woori Bank plans to open a branch office in Beijing, a representative office in Moscow, a representative office in Guangzhou. Woori America Bank-Woori Bank's U.S. subsidiary-is expected to merge with Panasia Bank in July 2003.

ASSET MANAGEMENT

Trust Management Services _ Through our trust accounts at Woori Bank, Kwangju Bank and Kyongnam Bank, we offer unit trusts to our retail customers. We also manage funds that customers have invested in money trusts, which we manage for a fixed maturity. Under Korean law, money trust assets are segregated from our bank account assets and cannot be claimed by our creditors. With few exceptions, we have investment discretion over all money trusts, which are pooled and managed jointly by trust type. Competition in the trust sector is significant with reduced prospects for profitable growth, and a further decline in trust-related revenue is expected. As of December 31, 2002, the trust assets we managed consisted principally of investment securities and loans made from trusts. The investment securities included in investments are primarily fixed-income and treasury issues.

Investment Trust Management _ Through Woori Investment Trust Management, we offer equity and corporate-bond-based unit trusts to our customers. The investment trust products we offer generally take the form of beneficiary certificates, evidencing an ownership interest in a particular investment trust.

BANCASSURANCE

The bancassurance business is scheduled to open in Korea in the second half of 2003, and three of our banking and securities subsidiaries are preparing to take an early lead in the market. Initially, banks will be allowed to sell annuity, education, and endowment life insurance policies. In the general insurance category, we are allowed to sell policies relating to fire, long-term savings, and general insurance (excluding group). We have signed a memorandum of understanding with Korea's largest life insurance company, Samsung Life Insurance Co., for establishing a marketing joint venture company. We intend to introduce products from three life and three general insurance companies, selling "best-of-breed" products to our customers. Initially, the joint venture firm will have only a marketing function. If successful, we intend to explore setting up a company that will have underwriting capabilities as well.



WITH SETTING UP OF A SOPHISTICATED RISK MANAGEMENT SYSTEM, OUR EMPLOYEES ARE COMMITTED TO TRADE RISKS FOR REWARDS

RISK MANAGEMENT

NURTURING A NEW CULTURE



Managing risks is one of our principal operational focuses. We understand that risk cannot be completely avoided even with the availability of the best systems and procedures. Our risk management goal, thus, is to understand, measure, and monitor these underlying risks for signs of potential losses. We take a conservative and proactive approach in risk management, helping us to reduce our vulnerability to adverse events. As a financial institution, we are primarily exposed to risks relating to credit, market, liquidity, and operations.

Since we are a holding company with several subsidiaries, and each subsidiary is exposed to risks of its own, we decided to pursue an integrated risk management strategy. We believe that the smooth flow of information between subsidiaries and the parent company is imperative in managing potential risks. We are implementing a group-wide integrated risk management system that ensures a smooth flow of information from subsidiaries to the group level and helps us identify potential risks at an early stage. Our risk management system is fully integrated with that of each of our subsidiaries' risk management systems.

We designed our risk management system based on four key principles. First, the Group's risk management is characterized by having a conservative appetite for risk. Second, we use a risk-adjusted return to help determine business opportunities and capital allocations for each planning period. Third, our risk management is implemented under a group-wide platform through a unified and integrated system. Fourth, the holding company monitors and coordinates the execution of the Group's risk management policy and guidelines with subsidiaries on a daily, monthly and quarterly basis. Once this system is in place, we will be able to evaluate the performance of our various operations based on a uniform risk measurement system, thus enabling us to undertake effective risk capital allocation at the subsidiary or business unit level.

RISK MANAGEMENT ORGANIZATION

We believe that the success of any risk management system depends on the governance structure and flow of information. We have established a multi-tiered risk management system, with our board-level Group Risk Management Committee (GRMC) having the sole responsibility for group-wide risk management. The GRMC, which is our highest decision-making body with regard to risk management and operations, and members of

the risk management department are responsible for management of credit, market, and liquidity risks. It sets all risk-related policies and guidelines that are decided at the board level.

Under the GRMC, each subsidiary has its own board-level body called the Subsidiary Risk Management Committee (SRMC). Each SRMC determines the relevant subsidiary's risk management strategy within the bounds of the policies and guidelines set by the GRMC and provides direction to subsidiary-level risk management units. The Group Risk Management Council sits between the GRMC and SRMC to ensure the overall policies of the GRMC are being implemented and executed in a consistent manner within the Group.

Group Risk Management Committee _ One of the unique features of our risk management system is that the Board of Directors are actively involved in group-wide risk management and setting policies and strategies. The board organized the GRMC that consists of the CEO, CFO, and three non-standing directors (see the section on Corporate Governance). The board has delegated authority, as well as responsibility, to the GRMC to ensure effective and executive-level management of risks affecting the Group. The major roles of the GRMC are:

- To determine and amend risk management policy and guidelines in conformity with the business strategy established by the board;
- To determine group risk appetite and allocate risk capital to each subsidiary;
- To approve subsidiaries' limit requests;
- To review risk profile and issues at the group level

The GRMC, which operates independently from all businesses units and individual board members, reports directly to the board. The GRMC meets quarterly and decisions are made by a majority of attending members. The GRMC requires a quorum of at least three members.

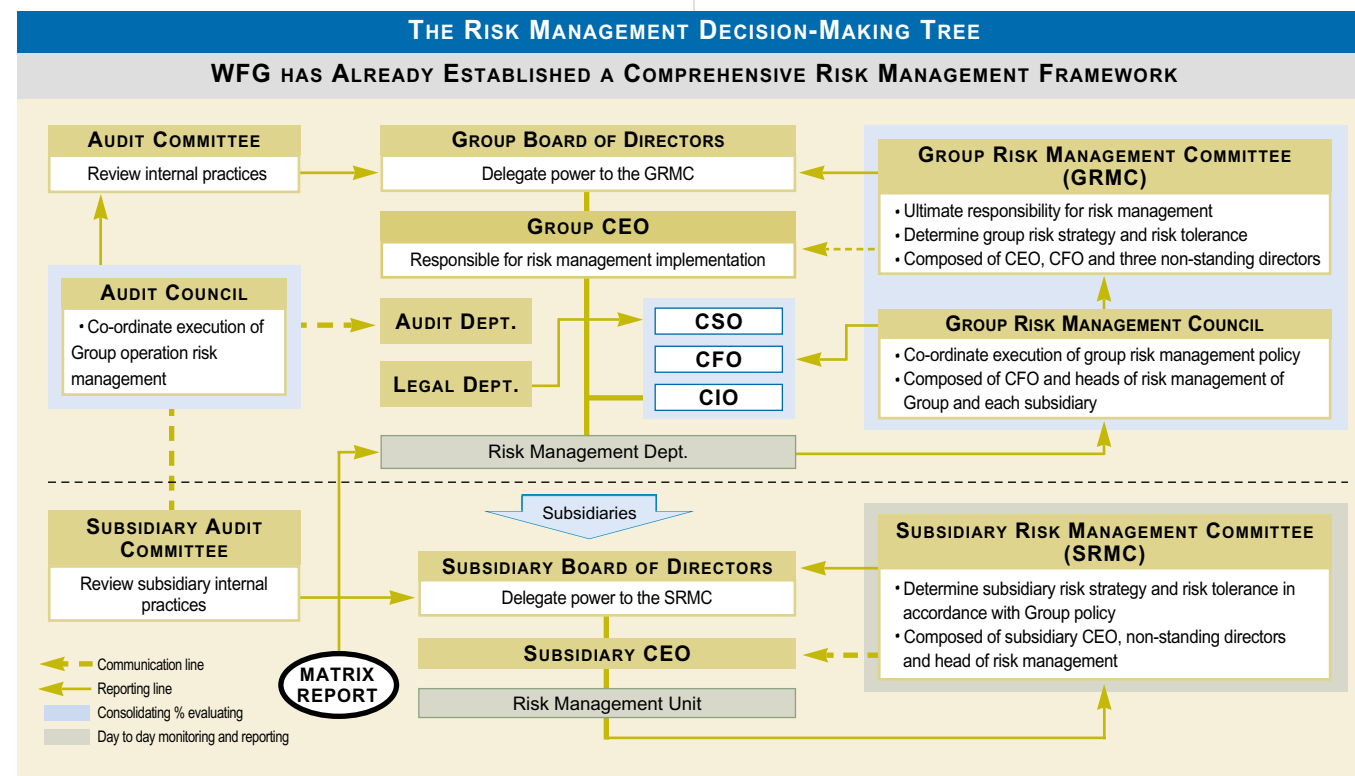
Subsidiary Risk Management Committee _ Each of our subsidiaries has delegated risk management authority to its Subsidiary Risk Management Committee. Each SRMC is headed by the CEO of that subsidiary and includes non-standing members of its board and head of the subsidiary's risk management division. Each SRMC, which meets monthly, measures, monitors and reports on risk-related matters of each subsidiary. The SRMC's responsibilities include:

- To set up risk management policy at the subsidiary level in line with group policy;
- To allocate risk capital and limits for each business unit;
- To review risk profile and issues at the subsidiary level;
- To monitor risk management practices to ensure consistency with the risk management guidelines

The Group's Risk Management Department is responsible for the first three areas, while operational risk is under the control of the Audit, as well as Legal and Compliance departments.

CREDIT RISK

Credit risk is perhaps the most important of all risks inherent in a financial company predominantly involved in commercial banking. Our risk management policy goals are set at improving our asset quality, reducing non-performing assets and, more importantly, minimizing concentration risk through a diversified, balanced and risk-weighted loan portfolio. We monitor consolidated exposure on a monthly basis, analyze changes, and take corrective action if necessary. We identify watch-list credits and industries and



Group Risk Management Council _ Our Group Risk Management Council is a coordinating body bridging the GRMC and SRMC. The council, which meets on an ad hoc basis, is headed by the CFO and includes risk management heads of the Group and each subsidiary. The council's main function is to coordinate execution of the Group's risk management policy and guidelines between the Group and subsidiaries, as well as to discuss and resolve risk management issues raised by the subsidiaries.

Our risk management scope consists of four major areas: credit risk, market risk, asset-liability management, and operational risk.

discuss them at the Risk Management Council for Remedial Actions. Currently, the Group uses group-wide unified provisioning rates as an effective tool to monitor and reduce consolidated exposure to certain borrowers and industries. The provisioning is based on forward-looking criteria.

We are planning to adopt risk-adjusted allocation of capital in terms of credit risk on a group-wide basis after the credit risk management system (based on a system called HAVICS, currently being used by Woori Bank) is rolled out at regional banks. Woori Bank has also introduced a specialized credit evaluation model for SMEs

as part of its efforts to further enhance its corporate customer-rating system. The systems used by our other banking subsidiaries currently differ, but we are in the process of rolling out a single unified system for all subsidiaries. The credit-rating model for large corporations, for example, gives 60% weighting to statistical factors such as cash flow and outstanding leverage, and 40% weighting to more qualitative factors that are determined by a subjective assessment of the applicant's industry, the company's market position, and projected financial earnings. Regarding the retail loan approval process, we use Woori Bank's Customer Credit Scoring System (CSS), which was implemented in January 2000. The CSS is based on the applicant's outstanding leverage, credit profile, and value of collateral. Loan approval is automatic for creditworthy applicants.

MARKET RISK

In terms of market risk, we are exposed primarily to interest rate risk, equity-price risk and, to a lesser extent, foreign exchange risk. At the group level, we have established overall market risk management principles to guide our trading and non-trading activities. This year, the GRMC has set the risk appetite for the Group's trading portfolio as market risk capital up to 5% of equity for bank subsidiaries and 10% for securities subsidiaries. The level of risk capital allocated to individual subsidiaries will determine the level of value-at-risk (or VaR limit), accumulated loss limit, and special equity option limit. For the non-trading portfolio, on the other hand, we have set the limit of 7% of total equity as the maximum change of the present value of the portfolio for interest rate moves of up to 250 basis points, which was the largest monthly movement during the Asian Crisis and our barometer for the worst-case scenario. The GRMC provides its own risk ceiling for each subsidiary and the SRMC provides its own risk ceiling for its business units. The risk management department of each subsidiary monitors and analyzes the implementation of the guidelines and reports to the council.

Each of our subsidiaries generally manages its market risk at the entire portfolio level rather than on a credit-by-credit basis. To control its exposure, each of our subsidiaries uses value-at-risk limits and position and stop-limits set by the SRMC, in line with GRMC policy, which monitors market risk at all times both for the Group and for each subsidiary. The market risk measurement model that each of our subsidiaries uses to manage market risks for its debt and equity-related trading operations has been implemented through an integrated market Value at Risk (VaR) system.

We have also instituted policies and guidelines relating to risks

associated with non-trading activities. Interest is one such risk as it arises from mismatches in the maturities or re-pricing periods of rate-sensitive assets and liabilities. We manage interest-rate risk based on rational interest rate forecasts, analyzing the gap between interest-sensitive assets and interest-sensitive liabilities. We use earnings-at-risk (EaR) and net present value (NPV) simulations to calculate the effect of changing interest rates on income. We manage interest rate risk by managing maturity and duration gaps between our net value interest-bearing assets and interest-bearing liabilities.

LIQUIDITY RISK

To reduce liquidity risk, which is the risk of insolvency arising from a disparity between the inflow and outflow of funds, we have completed the group-wide Asset-Liability Management System, which monitors asset-and-liability-mismatch and liquidity risks at the group level, starting from the first quarter of 2003. The subsidiaries have set their own maturity-gap limits, which are integrated into the Group's overall analysis and control. The GRMC monitors asset-and-liability risk management at the board level, and the SRMC monitors liquidity of the respective subsidiary on an ongoing basis. In managing liquidity, we predetermine liquidity gap limits and measure such gaps at the group level. Each of our subsidiaries implements these limits and monitors maturity gaps using its asset and liability system.

OPERATIONAL RISK

We define our operational risk as the risk related to the overall management of the Group other than credit risk, market risk, and liquidity risk. These include risks arising from system failure, human error or non-adherence to systems and procedures, or from fraud or inadequate internal controls and procedures, resulting in financial or credibility loss. To monitor and control operational risks, we maintain a set of comprehensive policies and have put in place a control framework designed to provide a stable and well-managed operational environment throughout our organization. Our Audit Committee monitors our subsidiaries' compliance with our internal policies and guidelines relating to the issuance of credit and ongoing review of a borrower's ability to meet its obligations.

We also consider legal risk as a part of operational risk. We have instituted an appropriate department to manage legal risks since the legal and regulatory landscape in Korea is changing, and many new regulations and laws governing the banking and finance sectors are promulgated. Each of our subsidiaries also has a legal department to manage legal risks.

CORPORATE GOVERNANCE

FOCUS ON TRANSPARENCY



Globally, corporate governance is emerging as a major issue, and many companies are taking steps to review the effectiveness of their governance at the board and management levels.

The Woori Financial Group is fully aware of these global trends and is pursuing the highest standards in governance, management, and operations. In 2002, we instituted practices consistent with the highest standards set by some of the best companies in the world.



Our Board of Directors

Sitting from left are Standing Directors Kwang-Woo Jun, Byung-Chul Yoon, Duk-Hoon Lee and Euoo-Sung Min

Standing from left are Non-Standing Directors Oh-Seok Hyun, Gae-Min Lee, Sang-Chul Lee, Hae-Suk Suh, Nam-Hong Cho, and Chae-Woong Lee

THE BOARD OF DIRECTORS

The Board of Directors is responsible for the Woori Financial Group's management and strategy. The board undertakes the following responsibilities.

- To establish overall strategic goals and vision for the Group with the objectives of maximizing shareholder value and providing efficient services to customers;
- To assess the Group's performance against budgets;
- To coordinate and allocate capital accordingly;
- To approve all subsidiaries' business plans and key management targets;
- To monitor progress and evaluate subsidiaries' performance;
- To determine the Group's compensation scheme and incentive system;
- To support development of new products, marketing and infrastructure systems;
- To undertake Group audit and inspection;
- To ensure appropriate controls, systems, procedures and mechanisms to manage group-wide risk; and,
- To ensure compliance with regulatory and prudential requirements

COMPOSITION OF THE BOARD

The board is composed of four standing and six non-standing directors. The standing directors are: Byung-Chul Yoon, Chairman; Duk-Hoon Lee, Vice Chairman and CEO of Woori Bank; Kwang-Woo Jun, Vice Chairman and Chief Strategy Officer; Euoo-Sung Min, Vice Chairman and Chief Financial Officer.

Chairman Yoon is also Chairman of the board. The standing directors are each elected for a three-year term. Each non-standing director is appointed for a one-year term. The board requires its directors to have a broad range of expertise and experience in areas that are complementary to the Group's businesses and strategies, or appropriate professional qualifications that are of importance to the management and operations of the Group.

RELATIONSHIP WITH THE GOVERNMENT

The Korean government, through the Korea Deposit Insurance Corporation (KDIC), is our largest shareholder. Accordingly, our relationship with the government is guided by a series of MOUs between the Group and the KDIC. In December 2000, in connection with the capital contributions made by the KDIC to Hanvit Bank (now Woori Bank), Kyongnam Bank, Kwangju Bank, Peace Bank and Woori Investment Bank, these subsidiaries entered into separate MOUs, which included business normalization plans with the KDIC.

After the launching of the Woori Financial Group and inclusion of the five companies as its subsidiaries, we signed an MOU with the KDIC in July 2001. The holding company also signed MOUs with each of the subsidiaries. The content of the MOUs is consistent with that signed between the KDIC and our Group.

Each MOU stipulates our role as including supervision and implementation of overall management policies and strategies, determining basic business targets, consulting with each subsidiary on business plans, budgets, dividend policies and capital increases, evaluating the management of each subsidiary and determining management compensation.

The role of each subsidiary includes executing the business targets we set, consulting with us with respect to important management decisions, and developing a restructuring execution plan and business strategies. If we determine that a subsidiary has failed to meet its obligations under its MOU, we have the right to impose sanctions on its directors and employees or take remedial measures.

The business plans are largely identical in content, other than with respect to specific financial targets, and primarily deal with each subsidiary's obligation to implement a two-year business normalization plan covering 2001 and 2002. Each business plan includes profitability and financial ratio targets, recapital-

The board requires its directors to have a broad range of expertise and experience in areas that are complementary to the Group's businesses and strategies, or appropriate professional qualifications that are of importance to the management and operations of the Group

ization goals and deadlines, plans for the disposal of non-performing loans, cost reduction initiatives, future management and business strategies, and other restructuring plans. In addition, the directors of each subsidiary execute a letter of undertaking, pursuant to which they assume responsibility for the relevant subsidiary's performance in meeting these obligations.

The MOU allows the KDIC to use its discretion in determining punitive measures against any subsidiary that has failed to fully implement restructuring measures or meet any of the stip-

ulated financial targets. Except for Peace Bank, our subsidiaries generally met their targets. As a result, Peace Bank's commercial banking business was merged into Woori Bank, and Peace Bank was transformed into a credit card subsidiary and renamed Woori Credit Card. The founding of Woori Credit Card was premised on the fact that a dedicated credit card company could create more value for the Group than if each subsidiary conducted separate credit card operations as a secondary business.

Under the basic MOU that was signed with the KDIC by the

EXECUTIVE MANAGEMENT COMMITTEE

The Executive Management Committee is an operational committee that runs the Group on a daily basis. Chairman Byung-Chul Yoon chairs the committee, and all standing directors are its members. The committee meets once a week and decides on major operational and management matters.

MANAGEMENT COMMITTEE

The Management Committee is responsible for providing the Group with a broad management direction. The committee, which functions as a steering committee, meets once a year or more often if deemed necessary, and its responsibilities include searching for, evaluating and appointing non-standing directors. It sets rules and procedures for operations of the board and its various committees. It also deals with critical management issues like restructuring, reviews all material to be reported to the board, and handles other matters that are deemed necessary by the board or various sub-committees of the board. Chairman Byung-Chul Yoon chairs the committee, and members include Vice Chairman Kwang-Woo Jun and non-standing directors Nam-Hong Cho, Gae-Min Lee and Sang-Chul Lee.

RISK MANAGEMENT COMMITTEE

The Group Risk Management Committee (GRMC) is ultimately responsible for managing the Group's credit risk, market risk, and liquidity risk. It oversees and monitors policies and procedures in relation to credit, liquidity, market risks, and balance sheet management. The committee also determines group risk strategy and risk tolerance level. Group Chairman Byung-Chul Yoon chairs the committee, and members include Vice Chairman Euoo-Sung Min and non-standing directors Chae-Woong Lee, Oh-Seok Hyun and Hae-Suk Suh. The committee meets every three months.

The GRMC receives reports from the Group Risk Management Council that coordinates execution of its risk-related policies and decisions with subsidiary-level risk management committees. The council is composed of the Group CFO, as well as the heads of risk management in the Group and each subsidiary. Each of our subsidiaries has its own board, and there is a subsidiary-level Risk Management Committee (SRMC) that receives risk parameters from the GRMC.

holding company, Woori Bank, Kwangju Bank and Kyongnam Bank, we finalized the 2003-2004 portion of the normalization plan in January 2003. The normalization plan for Woori Credit Card was finalized by May 2003. Since Woori Investment Bank is currently in the process of being merged into Woori Bank, no new MOU has been signed. The basic MOU included a business normalization plan and target financial ratios. The MOU also allows us to take all necessary actions, including making dividend payments, to return to the KDIC any public funds injected into our subsidiaries, provided such actions do not cause a material

adverse effect on the normalization of business operations as stipulated in the MOU. The MOU will terminate once the KDIC loses its status as our largest shareholder.

DISCLOSURE POLICY

The Group's Disclosure Policy is in line with the laws pertinent to corporate governance and regulations set forth by the Financial Supervisory Commission (FSC) and the Korea Stock Exchange, as well as the Fair Disclosure rules established by the FSC.

MANAGEMENT COMPENSATION COMMITTEE

The Management Compensation Committee handles all matters that relate to management performance for business development, setting of goals, targets and evaluation of performance of executives, and determination of executive compensation, incentives and bonuses. Non-Standing Director Sang-Chul Lee chairs the committee, and members include Nam-Hong Cho, Chae-Woong Lee, Gae-Min Lee, Oh-Seok Hyun and Hae-Suk Suh. This committee meets every six months.

AUDIT COMMITTEE

The Audit Committee reviews internal practices and includes only non-standing directors. The members of the committee are Nam-Hong Cho, Sang-Chul Lee, Chae-Woong Lee, Gae-Min Lee, Oh-Seok Hyun and Hae-Suk Suh. There is also the Audit Council that coordinates execution of group-level operational risk management. The committee meets at least once a quarter or more often if deemed necessary.

The subsidiary-level Audit Committee, which reviews subsidiary-level internal practices, reports to the Audit Council that in turn reports to the Audit Committee.

The Audit Committee operates under a set of rules set by the board, and the rules are reviewed regularly. The committee reviews all audit and compliance-related matters and makes recommendations to the board; supervises internal and external audit processes; and reviews compliance and legal matters, including monitoring of compliance risks. Although not stipulated in internal regulations, the committee makes recommendations on regulatory issues to the Financial Supervisory Service, the government's regulatory agency, if and when deemed necessary. In addition, the committee oversees the reporting systems within the Group and ensures full compliance with all disclosure rules and requirements.

The internal and external auditors have a direct line of communication with the Audit Committee Chairman. The Group's external auditor, Deloitte Touche LLC., is invited to attend the committee meetings when needed or on matters pertaining to audit. The committee has the authority to appoint external auditors and set internal procedures or decide on matters that relate to auditing. The audit report is presented at the General Shareholders' Meeting. The Audit Committee reappointed Deloitte Touche LLC. as external auditor for the year ending December 2003. Beginning in 2002, the Group's financial statements are prepared and audited in accordance with Korean and U.S. Generally Accepted Accounting Principles.

BYUNG-CHUL YOON *Chairman and CEO*

Chairman Yoon is a globally recognized leader with substantial banking experience. Prior to joining the Woori Financial Group as chairman in April 2001, he was chairman of the board of Hana Bank from 1997 to 2001. Previously, he served two successful terms as CEO and president of Hana Bank from 1991 to 1997.

Mr. Yoon started his career in the financial sector in 1977 when he joined the Korea Development Finance Corporation as a vice president. In 1982, he joined the Korea Investment and Finance Co. (KIFC) as deputy president and later became its CEO and president from 1985 to 1991. During the same period, he also concurrently held the position of chairman of the board of the Korea Investment and Securities Co., which was a subsidiary of KIFC. When regulations allowed an investment finance company—which primarily handled short-term money market activities—to become a commercial bank, he used the opportunity to convert KIFC into Hana Bank.

Mr. Yoon is a great believer in corporate citizenship and the social responsibility of major corporations. After moving to a non-executive position at Hana Bank, he spent his free time promoting the arts and young artists. He graduated from Busan University with a degree in Law. He also undertook advanced management program courses offered by Korea's leading universities, including Seoul National University and Korea University. During his long banking career, he has served on several special government committees that were set up to advise the President of Korea on specific national and financial market issues. The Korea Management Association recognized him for his excellence in management of a financial company by awarding him the Grand Professional Management Award (finance) in 1997.

DUK-HOON LEE *Vice Chairman and CEO of Woori Bank*

Vice Chairman Lee began his professional financial management career in 2000 when the Korean government appointed him to the position of CEO and president of Daehan Investment Trust Company in January 2000. In 2001, he became CEO and president of Hanvit Bank, and continues in these positions at Woori Bank. Dr. Lee was one of the members of the committee that established the Woori Financial Group.

Previously, Dr. Lee served as a senior researcher at the state-owned Korea Development Institute (KDI), where he specialized in research on the financial sector. During his 20-year career at KDI, he participated in a wide range of government committees and task force teams that were set up to advise the Korean government on financial industrial sector policy development. Dr. Lee received his Ph.D. in Economics from Purdue University and did his MA in Economics at Wayne State University. He received his undergraduate degree in economics from Sogang University in Seoul.

KWANG-WOO JUN *Vice Chairman and Chief Strategy Officer*

Vice Chairman Jun is a leading authority in money and banking in Korea. Prior to joining the Woori Financial Group as vice chairman and chief strategy officer in March 2001, he was president of the Korea Center for International Finance that was set up by the Ministry of Finance and Economy. At the height of the financial crisis in 1998-1999, he was special advisor to the Deputy Prime Minister and Minister of Finance and Economy. Prior to his return to Korea in 1998, he was at the World Bank from 1986 in various senior capacities, ranging from risk management to capital market development, and served as the Bank's representative to the Paris Club for debt restructuring. From 1982-1986, he was a professor of finance at Michigan State University, where he also worked as a management consultant for financial institutions. He has served on the Government Council for Financial Development since 2001 and as an adjunct faculty at Yonsei University in Korea.

Dr. Jun received a Ph. D. in Finance from Indiana University, where he also obtained an MBA in Finance. He was a graduate of Seoul National University with a BA in Economics.

EUOO-SUNG MIN *Vice Chairman and Chief Financial Officer*

Vice Chairman Min is an investment banker by trade. Before joining the Woori Financial Group as a vice chairman and chief financial officer, he was CEO and president of Salomon Smith Barney Securities Korea, formerly known as Salomon Smith Barney-KEB Securities until the Korea Exchange Bank sold its stake in the joint venture company to the U.S. partner. He was also an executive director at Morgan Stanley in Seoul for three years. Mr. Min spent three years at the Lehman Brothers Seoul Office as a vice president after serving as deputy chief representative of the Seoul Office for Jardine Fleming Securities for about one year. Prior to that, he spent 10 years in various positions at Citibank Seoul.

Mr. Min is a graduate of Sogang University and holds an MBA from State University of New York at Buffalo.

NAM-HONG CHO

Mr. Cho is executive vice chairman of the Korea Employers Federation. He is an ex-official of the Ministry of Commerce, Industry and Energy and has worked as an executive director at the Korea International Trade Association (KITA) and served as a member of the governing body of the International Labor Organization.

Mr. Cho graduated from Seoul National University with a BA in Sociology.

SANG-CHUL LEE

Mr. Lee is former CEO and president of Kookmin Bank. He has a long career in the banking and finance sector, having also served as chairman of the Korea Bankers' Association and as the first chairman of Kookmin Credit Card. He was also a member of the Presidential Commission on Financial Reform and currently serves as a non-standing director at Samsung SDI Co., Ltd.

Mr. Lee graduated from Seoul National University with a BA in Commerce.

CHAE-WOONG LEE

Dr. Lee was vice chancellor of Sungkyugwan University in Seoul. An expert on finance, he served as a voting member on the Monetary Policy Committee of the Bank of Korea, as well as chairman of the Korea Money and Finance Association.

Dr. Lee graduated from Seoul National University with a BA in Economics and received a Ph. D. in Economics from Southern Methodist University.

GAE-MIN LEE

Mr. Lee is CEO and president of Hankyung.com. He has had a long career in financial market reporting and analysis and was formerly chief editorial writer for the Korea Economic Daily.

Mr. Lee graduated from Kyunghee University in Seoul with a BA in Economics and received an MA in Economics from Sogang University.

OH-SEOK HYUN

Dr. Hyun is the president of the Trade Research Institute, a unit of the Korea International Trade Association, which he joined in April 2002. He entered government service in 1974 and served 28 years in the Ministry of Finance and Economy, which included spending three years in the Office of the President of Korea.

Dr. Hyun received a Ph. D. in Economics from the University of Pennsylvania, and both his MA in Public Administration and Bachelor's in Economics from Seoul National University.

HAE-SUK SUH

Ms. Suh is a lawyer at WuHyun, a law firm in Korea. She was a partner at the law firm Baker & McKenzie of the U.S. and worked as an international lawyer in two Korean law firms—Kwang Jang and WuHyun. She is a member of the California Bar.

Ms. Suh graduated from Ewha Womans University in Seoul with a BA in English Language and Literature and received her JD from Santa Clara University Law School.

We are fully aware of the global trends and are pursuing the highest standards
in governance, management, and operations



OUR EMPLOYEES ARE PROUD OF THE ROLE THEY PLAY IN MEETING OUR CORPORATE SOCIAL RESPONSIBILITY. THEY GET INVOLVED INDIVIDUALLY AND COLLECTIVELY IN SOCIAL SERVICE PROGRAMS

CORPORATE CITIZENSHIP

SHARING AND COMPASSION



At the Woori Financial Group, we firmly believe in corporate social responsibility (CSR), which has always been an important part of our management policy.

We believe CSR is even more important during times of economic downturns, natural calamities, or environmental hazards.

As one of the leading financial institutions in Korea, we have an earnest desire to serve our country's people who are in need of assistance.

CORPORATE SOCIAL RESPONSIBILITY

We address CSR from two perspectives. First, we accept CSR by running the organization transparently, efficiently and profitably. Having witnessed the unfortunate part of our own history when many of our own family members were forced to leave our organization during the financial crisis in 1997-1998, we became even more committed to creating a strong and competitive financial institution. We made transparency and accountability in our corporate governance the mainstays of our CSR policy—through which we seek to earn the trust of our customers. Building trust among clients, employees and shareholders is paramount to us. We adopted a "Code of Ethics" in early 2003 that all of our employees embrace. The Code contains our "Business Principles" that provide a solid framework of our company's values, covering a number of ethical issues. All executives and employees, in a conscious bid to win the trust and confidence of customers and shareholders, adhere strictly to the "Code of Ethics."



We made transparency and accountability in our corporate governance the mainstays of our CSR policy—through which we seek to earn the trust of our customers

assistance to academic projects including scholarships, and led a program to support small businesses in 2002.

Secondly, we are also fully aware of our responsibility to help the needy and take part in causes that are aimed at bettering society. We, at the group and subsidiary levels, support a wide range of social, community and philanthropic projects, as well as engage in charity and community projects through charity organizations as part of our role as good corporate citizens.

The past year was a difficult time for the population of eastern Gangwon and southern Gyongsang provinces due to heavy flooding. But we were able to ease some of the difficulty by joining a national campaign that provided needed relief. With charitable and social sponsorship, we seek to assist those less fortunate and bring some happiness to our customers and their families in line with our corporate philosophy.

Together with our subsidiaries, we took part in more than 100 community and philanthropic projects, sponsored 55 cultural and sports programs, recorded numerous cases of

1 SHARING AND COMPASSION

"Sharing" is our philosophy. We encourage our employees and executives in sharing and philanthropy. Thanks to our employees, we were able to launch a small in-house charity fund called the Woori Love Fund. Our employees have voluntarily agreed to donate a percentage of their salaries to the Woori Love Fund which supports several charity projects. The Woori Love Fund has provided two vehicles for the Food Bank, which is operated by the Anglican Church in Korea. Furthermore, to keep the charity principle in force, we require each of our branches to support at least one charity organization located within its business territory. This has enabled us to help neighborhood community projects which are as important as those run on a national scale.

2 BUSINESS SERVICE

Woori Bank also runs a major business program that provides technical support to companies in need. Woori donated 300 million won to this program that helped to develop the IT capabilities of small companies. We believe that such improved capability not only helps create jobs and growth, but also results in expanded business relations. All businesses, regardless of their size, are valuable partners, and the Woori Bank Business Club was established in 1999 under this very principle. The club expands assistance to small businesses by inviting members to organize regular meetings and exchange information. The club also provides legal and other business-related support.



A van provided by Woori employees to a charity food bank.



A luncheon meeting organized by the Woori Bank Business Club.



One of our projects involved construction of homes for the homeless.



Support for promotion of culture going on for many years. We supported the Korean production of the musical "West Side Story".



Nothing can be joyful that your team winning the championship. Woori employees cheering the winner: Woori Women's Basketball team.



In sports, we supported many sporting events and programs. One such event was the friendly soccer match between Korea and Brazil.

3 COMMUNITY SERVICE

Of all CSR projects, we are particularly proud of our involvement in programs that take care of the needy. Our involvement in Habitat for Humanity, including the Chungnam project in which 40 of our executives and employees helped to construct dozens of residences, has resulted in homes for the homeless. We have also been able to provide financial and material support to the victims of the floods that ravaged Gyongsang and Gangwon provinces, leaving thousands of families homeless. Our subsidiary, Kyongnam Bank, was particularly active in serving flood victims and assisting farmers. Woori Bank donated 200 million won to a fund set up by a broadcasting company to help flood victims recover from the disaster and return to normalcy.

- Habitat for Humanity (Korea) for the Construction of Homes for the Homeless
- Relief Funds for Flood, Fire and Drought Victims
- Help for the Needy through Church and Charity Organizations
- Welfare Projects for Women and Children
- Assistance Projects for the Disabled and Handicapped
- Construction of Bus Stops and Resting Place for Commuters

4 CULTURE

We have been actively involved in programs that are aimed at helping promising athletes and artists, providing support to organizations that are involved in the promotion of culture and the arts. For example, Kyongnam Bank has also been involved for many years in the promotion and preservation of folk culture in the southern part of Korea. Woori Credit Card is involved in cultural promotion programs and supported the local production of the musical, "West Side Story." Among other notable programs is Woori Bank's annual drive that supports young children in developing their artistic potential. The "Woori Bank Nationwide Children's Fine Art Competition" is an eagerly awaited event by thousands of pre-school to high school students.

- Musical West Side Story
- Folk Culture Promotion and Preservation
- Traditional Dance Troupe's Tour
- Nationwide Fine Art Competition

5 ACADEMIC PROGRAMS

In our CSR, regular support to students is also a priority. Among our subsidiaries, Woori Bank is involved extensively in providing scholarships to college students. Hundreds of students have benefited from sponsorships provided by Woori Bank. Scholarships are provided to universities' scholarship funds.

6 SPORTS

We have been providing support to organizations that are involved in the promotion of sports. For example, Woori contributes 700 million won a year to support a basketball team that was initially formed 45 years ago to encourage young women athletes. Kwangju Bank helped to build a sports complex in Kwangju City.

- Sports Complex Construction
- Women's Basketball Team
- Amateur Baseball
- Traditional Korean Wrestling

Woori Bank founded Korea's first women's basketball team in 1958. For the past 45 years, the Woori Hansae has been a familiar feature in women's sports, taking home Korea's 2003 Winter League Championship in 2003. Although there are many women's sports teams in Korea today, Hansae is one of the few teams that encouraged women to take part in sports activities formerly dominated by men. Our basketball team has taken part in several international tournaments.

DEVELOPING LEADERSHIP

OUR PEOPLE ARE OUR ASSETS



If the Woori Financial Group is to achieve its ambitious goal of meeting leading global standards in management and operations, it is imperative that we have a clear and focused strategy for upgrading the quality and professionalism of our people. We believe our people are our greatest asset. Soon after the founding of our Group, we concentrated on developing and training our people to join together in our common goal of becoming a role model for all financial institutions in Korea.

Although our Group is new in the market, our family members or subsidiaries have a long history. We are proud of our subsidiaries' past achievements. Our employees have been well trained, and they possess the necessary skills and knowledge to operate their businesses. Over the past five years, the Korean market has changed dramatically and now demands excellent performance from market players. We are competing in a market where everyone must excel to survive. Change management has become as important an aspect for a financial institution as risk management. Failure to successfully change our way of operations can lead to a significant gap between our competition and our company.

Change management is difficult, as it cannot be achieved by employing a single formula. Change management requires dealing with motivation, attitude, psychology, career ambition and other factors that vary from employee to employee. Thus, we have adopted "Managing for Value" as the theme of our change management, which is only possible through outstanding leadership.

We are in the process of developing a group-wide program for leadership training. Given that we need to develop a common culture within our Group, changes have to be brought about sensibly.



Change management has become as important an aspect for a financial institution as risk management

For now, we have adopted a system under which employees working for the Group and subsidiaries can be transferred from one subsidiary to another, taking note of the employee's leadership role and value. We are in the process of creating a profile of leadership and excellence.

The concept of "Managing for Value" can be distorted if we lack the discipline that is required of a major financial institution like ours. Bearing in mind our commitment to transparency and accountability, we adopted a more robust and rigorous process of individual performance management. With the introduction of ethical management principles,

we will continuously be putting more weight on individual performance.

Due to changes in the strategy and structure of many of our subsidiary companies, our employees are exposed to a significant transformation process. Even though the impact of the change has been different in different subsidiaries, all employees were confronted with the need to change the way they behave and work to help the ambitious goals that our Group has set. Despite the inevitable distractions that the change process has brought about, employees have continued to keep up their motivation and commitment and deliver results.

FINANCIAL SECTION

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MANAGEMENT'S DISCUSSION & ANALYSIS

The following sections contain forward-looking statements with respect to the financial condition, results of operations, and business activities of the Woori Financial Group, as well as the plans and objectives of its management. Statements that are not historical fact, including statements about the Woori Financial Group's beliefs and expectations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results or performance of the Woori Financial Group to be materially different from any future results or performance expressed or implied by such forward-looking statements. The Woori Financial Group does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this management section, and nothing contained herein is, or shall be relied upon as, a promise, whether as to the past or the future. Any forward-looking statement is based on current plans, estimates, and projections of the Woori Financial Group as well as the political and economic environment in which the Woori Financial Group will operate in the future, and therefore should not be construed as advice or as a recommendation, nor should it be unduly relied upon or used in a manner other than that for which it was strictly intended. Forward-looking statements speak only to conditions as of the date they are made, and the Woori Financial Group assumes no obligation to publicly update any statements contained herein in light of future disclosures or events. The term "the Group" used herein without any other qualifiers shall refer to the "Woori Financial Group." The financial information and related discussion has been prepared in accordance with generally accepted accounting principles in Korea.

1. GROUP FINANCIAL REVIEW

Overview

The Woori Financial Group was established in April 2001, to manage the five financial institutions placed under the control of the Korea Deposit Insurance Corporation (KDIC). Since its inception, the Group has had two consecutive years of positive net income and has improved its asset quality by reducing its non-performing loans (NPLs).

For fiscal year 2002, the Group's operating income before provisions was 2,420.7 billion won with a net income of 591.6 billion won. Net interest income was 2,739.8 billion won, up 61.2% from the previous year. Fees and other non-interest related income, down 24.9% from the previous year, amounted to 1,525.2 billion won.

These financial figures bear more significance because they are the result of accounting for loan loss provisions of 1,705.4 billion won and a mark-down of 391.5 billion won in investment securities, reflecting loan provisioning guidelines as stipulated in U.S. GAAP.

As of the end of 2002, Group assets totaled 114.8 trillion won, with a total shareholders' equity of 5,314.8 billion won. The 14.7% increase in the Group's total assets is mainly attributable to an increase in loans to households and small- and medium-sized enterprises (SMEs). Commercial banks represented 92% of the Group's assets, whereas non-banking financial services companies, such as credit cards, securities and investment trusts, whose operations are mostly fee-based, made up the remaining 8%.

The Group dramatically reduced its NPL ratio to 3.3% at the end of 2002 from a high of 16.5% (the aggregate of the five subsidiaries) on December 31, 2000.

In addition to having cleaned up its asset base, the Group has firmly established itself as the nation's number two financial institution with total assets of 114.8 trillion won. The management expects further synergies within the Group through the database linkages of banking, securities, credit card and bancassurance operations.

Key Financial Data (unit : billion won)	2002	2001	Change
Operating results			
Operating revenue	9,325.2	9,752.9	- 4.4%
Net interest income	2,739.8	1,700.1	61.2%
Operating income	715.3	311.7	129.5%
Net income	591.6	686.3	- 13.8%
Balance sheet			
Total assets	114,843.5	100,085.8	14.7%
Total loans ⁽¹⁾	73,604.1	59,876.2	22.9%
Total deposits	78,917.4	69,332.2	13.8%
Shareholders' equity	5,314.8	4,439.2	19.7%
Assets quality ratios			
LLR/Substandard & below	103.3%	90.0%	-
Substandard & below /Total credit	3.3%	6.8%	-

Note: (1) Total loans, net of allowance.

Results

The Group's operating income before provisions for 2002 increased 17.9% year-on-year to 2,420.7 billion won, and operating income after provisions increased 129.5% during the same period to 715.3 billion won. However, net income was down 13.8% to 591.6 billion won primarily due to losses of 53.4 billion won from the sale of NPL assets in contrast to a 769.2 billion won gain in 2001.

Operating revenue fell 4.4% over the previous period to 9,325.2 billion won because of a decrease in overall market interest rates and a drop in other operating income. However, this was offset by low-cost funding made possible by lower market interest rates, resulting in a 10.3% decrease in operating expenses to 6,904.5 billion won.

Non-operating income showed a loss of 260.4 billion won from a 252.7 billion won gain in the previous period, which was the result of losses of 53.4 billion from the sale of NPL assets in 2002 from a gain of 769.2 billion won in 2001.

Asset quality related expenses, or the sum of loan loss provisions, loss on investment securities and loss on sale of NPL assets, increased by 636.5 billion won to 2,150.3 billion won in 2002. Through the management's continuing efforts to clean up the Group's assets, a significant amount of NPLs has been rationalized. The Group's NPL ratios were at year-end 2000 16.5% (the aggregate of the 5 subsidiaries); 6.8% at year-end 2001; and 3.3% at year-end 2002.

Operating Results (unit : billion won)	2002	2001	Change
Operating revenue	9,325.2	9,752.9	- 4.4%
Interest revenue	6,496.1	6,196.0	4.8%
Fee revenue	1,455.0	1,709.5	- 14.9%
Other operating revenue	1,374.1	1,847.4	- 25.6%
Operating expense	6,904.5	7,699.2	-10.3%
Interest expense	3,756.3	4,495.9	-16.5%
Fee expense	287.0	246.7	16.3%
Other operating expense	1,016.9	1,279.3	-20.5%
SG&A	1,844.3	1,677.3	10.0%
Operating income before provisions	2,420.7	2,053.7	17.9%
Loan loss provisions expenses	- 1,705.4	- 1,742.0	- 2.1%
Operating Income	715.3	311.7	129.5%
Non-operating income	- 260.4	252.7	- 203.0%
Loss on investment securities	- 391.5	- 541.0	- 27.6%
Gain on sale of loans	- 53.4	769.2	- 106.9%
Corporate tax	158.7	172.2	- 7.8%
Minority interest	- 22.0	- 50.3	- 56.3%
Net income	591.6	686.3	- 13.8%

Interest Income

For 2002, interest revenue increased by 300.1 billion won to 6,496.1 billion won, while interest expense fell 739.6 billion won to 3,756.3 billion won, resulting in an increase in net interest income of 1,039.7 billion won to 2,739.8 billion won. This 61.2% increase is primarily attributable to a surge in interest-earning assets and a decrease in the funding cost with the Group's improved creditworthiness. Overall, net interest margin (NIM) for commercial banking only, calculated according to the guidelines set by the Financial Supervisory Service (FSS), increased by 0.39% to 3.12%.

Interest Income/Expenses (unit : billion won)	2002	2001	Change
Interest income	6,496.1	6,196.0	4.8%
Interest on due from banks	55.1	95.7	- 42.4%
Interest and dividends on securities	1,863.7	1,623.7	14.8%
Interest on loans	4,330.4	4,372.7	- 1.0%
Other	246.9	103.9	137.6%
Interest expense	3,756.3	4,495.9	- 16.5%
Interest on deposits	2,702.5	3,188.6	- 15.2%
Interest on borrowings	505.6	757.8	- 33.3%
Interest on others	548.2	549.5	- 0.2%
Sub Total	2,739.8	1,700.1	61.2%

Non-Interest Income

Non-interest income for 2002 decreased by 505.7 billion won to 1,525.2 billion won.

Commission income fell by 294.8 billion won to 1,168.0 billion won in 2002. This is attributable to BC Card's being excluded in the Group's consolidated financial statements for fiscal year 2002 and the securitization of credit card assets. BC Card was excluded in the Group's consolidated financial statements because the Group had sold a part of its stake in BC Card in 2002. Considering these factors, commission income actually increased by 226.0 billion won.

Non-interest Income (unit : billion won)	2002	2001	Change
Commission income	1,168.0	1,462.8	- 20.2%
Other operating income	357.2	568.1	- 37.1%
Other operating revenue	1,374.1	1,847.4	- 25.6%
Other operating expenses	1,016.9	1,279.3	- 20.5%
Sub Total	1,525.2	2,030.9	- 24.9%

Other operating income dropped by 210.9 billion won to 357.2 billion. Gain on trading securities also fell because of a depressed stock market. During 2001, the sales of NPLs in trust account that yielded a gain boosted income from trust-related products. No such gains, however, transpired in 2002. Income from equity products declined by 93.1 billion won to 46.4 billion won, while income from trust products dropped by 224.9 billion to 67.9 billion won.

Selling, General, and Administrative Expenses

SG&A expenses increased by 167.0 billion won over the previous year to 1,844.3 billion won.

Personnel expenses increased by 219.2 billion won to 1,056.6 billion won. The primary driver for the increase was the normalization of salaries. A group-wide salary freeze was normalized following two consecutive years of positive net income and management normalization.

MANAGEMENT'S DISCUSSION & ANALYSIS

Administration expenses decreased by 52.2 billion won to 787.7 billion won, although there was an actual increase of 58.4 billion won when accounting for the effects of the removal of BC Card expenses. The majority of expenses was related to efforts connected with consolidating the Group's corporate identity (CI), brand marketing, and business process reengineering (BPR).

SG&A (unit : billion won)	2002	2001	Change
Personnel expense ⁽¹⁾	1,056.6	837.4	26.2%
Administration expense	787.7	839.9	- 6.2%
Total	1,844.3	1,677.3	10.0%

Note : (1) Salaries, employee benefits and provisions for severance benefits.

Expenses related to asset quality improvements

Restructuring NPLs has been a priority since the launch of the Group. The NPL ratio has dropped dramatically from 16.5% in 2000, 6.8% in 2001, to 3.3% at the end of 2002. Expenses related to improvements made in the Group's asset portfolio—loan loss provisions and impairment loss on investment securities—were down by 186.1 billion won to 2,096.9 billion won. With a much cleaner loan portfolio, management expects loan loss provisions to fall hereafter.

Asset-quality Related Expenses (unit : billion won)	2002	2001	Change
Loan loss provision expenses	- 1,705.4	- 1,742.0	- 2.1%
Loss on investment securities	- 391.5	- 541.0	- 27.6%
Total	- 2,096.9	- 2,283.0	- 8.2%

Balance Sheet

At the end of 2002, the Group's total assets stood at 114.8 trillion won, representing a 14.8 trillion won increase year-on-year. Loans were up 13.7 trillion won to 73.6 trillion won.

Deposits increased 9.6 trillion won to 78.9 trillion won, while borrowings were up slightly by 0.1 trillion won to 13.8 trillion won. Debentures were also up 5.3 trillion won to 10.8 trillion won.

Balance Sheet (unit : billion won)	2002	2001	Change
Assets			
Cash & equivalents	6,568.9	6,432.9	2.1%
Trading securities	2,943.8	3,217.9	- 8.5%
Investment securities	23,508.7	21,806.5	7.8%
Loans	73,604.1	59,876.2	22.9%
Fixed assets	2,796.1	2,831.8	- 1.3%
Other assets	5,421.9	5,920.5	- 8.4%
Total assets	114,843.5	100,085.8	14.7%
Liabilities			
Deposits	78,917.4	69,332.2	13.8%
Borrowings	13,839.6	13,742.6	0.7%
Debentures	10,792.9	5,491.5	96.5%
Other liabilities	5,978.8	7,080.3	- 15.6%
Total liabilities	109,528.7	95,646.6	14.5%
Shareholders' equity	5,314.8	4,439.2	19.7%
Total equity and liabilities	114,843.5	100,085.8	14.7%

Loans

Total loans, net of allowance, at year-end 2002 stood at 73,604.1 billion won, a 22.9% or 13,727.9 billion won increase over the previous year. Won-denominated loans increased by 18,964.1 billion won to 59,730.5 billion won, marking an increase of 46.5%. Foreign currency-denominated loans were up 7.1% to 6,870.8 billion won. The balance of credit-card accounts decreased by 1,498.4 billion won to 3,386.8 billion won, primarily because of the securitization of a part of those assets. Factoring in securitized assets, actual credit-card assets increased by 1,451.7 billion won to total 6,336.9 billion won.

Total Loans (unit : billion won)	2002	2001	Change
Loans in local currency	59,730.5	40,766.4	46.5%
Loans in foreign currencies	6,870.8	6,417.5	7.1%
Bills bought in foreign currencies	3,339.7	3,092.3	8.0%
Credit card accounts	3,386.8	4,885.1	- 30.7%
Other loans	3,046.1	8,499.8	- 64.2%
Total loans	76,373.9	63,661.0	20.0%
Allowance for possible loan losses	- 2,712.5	- 3,734.4	- 27.4%
Present value discounts	- 57.3	- 50.4	13.6%
Loans, net of allowance	73,604.1	59,876.2	22.9%

Loans in local currency made by the Group's three primary lending arms (Woori Bank, Kyongnam Bank and Kwangju Bank) increased by 48.0% to 59,560.9 billion won. By customer segments, loans to SMEs and households were the biggest growth areas with increases of 44.5% and 70.4%, respectively. Loans to large corporations, however, were up only 0.7%. Such an increase in loans to SMEs and households testifies to the Group's efforts to develop a well-balanced loan portfolio.

With regard to SMEs and large corporate lending, an analysis by industry segment shows that loans to the construction industry were up by 39.2%; manufacturing up by 10.3%; and retail and wholesale were also up by 25.8%.

Loans by Borrower and Industry Type

(unit : billion won)	2002	2001	Change
By borrower type	59,560.9	40,244.3	48.0%
Household	25,729.3	15,102.8	70.4%
Large Corp	4,002.0	3,975.8	0.7%
SME	28,132.7	19,472.6	44.5%
Other	1,696.9	1,693.1	0.2%
By industry type	59,560.9	40,244.3	48.0%
Household	25,729.2	15,103.1	70.4%
Retail & Wholesale	4,856.6	3,859.6	25.8%
Manufacturing	12,100.5	10,967.6	10.3%
Construction	3,159.9	2,269.8	39.2%
Other	13,714.7	8,044.2	70.5%

Securities

The balance of trading securities dropped by 274.1 billion won to 2,943.8 billion won at the end of 2002. With the enforcement of more stringent risk management policies, investments in equity securities decreased by 33.5 billion won to 64.8 billion won.

The balance of investment securities increased by 1,702.2 billion won over the previous period to 23,508.7 billion won. Finance debentures, the primary reason for the increase, were up by 1,138.6 billion won to 4,840.0 billion.

Asset Quality

	2002		2001		Change in amount	
	Balance	%	Balance	%	Balance	%
Total credit	77,896.7	100.0	63,430.6	100.0	14,466.1	0.0
Normal	72,000.7	92.4	54,473.5	85.9	17,527.2	6.6
Precautionary	3,339.8	4.3	4,666.0	7.4	- 1,326.2	- 3.1
Substandard	850.6	1.1	807.1	1.3	43.5	- 0.2
Doubtful	1,433.0	1.8	3,176.5	5.0	- 1,743.5	- 3.2
Estimated loss	272.6	0.3	307.5	0.5	- 34.9	- 0.1
Substandard & below	2,556.2		4,291.1		- 1,734.9	
Substandard & below ratio		3.3		6.8		-
Loan loss reserves (LLR)	2,640.2		3,864.1		- 1,223.9	
LLR/ Substandard & below		103.3		90.0		-
LLR/ Total credit		3.4		6.1		-

Restructuring of NPLs

In September 2002, Woori Finance Holdings formed a joint-venture arrangement with Lehman Brothers to restructure its bad debts. In January 2003, the transaction was recognized by five major financial magazines, including *Asia Money*, *Institutional Investor*, *CFO Asia*, *Finance Asia*, and *The Asset* as the best restructuring deal of the year.

Asset Quality

At the end of 2002, the amount of total credit, calculated in accordance with the guidelines set by the Financial Supervisory Service, was 77,896.7 billion won, an increase of 14,461.1 billion won over the previous year. Normal loans were up by 17,527.2 billion won, while loans labeled as either "precautionary" or "substandard or below" decreased by 1,326.2 billion won and 1,734.9 billion won, respectively. The NPL ratio fell to 3.3%. The Group's loan loss reserves to NPL ratio increased by 13.2% to 103.3%, thus maintaining one of the highest loan loss reserve coverage ratios among Korean banks.

Total Securities

(unit : billion won)	2002	2001	Change
Trading securities	2,943.8	3,217.9	- 8.5%
Equity securities	64.8	98.3	- 34.1%
Government and public bonds	691.5	550.8	25.5%
Finance debentures	845.4	1,163.8	- 27.4%
Corporate bonds	849.8	944.0	- 10.0%
Securities in foreign currencies	84.3	2.1	3914.3%
Other	408.0	458.9	- 11.1%
Investment securities	23,508.7	21,806.5	7.8%
Equity securities	953.7	918.3	3.9%
Government and public bonds	1,922.6	2,173.6	- 11.5%
Finance debentures	4,840.0	3,701.4	30.8%
Corporate bonds	11,996.5	12,168.1	- 1.4%
Securities in foreign currencies	1,472.8	1,201.2	22.6%
Other	2,323.1	1,643.9	41.3%

These and other efforts by the management over the past few years have allowed Woori Finance Holdings to restructure over 15 trillion won in bad debts. Although the expenses associated with restructuring have taken a toll on the Group's bottom line, Woori's profitability is expected to improve down the road as bad debts are removed from its balance sheets.

MANAGEMENT'S DISCUSSION & ANALYSIS

Liabilities

Deposits were up 9,585.2 billion won over the previous period to 78,917.4 billion won, representing a 13.8% increase. Won-denominated time and savings deposits (including CDs) equaled 74,983.9 billion won, representing 95.0% of total deposits, while foreign-denominated deposits equaled 3,933.5 billion won, or 5.0% of all deposits.

Borrowings and debentures were up by 97.0 billion won and 5,301.4 billion won, to 13,839.6 billion and 10,792.9 billion won, respectively. The increase in debentures was attributed to issuances by Woori Credit Card and Woori Bank.

Total Liabilities	2002	2001	Change
(unit : billion won)			
Deposits	78,917.4	69,332.2	13.8%
Deposits in local currency	74,545.9	65,615.0	13.6%
Deposits in foreign currencies	3,933.5	2,935.1	34.0%
Certificates of deposit	438.0	782.1	- 44.0%
Borrowings	13,839.6	13,742.6	0.7%
Borrowings in local currency	6,156.4	5,206.8	18.2%
Borrowings in foreign currencies	5,159.8	4,882.0	5.7%
Other	2,523.4	3,653.8	- 30.9%
Debentures	10,792.9	5,491.5	96.5%
Debentures in local currency	8,913.9	3,989.7	123.4%
Debentures in foreign currencies	1,879.0	1,501.8	25.1%

Shareholders' Equity

Total shareholders' equity for 2002 was up by 875.6 billion won to 5,314.8 billion won. The increase can be attributed to the issuance of 36 million shares of common stock on June 24, 2002, and a net income of 591.6 billion won for the period.

Shareholders' Equity	2002	2001	Change
(unit : billion won)			
Shareholders' equity	5,314.8	4,439.2	19.7%
Common stock	3,839.1	3,637.3	5.5%
Capital surplus	25.0	-	-
Retained earnings	1,151.1	558.9	106.0%
Capital adjustments	54.5	- 116.5	- 146.8%
Minority interests	245.1	359.5	- 31.8%

Capital Adequacy

Capital adequacy is measured by risk-weighted capital ratios. Woori's commercial banking sector BIS (Bank of International Settlements) capital adequacy ratio at the end of 2002 was 11.5%, which was relatively higher than other major domestic financial institutions.

2. REVIEW OF SUBSIDIARIES PERFORMANCE

COMMERCIAL BANKING

WOORI BANK

Overview

In 2002, Woori Bank remained profitable for the second consecutive year, having increased its net income by 9.4% to 779.6 billion won. This increase was a result of the Bank's focus on loans to households and SMEs. Overall, the Bank generated net interest margins of 3.13% in 2002, an improvement from 2.78% in 2001.

Total assets grew by 14.1% with deposits growing by 15.7% primarily due to growth in SMEs and household loans.

Key Financial Data

(unit : billion won)	2002	2001	Change
Operating results			
Operating revenue	6,607.9	6,848.5	- 3.5%
Net interest income ⁽¹⁾	2,118.7	1,549.4	36.7%
Operating income	602.9	283.2	112.9%
Net income	779.6	712.9	9.4%
Balance sheet			
Total assets	87,477.4	76,657.8	14.1%
Total loans ⁽²⁾	58,967.7	48,177.6	22.4%
Total deposits	62,184.9	53,768.3	15.7%
Shareholders' equity	4,143.0	2,928.5	41.5%
Assets quality ratios			
Loan loss reserve/NPLs	110.1%	139.5%	-
NPLs/Total credit	2.2%	2.1%	-

Notes: (1) Net interest income is based on the FSS guidelines.

(2) Total loans, net of allowance.

As of December 31, 2002, total shareholders' equity increased by 41.5% to 4,143.0 billion won from 2,928.5 billion won at the end of 2001.

Results

Woori Bank's 2002 operational revenue was 6,607.9 billion won, a 240.6 billion won decrease from the previous fiscal year. Despite an increase in assets, the overall decrease in market interest rates, as well as the spin-off of the Bank's credit-card division, resulted in lower gross operational figures.

However, the Bank had a 36.7% year-on-year improvement in net interest income, which was attributable to an improvement in net interest margins and an expanding market share in the retail banking and SME segments.

Operating Results

(unit : billion won)	2002	2001	Change
Net interest income ⁽¹⁾	2,118.7	1,549.4	36.7%
Won currency	1,993.9	1,336.3	49.2%
Foreign currency	124.8	213.1	- 41.4%
Net non-interest income	760.9	1,001.1	- 24.0%
Fees & commissions	351.1	283.4	47.3%
Securities related gains	39.7	48.1	- 17.5%
Gains on FX, derivatives and Other	124.8	139.9	- 10.8%
Trust account	136.0	303.0	- 55.1%
Inter-company services charges	68.3	-	-
Credit card fees & other	41.0	271.7	- 84.9%
Provision for credit losses	967.3	1,274.5	- 24.1%
SG&A expenses	1,309.3	992.8	31.9%
Personnel expenses	569.1	424.9	33.9%
Administration expenses	512.6	351.8	45.7%
Other	227.6	216.1	5.3%
Net operating income	603.0	283.2	112.9%
Non operating income (net)	- 7.0	327.5	- 102.1%
Net income	779.6	712.9	9.4%

Note : (1) Net interest income is based on the FSS guidelines.

Income from fees and commissions grew 47.3% through fee structure adjustments in money transfer services and e-banking services. Inter-company service charges, primarily from Woori Credit Card, can also be attributed to the increase in non-interest income.

Provisions for credit losses decreased by 307.2 billion won, an indication of the Bank's cleaner revenue-generating platform. SG&A expenses rose 31.9% year-over-year, mostly from one-time charges related to business process reengineering (BPR) and the Bank's brand management campaign.

Non-operating income decreased by 334.5 billion won to -7.0 billion won. The 327.5 billion won gain from non-operating income in 2001 was primarily the result of gains from the sale of NPL assets.

Overall, Woori Bank recorded net income of 779.6 billion won, a 9.4% increase from the previous year.

Net Interest Margins

Woori Bank's interest earning assets grew by 21.5% in 2002 to 67,621.9 billion won. Net interest margins improved to 3.13% in 2002 from 2.78% in 2001 as a result of a significant reduction in bad debts, lower funding costs and improved pricing in higher margin sectors. As a result of these factors, net interest income calculated under the guidelines provided by the Financial Supervisory Service (FSS) totaled 2,118.7 billion won, a 36.7% increase over the previous year.

MANAGEMENT'S DISCUSSION & ANALYSIS

Net Interest Margins

(unit : billion won)	2002	2001	Change
Net interest margins	3.13%	2.78%	-
Won currency	3.42%	2.97%	-
Foreign currency	1.35%	2.00%	-
Net interest income ⁽¹⁾	2,118.7	1,549.4	36.7%
Won currency	1,993.9	1,336.3	49.2%
Foreign currency	124.8	213.1	- 41.4%
Interest earning assets	67,621.9	55,668.9	21.5%
Won currency	58,361.6	44,995.7	29.7%
Foreign currency	9,260.3	10,673.2	- 13.2%

Note : (1) Net interest income is based on the FSS guidelines.

Higher SG&A costs in 2002 were the result of an increase in employee compensation to match market levels, an aggressive brand campaign, BPR expenses, and a one-time expense involving the Group's acquisition of Peace Bank.

Balance Sheet

Assets

The Bank's total assets as of year-end 2002 were 87,477.4 billion won, a 14.1% or 10,819.6 billion increase over the previous year. The most pronounced growth was in loans, recording a 22.4% increase of 10,790.1 billion won, with securities following with an increase of 374.1 billion won.

Total Assets

(unit : billion won)	2002	2001	Change
Loans	58,967.7	48,177.6	22.4%
Securities	18,743.8	18,369.7	2.0%
Cash & due from banks	4,098.1	3,911.2	4.8%
Fixed assets	1,762.7	1,843.4	- 4.4%
Other assets	3,905.1	4,355.9	- 10.3%
Total assets	87,477.4	76,657.8	14.1%

Loans

Loans outstanding at year-end 2002 totaled 58,967.7 billion won, a 22.4% increase year-on-year. Won-denominated loans reflected a growth of 51.7% for a year-end balance of 49,749 billion won. The growth in won-denominated loans derived from a 72.5% and 51.0% respective increase in loans to households and SMEs.

Total Loans

(unit : billion won)	2002	2001	Change
Won currency	49,749.0	32,788.2	51.7%
SMEs	21,841.0	14,464.7	51.0%
Households	22,853.0	13,248.6	72.5%
Large corporations	3,653.4	3,645.7	0.2%
Other	1,401.6	1,429.2	- 1.9%
Foreign currency	6,218.9	5,854.3	6.2%
Bills bought in foreign currency	3,185.0	2,889.3	10.2%
Credit card accounts	67.3	3,798.6	- 98.2%
Other loans	1,420.7	4,201.2	- 66.2%
Total loans	60,640.9	49,531.6	22.4%
Loan loss provisions	1,632.3	1,339.5	21.9%
Present value discounts	40.9	14.5	182.1%
Loans, net of allowance	58,967.7	48,177.6	22.4%

Liabilities

The Bank deposit balance increased 15.7% during 2002 to 62,184.9 billion won. Borrowings, on the other hand, declined by 8.0% to 10,008.6 billion won. Although relatively small in comparison, bonds payable gained in significance by increasing 2,857.3 billion won to 5,941.9 billion won.

Total Liabilities

(unit : billion won)	2002	2001	Change
Shareholders' equity	4,143.0	2,928.5	41.5%
Deposits	62,184.9	53,768.3	15.7%
Borrowings	10,008.6	10,883.9	- 8.0%
Bonds payable	5,941.9	3,084.6	92.6%
Other liabilities	5,199.0	5,992.5	- 13.2%
Total	87,477.4	76,657.8	14.1%

Deposits

Among the 62,184.9 billion won in outstanding deposits at the end of 2002, 94.8% were in the form of won-denominated deposits, with the remaining 5.2% in the form of foreign currency-denominated deposits. Time and savings deposits, comprising 90.4% of total deposits, increased at a strong rate of 17.6%, with installment deposits recording a growth of 39.5%. In contrast, demand deposits and certificates of deposit shrunk 217.7 billion won and 390.9 billion won, respectively, to an outstanding balance of 4,633.0 billion won and 346.2 billion won.

Total Deposits

(unit : billion won)	2002	2001	Change
Won currency	58,933.1	51,382.1	14.7%
Demand	4,633.0	4,850.7	- 4.5%
Time & savings	53,301.1	45,326.2	17.6%
Certificates of deposit	346.2	737.1	- 53.0%
Installment	652.8	468.1	39.5%
Foreign currency	3,251.8	2,386.2	36.3%
Total	62,184.9	53,768.3	15.7%

Asset Quality

Asset Quality

(unit : billion won)	2002	2001	Change
Total credit	64,447.6	50,119.2	28.6%
Normal	60,578.3	45,637.7	32.7%
Precautionary	2,446.9	3,449.7	- 29.1%
Substandard	681.3	438.6	55.3%
Doubtful	495.7	341.7	45.1%
Estimated loss	245.4	251.5	- 2.4%
Substandard & below	1,422.4	1,031.8	37.9%
Substandard & below ratio	2.2%	2.1%	-
Loan loss reserves (LLR)	1,565.9	1,439.2	8.8%
LLR/Substandard & below	110.1%	139.5%	-
LLR/Total credit	2.4%	2.9%	-

The Bank's asset quality continued to improve in 2002 as its NPL ratio steadily declined. As of year-end 2002, Woori Bank's NPL ratio was 2.2%, thus making it one of the healthiest financial institutions in Korea.

Total credit as of year-end 2002 was 64,447.6 billion won, increasing by 28.6% from a year earlier. While loans categorized as "normal" increased 32.7%, the reclassification of loans extended to Hynix Semiconductor Inc. from "precautionary" to "doubtful" resulted in a 390.6 billion won or a 37.9% increase in loans classified as "substandard or below."

In 2002, the Bank disposed of a total 1,182.7 billion won in NPLs, including 346.9 billion won that was written off, 291.4 billion won that was sold, 307.3 billion won that was repaid and 237.1 billion won that was converted into equity.

Capital Adequacy

Capital adequacy is measured by risk-weighted capital ratios. Risk-weighted capital ratios are calculated as the percentage of the amount of Tier I and Tier II capital (less any capital deductions) divided by risk-weighted assets.

The BIS capital adequacy ratio at the end of 2002 was 11.59%, a 0.31% improvement from 2001. A growth in net income and the increase in capital surplus deriving from the spin-off of the credit card division caused an increase in Tier I capital. Furthermore, a 302 billion won increase in subordinated debts contributed to improvements in its capital adequacy ratio.

At the end of fiscal year 2002, Tier I and Tier II capital ratios stood at 6.58% and 5.01%, respectively, with Tier I increasing by 0.34% and Tier II decreasing by 0.11%.

KWANGJU BANK

Results

Kwangju Bank, in 2002, increased its net operating income by 20.6% and its net income by 12.8%. Net interest margin was 3.26%, a 0.06% drop from 2001. Total deposits increased 15.7% to 6,077.3 billion won, while loans increased 23.5% to 4,896.3 billion won. According to a publicly released internal estimate, this represents a market share of 29.3% and 20.2%, respectively, in the region.

Net interest income grew from 131.7 billion to 204.7 billion won in 2002, a 55.6% increase year-on-year. Commission income dropped by 7.3% to 50.6 billion won.

Operating Results

(unit : billion won)	2002	2001	Change
Operating revenue	578.8	532.7	- 8.7%
Interest revenue	493.7	439.4	12.4%
Commission revenue	66.2	62.0	6.8%
Other operating revenue	18.9	31.3	- 45.1%
Operating expense	492.9	461.4	6.8%
Interest expense	289.0	307.7	- 6.1%
Commission expense	15.6	7.4	110.8%
Other operating expense	79.5	44.6	78.3%
SG&A	108.8	101.7	7.0%
Net operating income	86.0	71.3	20.6%
Net income	74.8	66.3	12.8%

The Bank closed nine additional branches in 2002 and reduced the size of its workforce by another 6% to a total of 1,132 employees at year-end 2002.

Balance Sheet

Balance Sheet

(unit : billion won)	2002	2001	Change
Total assets	8,046.9	7,120.9	13.0%
Total loans ⁽¹⁾	4,896.3	3,964.5	23.5%
Total deposits	6,077.3	5,250.4	15.7%
Shareholders' equity	269.2	191.4	40.6%
Asset quality/Capital adequacy ratios			
Substandard & below	2.1%	2.7%	-
BIS	11.0%	11.2%	-

Note: (1) Net interest income is based on the FSS guidelines.

MANAGEMENT'S DISCUSSION & ANALYSIS

Deposits

Despite an adverse business environment in 2002, Kwangju Bank recorded strong growth in deposits—a major funding source for the bank. Total deposits surged 15.7% in 2002 over the previous year to 6,077.3 billion won.

Demand and savings deposits expanded 10.9% in 2002 to 2,180.9 billion won. Time deposits and housing installment deposits were also up by 18.8% to 3,435.8 billion won. In addition, short-term money market deposits including CDs increased by 18.4%, amounting to 451.2 billion won in 2002. However, deposits in foreign currencies declined 9.6% year-on-year to 9.4 billion won.

According to a publicly released internal estimate, the Bank's market share in total deposits for the Kwangju area moved upward to 36.5% in 2002 from a 35.8% share in 2001 and a 34.9% share in 2000.

Total Deposits (unit : billion won)	2002	2001	Change
Demand & savings deposits	2,180.9	1,966.5	10.9%
Time deposits	3,435.8	2,892.4	18.8%
CDs/MMDA	451.2	381.1	18.4%
Foreign currencies	9.4	10.4	- 9.6%
	6,077.3	5,250.4	15.7%

Loans

In 2002, total loans grew by 23.6% over the previous year, amounting to 4,988.7 billion won. The Bank also increased its market share with respect to loans in the Kwangju area. The sharp rise in total loans enabled the Bank to increase its loan market share to 20.2% in 2002 from 18.1% a year earlier.

Loans made to households, primarily for the purchase of homes, were up 43.9% in 2002 over a year earlier. Loans extended to corporations also recorded 27.6% growth.

Total Loans (unit : billion won)	2002	2001	Change
Loans to corporations	2,999.3	2,350.6	27.6%
Loans to households	1,608.5	1,117.5	43.9%
Others	380.9	569.2	- 33.1%
Total loans	4,988.7	4,037.3	23.6%
Loan loss provisions	91.0	71.0	28.2%
Present value discounts	1.4	1.8	- 22.2%
Loans, net of allowance	4,896.3	3,964.5	23.5%

Asset Quality

NPLs in 2002 increased slightly by 4.2 billion won over the previous year to 104.7 billion won, despite a sharp 28.8% increase in total loans. The Bank's NPL ratio improved to 2.14% from 2.65%. Writes-offs of NPLs stood at 35.6 billion won in 2002, a decrease of 5 billion won over 2001.

In 2002, NPLs were concentrated among three corporate clients—Alutech Co. (6.9 billion won), Jung Won Pipe (5.5 billion won), and IC Chem (3.6 billion won).

In an effort to minimize the occurrence of new NPLs, the Bank has been strengthening its credit risk management. For example, the Bank now identifies borrowers showing signs of financial difficulties at an early stage and intensively monitors them.

Asset Quality (unit : billion won)	2002	2001	Change
Total credit	4,881.2	3,789.7	28.8%
Normal	4,638.3	3,545.7	30.8%
Precautionary	138.2	143.5	- 3.7%
Substandard	78.3	82.6	- 5.2%
Doubtful	10.7	9.8	9.2%
Estimated loss	15.7	8.1	93.8%
Substandard & below loans	104.7	100.5	4.2%
Substandard & below ratio	2.1%	2.7%	-
Loan loss reserve ratio	91.1%	71.1%	-
Coverage ratio	87.0%	70.7%	-

Capital Adequacy

The Bank's BIS capital adequacy ratio edged down to 11.03% in 2002 from 11.15% a year earlier.

KYONGNAM BANK

Results

Kyongnam Bank's year-on-year performance including net income for 2002 was 82.5 billion won, a 19.2% improvement from 2001 as a result of a 23.4% increase in net operating income. Despite falling interest rates, net interest income was up by 56.2 billion won or 32.4% to 229.9 billion won. Commission revenue, net of expenses, also increased 37.5% to 76.3 billion won. This performance was based on a 1.1 trillion won or 22.3% increase in total loans and a 1.6 trillion won or 27.2% increase in total deposits.

Operating Results

(unit : billion won)	2002	2001	Change
Operating revenue	742.1	721.6	2.8%
Interest revenue	572.8	562.0	1.9%
Commission revenue	88.4	63.5	39.2%
Other operating revenue	80.9	96.1	- 15.8%
Operating expense	634.7	634.6	0.0%
Interest expense	342.9	388.3	- 11.7%
Commission expense	12.1	8.0	51.3%
Other operating expense	148.1	122.3	21.1%
SG&A	131.6	116.0	13.4%
Net operating income	107.4	87.0	23.4%
Net income	82.5	69.2	19.2%

Since being placed under the umbrella of Woori Finance Holdings in April 2001, the Bank has achieved an impressive turn-around, from a net loss of 318.2 billion won in 2000 to two consecutive years in the black.

Asset quality has improved significantly, with the ratio of NPLs dropping to 2.0% from a high of 13.7% in 2000 and 3.2% in 2001. The Bank has sold an additional 49 billion won in bad debts in 2002 on top of 333 billion won sold in 2001.

The Bank closed 22 branches over the past two years, including 5 branches in 2002. Kyongnam Bank continued its hiring freeze and further reduced its workforce by 5.8%.

Balance Sheet

Balance Sheet (unit : billion won)	2002	2001	Change
Total assets	9,975.8	8,759.8	13.9%
Total loans ⁽¹⁾	5,820.2	4,744.3	22.7%
Total deposits	7,544.3	5,930.1	27.2%
Shareholders' equity	411.0	313.4	31.1%
Asset quality / Capital adequacy ratios			
Substandard & below	2.0%	3.2%	-
BIS	11.3%	11.1%	-

Note: (1) Total loans, net of allowance.

Deposits

Through the Bank's marketing activities, total deposits were up by 27.2% to 7,544.3 billion won in 2002. The Bank's regional market share in deposits rose from 23.0% in 2000 to 24.4% in 2001, and further in 2002 to 25.6%. Core deposits rose from 56.4 billion won in 2000 to 67.5 billion won in 2001. Core deposits increased further to 83.8 billion won in 2002, based on a publicly released internal estimate.

The Bank signed an agreement to manage the public funds of Goseong County, reflecting enhanced public confidence in the Bank.

Total Deposits

(unit : billion won)	2002	2001	Change
Demand & savings deposits	695.9	606.5	14.7%
Time deposits	6,252.9	4,902.9	27.5%
CDs	54.3	37.2	46.0%
Foreign currencies	206.8	65.9	213.8%
Others	334.4	317.6	5.3%
Sub Total	7,544.3	5,930.1	27.2%

Loans

Total loans outstanding as of the end of fiscal year 2002 amounted to 5,923.9 billion won, up by 22.3% or 1,079.1 billion won from the previous year. The portion of loans exceeding 5 billion won dropped by 1.81% from the previous year to 7.97% of the total loan portfolio. Meanwhile, household loans soared 55.4% from the previous year to 1,727.5 billion won.

The Bank has grown into a leading regional financial center by focusing on lending products tailored to customers' varied needs, enabling it to attract clients with sound financial resources and implement a profit-driven strategy.

Total Loans

(unit : billion won)	2002	2001	Change
Loans to corporations	4,064.9	3,364.7	20.8%
Loans to households	1,727.5	1,111.3	55.4%
Others	131.5	368.8	- 64.3%
Total loans	5,923.9	4,844.8	22.3%
Loan loss provisions	98.5	82.0	20.1%
Present value discounts	5.2	18.5	- 71.9%
Loans, net of allowance	5,820.2	4,744.3	22.7%

Asset quality

In its drive to prevent the occurrence of new NPLs, the Bank took steps to promote transparency in its credit screening process. At the same time, the Bank bolstered its loan review activities while heightening the soundness of assets through the disposal or write-offs of NPLs.

MANAGEMENT'S DISCUSSION & ANALYSIS

Asset Quality

(unit : %)	2002	2001
Substandard & below loan ratio	1.99	3.18
Net substandard & below loan ratio	1.19	1.58
Ratio of overdue loans	2.17	2.36

Capital Adequacy

The Bank's BIS capital ratio for year-end 2002 was 11.34%—a 0.26% im-

provement over 2001.

Tier I capital increased by 97.9 billion won as of the end of 2002. This increase was mainly attributable to net income of 82.5 billion won. Tier II capital rose 37.2 billion won through the issuance of 70 billion won in subordinated bonds. Consequently, total BIS capital was up 132.5 billion won to 629.2 billion won.

Risk-weighted assets rose by 1,064.6 billion won to 5,549.1 billion won, which resulted in a 0.26% rise in the Bank's BIS capital adequacy ratio to 11.34%.

NON-BANKING FINANCIAL SERVICES

WOORI CREDIT CARD

On December 31, 2001, Peace Bank merged its commercial banking business with Woori Bank, forming Woori Credit Card (WCC) and retaining Peace Bank's credit card business. A month later on January 31, 2002, Woori Credit Card acquired the credit-card business of Woori Bank, thereby consolidating the Group's card operations. At the end of 2002, Woori Credit Card had approximately 5.3 million retail customers and 480,000 merchant customers.

Operating Results

(unit : billion won)	2002
Operating revenue	915.0
Interest income	298.8
Commission income	611.8
Other operating revenue	4.4
Operating income before provisions	473.9
Loan loss provisions expenses	452.3
Operating income	21.7
Net income	- 151.4

Note : No comparable data is available for 2001.

In 2002, WCC had total transaction volume and operating revenue of 33.0 trillion won and 915.0 billion won, respectively. A net loss of 151.4 billion won notwithstanding, operating income before provisions recorded 473.9 billion won, demonstrating WCC's ability to generate cash flow.

The primary contributing factors of the net loss recorded in 2002 were one-time charges, such as the mark-down on investment securities for Hyundai Construction carried over from Peace Bank (91.2 billion won), and losses related to the acquisition of Woori Bank's credit card operations (77.9 billion won).

Balance Sheet

(unit : billion won)	2002
Assets	
Credit card assets	2,663.5
Investment securities	856.4
Current assets	1,017.3
Fixed assets	161.0
Others	6.1
Total	4,704.2
Liabilities	
Current liabilities	2,307.3
Long-term liabilities	2,088.9
Total	4,396.2
Shareholders' equity	308.0

Note : No comparable data is available for 2001.

A sharp decline in shareholders' equity was caused by the capital adjustment of 522.1 billion won resulting from the acquisition of Woori Bank's credit card operations. The total acquisition cost was 600 billion won, of which 77.9 billion won was recorded as miscellaneous loss.

WOORI SECURITIES

In 2002, Woori Securities posted 41.8 billion won in operating income for a modest gain of 5.8% year-on-year. The company's primary source of income has traditionally been commission revenue, net of expenses, which increased by 13.6% during the same period to 70.9 billion won.

Key Financial Data

(unit : billion won)	2002	2001	Change
Operating results			
Operating revenue (net)	214.8	178.4	20.4%
Interest income	18.1	16.9	7.1%
Non-interest income	122.2	104.0	17.5%
Commissions income	70.9	62.4	13.6%
Gains on securities	44.4	41.3	7.5%
Others	6.9	0.3	2,200.0%
Operating income	41.8	39.5	5.8%
Non-operating income	- 0.7	4.9	- 114.3%
Net income	29.3	30.9	- 5.2%
Balance sheet			
Total assets	531.3	556.3	- 4.5%
Total loans	62.6	67.1	- 6.7%
Total liabilities	148.4	163.9	- 9.4%
Total deposits	119.5	117.2	2.0%
Shareholders' equity	382.8	392.4	- 2.4%

An increase in brokerage revenue by 1.6 billion won, beneficiary certificate fee revenue by 2.6 billion won and underwriting and brokerage revenue by 5.1 billion won contributed to the growth in commission income.

With regard to gain on securities, a 20.2 billion won increase in revenue generated from derivatives transactions was the most notable. A drop of 15.1 billion won in gain on bond sales, however, ultimately limited the overall growth in gain on securities to 7.5%.

Despite a positive net income of 29.3 billion won during the year, total shareholders' equity fell by 9.6 billion won. This was because of an increase in treasury stock and capital adjustment relating to unrealized losses from investment securities. Loss on valuations of investment securities was up 2.4 billion won to 6.7 billion won.

Woori Securities has been extending its market reach by leveraging the Group's network. During 2002, 18 offices were opened within Woori Bank branches, while six independent branches were closed with four branches relocated. Woori Securities, in conjunction with the Group, intends to continue to expand and increase its market share by maximizing the Group's infrastructure and resources.

WOORI INVESTMENT BANK

Woori Investment Bank (WIB) was established on November 3, 2000. WIB is a full-fledged merchant bank that provides a variety of short-term financing products, lease financing services as well as securities-related services. In accordance with the Group's business portfolio management strategy, WIB is in the process of being merged into Woori Bank by July 2003.

Key Financial Data

(unit : billion won)	2002
Operating results	
Operating revenue	357.3
Interest revenue	75.9
Commission revenue	20.2
Other operating revenue	261.2
Operating expense	477.2
Operating income	- 119.9
Net income	- 2.7
Balance sheet	
Total assets	2,159.4
Cash & equivalents	343.5
Securities	345.1
Loans	690.6
Fixed & other assets	780.2
Total liabilities	1,947.9
Deposits	1,604.1
Borrowings & other liabilities	343.8
Shareholders' equity	211.5

Note : No comparable data is available for 2001.

During 2002, WIB sustained a net loss of 2.7 billion won with 51 billion won in additional provisions for 648.8 billion won in receivables from the KDIC.

At the end of 2002, total assets were 2,159.4 billion won, total liabilities 1,947.9 billion won, and shareholders' equity stood at 211.5 billion won. The significant drop in total assets was attributable to the sale of NPLs. The NPL ratio dropped to 4.5% from 36% during this period. The BIS capital adequacy ratio improved by 0.34% to 15.33%.

MANAGEMENT'S DISCUSSION & ANALYSIS

WOORI INVESTMENT TRUST MANAGEMENT

In 2002, Woori Investment Trust Management (WITM) saw its net income fall by 62.1% to 2.0 billion won from a net income of 5.3 billion won in 2001. Despite a 21.4% increase in the total amount of funds managed, operating revenue fell by 14.1% to 10.5 billion won, a drop of 1.7 billion won.

Balance Sheet			
(unit : million won)	2002	2001	Change
Current assets	28,608.3	28,888.9	- 1.0%
Fixed assets	11,611.4	11,992.7	- 3.2%
Total assets	40,220.0	40,882.0	- 1.6%
Liabilities			
Current liabilities	384.0	1,568.7	- 75.5%
Long-term liabilities	189.3	179.1	5.7%
Total liabilities	573.3	1,748.0	- 67.2%
Total shareholders' equity	39,646.5	39,133.8	1.3%
Liabilities & shareholders' equity	40,220.0	40,882.0	- 1.6%

Operating Results			
(unit : million won)	2002	2001	Change
Operating revenue	10,542.6	12,274.9	- 14.1%
Operating expense	7,688.4	4,806.8	59.9%
Operating income (net)	2,854.2	7,468.1	- 61.8%
Non operating income (net)	- 10.0	213.5	-
Net Income	2,012.7	5,314.2	- 62.1%

Operating Expenses			
(unit : million won)	2002	2001	Change
Fees and commissions	291.0	697.3	- 58.3%
Losses on trust management	2,718.9	-	-
SG&A	4,675.8	4,095.4	14.2%
Interest expense	-	13.4	-
Loss on sale of securities	-	0.7	-
	7,688.4	4,806.8	59.9%

A surge in operating expenses by almost 60% affected the bottom line. This was due in large part to losses stemming from a 2.7 billion won court ruling, which is currently under appeal in the Korean court system.

GROUP PLATFORM SERVICES

WOORI FINANCE INFORMATION SYSTEM

The Woori Finance Information System's (WFIS) operations grew dramatically in 2002. Revenues increased 418% to 131.8 billion won with total assets increasing to 241.1 billion won.

In March and April of 2002, the IT infrastructure for Woori Bank and Woori Credit Card was consolidated and managed by WFIS. In December of 2002, Kwangju and Kyongnam Banks signed an agreement to outsource the management of their IT systems to WFIS. WFIS is currently following up on a group-wide CRM initiative as well as continuing its efforts at integrating the Group's IT systems and developing a new banking system. As the consolidation of the Group's information technology infrastructure continues to accelerate, the size of its operations is expected to increase in keeping up with the Group's expanded capacity.

Balance Sheet		
(unit : million won)	FY 2002	FY 2001
Current assets	76,504.0	5,932.6
Fixed assets	164,549.4	2,882.6
Total assets	241,053.4	8,815.2
Liabilities		
Current liabilities	53,942.6	2,362.8
Long-term liabilities	184,348.8	373.4
Total liabilities	238,291.4	2,735.2
Total shareholders' equity	2,762.0	6,080.0
Liabilities & shareholders' equity	241,053.4	8,815.2

Operating Results		
(unit : million won)	FY 2002	FY 2001
Revenue	131,843.1	25,443.9
COGS	115,191.9	22,427.2
Gross profit	16,651.2	3,016.7
SG&A	12,247.4	1,889.4
Operating profit	4,403.8	1,127.3
Net income	- 3,318.0	1,122.9

Note : The fiscal year 2002 reflects only three quarters from April 1 to December 31.

WOORI F&I

Woori F&I (WFI) is a company designed to be a vehicle for distressed assets by establishing joint venture special purpose companies (JV-SPCs) and a joint venture asset management company (JV-AMC). The JV-SPCs are intended to purchase a part of the Group's NPLs, and the JV-AMC is intended to manage them.

Key Financial Data		
(unit : billion won)	2002	2001
Operating results		
Operating revenue	18,912.9	195.8
Equity method gains	8,101.3	-
Interest income from securitization	301.3	-
Commissions and fees	10,332.0	195.8
Others	178.3	-
Operating expense	8,660.2	610.0
Net operating income	10,252.7	- 414.2
Net income	7,326.7	- 365.8
Balance sheet		
Assets		
Current assets	2,289.8	8,531.5
Non-current assets	52,493.5	1,153.0
Liabilities		
Current liabilities	2,323.1	50.2
Non-current liabilities	37,033.3	-
Shareholders' equity	15,426.9	9,634.2

WFI recorded an 8.1 billion won gain from its 51% ownership of the JV-AMC and its 30% stake in JV-SPCs through the equity method. Overall, the company's net income for fiscal year 2002 totaled 7.3 billion won.

At the end of 2002, WFI had 34.6 billion won in long-term debts from Woori Finance Holdings, all of which was used to acquire a 30% share of ABS in the JV-SPCs with Lehman Brothers.

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF
WOORI FINANCE HOLDINGS CO., LTD.:

We have audited the accompanying non-consolidated balance sheet of Woori Finance Holdings Co., Ltd. (the "Company") as of December 31, 2002 and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year ended December 31, 2002, 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 audit. The non-consolidated balance sheet as of December 31, 2001 and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the period from March 27, 2001 (inception) to December 31, 2001, which are presented for comparative purposes, were audited by Anjin & Co., whose report dated February 26, 2002 expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2002 non-consolidated financial statements present fairly, in all material respects, the financial position of Woori Finance Holdings Co., Ltd. as of December 31, 2002, and the results of its operations, the appropriations of its retained earnings and its cash flows for the year ended December 31, 2002 in conformity with financial accounting standards in the Republic of Korea.

The translated amounts in the accompanying financial statements have been translated into US dollars, solely for the convenience of the reader, on the basis set forth in Note 2.

As explained in Note 1, on June 24, 2002, the Company listed its common shares on the Korea Stock Exchange through a public offering at a price of ₩6,800 (\$5.7) per share, which included 36 million new shares and 54 million issued shares.

As explained in Notes 23, in relation to the functional restructuring, the Company acquired 100% shares of Woori Investment Trust Management Co., Ltd. ("WITM") from Woori Bank for ₩56.8 billion (\$47.3 million) on March 29, 2002. As a result, WITM has become a subsidiary of the Company. The book value of the shares of WITM accounted for by Woori Bank was ₩39.1 billion (\$32.6 million) as of the date of the transaction. Also, the Company acquired 40.2% (13,250,570 shares) of the common stock of Woori Securities Co., Ltd. ("Woori Securities", formerly Hanvit Securities) from Woori Bank for ₩112.4 billion (\$93.6 million) on July 29, 2002. As a result, Woori Securities has become a subsidiary of the Company. The book value of the shares accounted for by Woori Bank was ₩152.7 billion (\$127.2 million) as of the date of the transaction.

As explained in Note 29, in order to secure its liquidity and improve the financial structure of the subsidiaries of the Company by disposing of its non-performing loans, the Company entered into a Joint Venture Master Agreement with Lehman Brothers Holdings Inc. ("LB") on co-managing the non-performing loans as of September 5, 2002. The agreement includes LB purchasing the non-performing loans from the Company or its affiliates through joint venture special purpose entities and acquiring 49% shares of Woori CA Asset Management Co., Ltd. ("WCAAMC"). In addition, Woori F&I Co., Ltd. (formerly Woori Asset Management Co., Ltd.), a subsidiary of the Company, would acquire 51% of the shares of WCAAMC.

As explained in Notes 30, the Company and Lehman Brothers International Europe ("LBIE") entered into the Convertible Bonds Purchase Agreement dated September 5, 2002 that LBIE purchase \$250 million of convertible bonds issued by the Company. In addition, the Company issued \$36 million and \$16 million of unguaranteed subordinated convertible bonds as of September 27, 2002 and December 20, 2002, respectively, pursuant to the Convertible Bonds Purchase Agreement.

As explained in Note 4, the Company purchased ₩600 billion (\$500 million) of unguaranteed subordinated convertible bonds issued by Woori Bank at various dates (₩150 billion on September 27, 2002, ₩200 billion on October 30, 2002 and ₩250 billion on November 28, 2002). The maturity dates are September 27, 2012, October 30, 2012, and November 28, 2012, respectively. The coupon rate on the bonds is zero (guaranteed yield to maturity is 148.02% of face value). The conversion price is ₩5,000 per share and the conversion rights are valid from one year after the issuance date to one month before the maturity date. The common stock of Woori Bank will be issued upon conversion. In addition, the Company purchased ₩50 billion (\$41.7 million) of unguaranteed subordinated convertible bonds issued by Kwangju Bank as of December 31, 2002. The coupon rate on the bonds is zero (guaranteed yield to maturity is 155.29% of face value). The conversion price is ₩5,000 per share and the conversion rights are valid from one year after the issuance date to one month before the maturity date. The common stock of Kwangju Bank will be issued upon conversion. Also, the Company purchased ₩200 billion (\$166.6 million) of unguaranteed subordinated privately bonds issued by WCC on December 27, 2002. The coupon rate on the bonds is 6.62% and maturity is December 27, 2008.

As explained in Note 34, as of February 10, 2003, Woori America Bank and National Penn Bancshares entered into an agreement, which indicated that Woori America Bank would merge with Penn Asia Bank on July 31, 2003. Pursuant to the agreement related to this merger, Woori America Bank would pay \$34.5 million to National Penn Bancshares, Penn Asia Bank's largest shareholder.

As explained in Note 34, as of December 31, 2002, the amounts owed by SK Global Co., Ltd. (SK Global) to Woori Bank were ₩332 billion (\$277 million) and ₩8.4 billion (\$7 million) in loans (including acceptances and guarantees outstanding) and debt securities, respectively. Woori Bank's asset category for these credits was normal as of December 31, 2002. However, actual losses incurred from these credits may differ materially from the management's assessment. The accompanying financial statements did not reflect any adjustments which may arise from this uncertainty.

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 or 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.

Deloitte & Touche LLC.

March 26, 2003

Notice to Readers - This report is effective as of March 10, 2003, 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.

NON-CONSOLIDATED BALANCE SHEETS

_ as of December 31, 2002 and 2001

	Korean Won		Translation into US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)		(In thousands)	
ASSETS				
Cash and bank deposits (Note 20)	₩ 73,256	₩ 13,825	\$ 61,026	\$ 11,517
Investment securities of subsidiaries (Notes 3, 23)	6,062,119	5,016,864	5,050,082	4,179,327
Loans, net of allowance for possible loan losses (Notes 4, 5 and 20)	1,235,042	648,365	1,028,859	540,124
Fixed assets (Note 7)	374	651	312	542
Other assets (Notes 8, 11 and 20)	18,360	14,108	15,295	11,753
	7,389,151	5,693,813	6,155,574	4,743,263
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Borrowings (Notes 6)	300,000	310,000	249,917	258,247
Debentures, net of discounts and added accrued interests (Notes 9, 11 and 30)	1,999,250	1,298,304	1,665,487	1,081,560
Other liabilities (Notes 10, 11 and 20)	25,772	8,162	21,470	6,799
	2,325,022	1,616,466	1,936,874	1,346,606
SHAREHOLDERS' EQUITY				
Common stock (Note 12)	3,839,074	3,637,293	3,198,162	3,030,068
Capital surplus (Note 12)	58,645	-	48,855	-
Retained earnings (Net income of ₩589,214 million in 2002 and ₩684,102 million in 2001)	1,145,518	558,501	954,280	465,262
Capital adjustments (Notes 3 and 13)	20,892	(118,447)	17,403	(98,673)
	5,064,129	4,077,347	4,218,700	3,396,657
	₩ 7,389,151	₩ 5,693,813	\$ 6,155,574	\$ 4,743,263

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF INCOME

_ for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

	Korean Won		Translation into US Dollars (Note 2)	
	2002	2001	2002	2001
	(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 (Note 3)	₩ 804,406	₩ 706,492	\$ 670,115	\$ 588,547
Interest income (Note 20)	54,842	5,410	45,686	4,507
Gain on valuation of swap contracts (Notes 9 and 20)	440	5,210	367	4,340
Gain on foreign currency translation	18,800	-	15,661	-
	878,488	717,112	731,829	597,394
OPERATING EXPENSES				
Interest expense (Note 20)	(107,337)	(9,991)	(89,418)	(8,323)
Loss on valuation of swap contracts (Notes 9 and 20)	(20,121)	-	(16,762)	-
Bad debt expense	(144,123)	(3,258)	(120,062)	(2,714)
Loss on foreign currency transactions	(3,417)	(4,702)	(2,847)	(3,917)
Fees and commissions (Note 20)	(5,611)	(4,641)	(4,674)	(3,867)
General and administrative expenses (Notes 17 and 20)	(22,112)	(8,630)	(18,420)	(7,189)
	(302,721)	(31,222)	(252,183)	(26,010)
	575,767	685,890	479,646	571,384
OPERATING INCOME	13,544	-	11,283	-
NON-OPERATING INCOME	13,544	-	11,283	-
NON-OPERATING EXPENSES	(97)	(5)	(81)	(4)
ORDINARY INCOME	589,214	685,885	490,848	571,380
EXTRAORDINARY ITEMS	-	-	-	-
INCOME BEFORE INCOME TAX EXPENSE	589,214	685,885	490,848	571,380
INCOME TAX EXPENSE (Note 14)	-	(1,783)	-	(1,485)
NET INCOME	₩ 589,214	₩ 684,102	\$ 490,848	\$ 569,895
BASIC ORDINARY INCOME PER COMMON SHARE (Note 2)	₩ 786	₩ 940	\$ 0.65	\$ 0.78
BASIC NET INCOME PER COMMON SHARE (Note 2)	₩ 786	₩ 940	\$ 0.65	\$ 0.78
DILLUTED ORDINARY INCOME PER COMMON SHARE (Note 2)	₩ 785	₩ -	\$ 0.65	\$ -
DILLUTED NET INCOME PER COMMON SHARE (Note 2)	₩ 785	₩ -	\$ 0.65	\$ -

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

_for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

	2002		Korean Won 2001		Translation into US Dollars (Note 2)			
			(In millions)		2002 2001			
						(In thousands)		
RETAINED EARNINGS BEFORE APPROPRIATIONS:								
Unappropriated retained earnings carried over from prior years	₩	558,501	₩	-	\$	465,262	\$	-
Change in scope of consolidation of subsidiary of investee and other (Note 3)		(2,197)		(123,832)		(1,830)		(103,159)
Acquisition of investment securities of WFIS from Woori Bank		-		(1,769)		-		(1,474)
Net income		589,214		684,102		490,848		569,895
		1,145,518		558,501		954,280		465,262
APPROPRIATIONS								
Legal reserve (Note 12)		(58,921)		-		(49,084)		-
Dividends								
Dividends in cash		(57,262)		-		(47,702)		-
Dividends per share								
Common stock (Large shareholder): ₩50 (1.0%) in 2002								
Common stock (minority): ₩250 (5.0%) in 2002								
Transfer to voluntary reserve		(1,000,000)		-		(833,056)		-
		(1,116,183)		-		(929,842)		-
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	₩	29,335	₩	558,501	\$	24,438	\$	465,262

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

_for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

	2002		Korean Won 2001		Translation into US Dollars (Note 2)			
			(In millions)		2002 2001			
						(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:								
Net income	₩	589,214	₩	684,102	\$	490,848	\$	569,895
Adjustments to reconcile net income to net cash used in operating activities:								
Depreciation		253		300		211		250
Amortization		11		3		9		2
Stock compensation expense		39		-		33		-
Loss on sales of tangible assets		22		-		18		-
Provision for possible loan losses		144,123		3,258		120,062		2,714
Loss on foreign currency transactions		1,401		4,391		1,167		3,658
Interest expense		7,274		1,285		6,060		1,071
Loss on valuation of currency swap		20,121		-		16,762		-
Retirement benefits		1,047		-		872		-
Gain on valuation using the equity method		(804,406)		(706,492)		(670,115)		(588,547)
Gain on valuation of currency swap contracts		(440)		(5,210)		(367)		(4,340)
Interest on loans		(3,835)		-		(3,195)		-
Gain on foreign currency transactions		(18,800)		-		(15,661)		-
		(653,190)		(702,465)		(544,144)		(585,192)
Changes in operating assets and liabilities:								
Decrease (increase) in other receivable		11		(15)		9		(13)
Increase in accrued income		(4,303)		(795)		(3,585)		(662)
Decrease (increase) in prepaid expenses		1,638		(3,525)		1,365		(2,937)
Increase in prepaid income tax		(6,272)		(692)		(5,225)		(576)
Increase (decrease) in other payables		(242)		384		(201)		320
Increase in accrued expenses		4,383		5,845		3,651		4,869
Increase (decrease) in withholdings		(47)		150		(39)		125
Increase (decrease) in deferred income tax liabilities		(1,783)		1,783		(1,485)		1,486
Retirement benefits payment		(79)		-		(66)		-
Increase in retirement insurance		(581)		-		(484)		-
		(7,275)		3,135		(6,060)		2,612
Net cash used in operating activities		(71,251)		(15,228)		(59,356)		(12,685)
CASH FLOWS FROM INVESTING ACTIVITIES:								
Net increase in guarantee deposits	₩	-	₩	(3,871)	\$	-	\$	(3,225)
Dividend income		65,376		-		54,462		-
Collection of loans		16,350		-		13,621		-
Collection of other loans		464,940		-		387,321		-
Disposition of tangible assets		72		-		60		-
Acquisition of investment securities of subsidiaries		(169,219)		(917,127)		(140,969)		(764,018)
Acquisition of tangible assets		(44)		(928)		(37)		(773)
Increase in loans		(1,208,254)		(651,623)		(1,006,543)		(542,838)
Increase in intangible assets		(38)		(26)		(32)		(22)
Net cash used in investing activities		(830,817)		(1,573,575)		(692,117)		(1,310,876)
CASH FLOWS FROM FINANCING ACTIVITIES:								
Proceeds from borrowings		300,000		310,000		249,917		258,247
Proceeds from debentures in local currency		498,525		1,099,033		415,299		915,556
Proceeds from debentures in foreign currencies		213,154		193,595		177,569		161,275
Capital increase with consideration		259,820		-		216,444		-
Payments on borrowings in local currency		(310,000)		-		(258,247)		-
Net cash provided by financing activities		961,499		1,602,628		800,982		1,335,078
NET INCREASE IN CASH AND BANK DEPOSITS		59,431		13,825		49,509		11,517
CASH AND BANK DEPOSITS, BEGINNING OF YEAR (Note 15)		13,825		-		11,517		-
CASH AND BANK DEPOSITS, END OF YEAR (Note 15)	₩	73,256	₩	13,825	\$	61,026	\$	11,517

See accompanying notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

1. GENERAL:

(1) Woori Finance Holdings Co., Ltd.

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 (hereafter 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. On establishment, the Company's common stock amounted to ₩3,637,293 million (\$3,030,067 thousand), consisting of 727,459,000 common shares (₩5,000 per share) issued and outstanding. However, as a result of several capital increases since establishment, the Company's common stock amounted to ₩3,839,074 million (\$3,198,162 thousand), consisting of 767,814,797 common shares issued and outstanding as of December 31, 2002. On June 24, 2002, the Company listed its common shares on the Korea Stock Exchange through a public offering at a price of ₩6,800 per share, which included 36 million new shares and 54 million issued shares. The KDIC owned 673,458,609 (87.7%) shares of the Company's common shares as of December 31, 2002.

(2) Subsidiaries

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

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 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 ₩2,764,400 million (\$2,302,899 thousand) consisting of 552,880,000 common shares issued and outstanding as of December 31, 2002. Woori Bank is wholly owned by the Company. The head office of Woori Bank is located in Seoul, Korea. Woori Bank has 675 branches or offices in Korea and overseas.

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, 2002, Kyongnam Bank's common stock amounted to ₩259,000 million (\$215,761 thousand) consisting of 51,800,043 shares of common stock 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 127 branches or 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 KDIC have entered into an Agreement on the Implementation of the Business Plan. As of December 31, 2002, its common stock amounted to ₩170,403 million (\$141,955 thousand) consisting of 34,080,517 common shares issued and outstanding. The Company owns 99.99% of Kwangju Bank. Its head office is located in Kwangju City, Korea. Kwangju Bank has 112 domestic branches or offices in Korea.

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. 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, 2002, WCC's common stock amounted to ₩1,173,000 million (\$977,174 thousand) consisting of 234,600,000 shares of common stock issued and outstanding. WCC is wholly owned by the Company. The head office of WCC is located in Seoul, Korea.

Woori Investment Bank ("WIB", formerly Hanaro Investment Bank) was established with an initial capital of ₩30,000 million (\$24,992 thousand, 6,000,000 common shares issued), which was provided by the KDIC, on November 3, 2000, and initiated merchant bank services upon obtaining approval from the Financial Supervisory Commission on November 10, 2000. As of November 21, 2000, in accordance with the Financial Supervisory Commission's directive, WIB took over ₩2,490.2 billion (\$2,074.5 million) of assets and ₩5,462.9 billion (\$4,550.9 million) of liabilities from four merchant banks (Yeungnam Merchant Banking Corp., Central Banking Corp., Korea Merchant Banking Corp. and H&S Investment Bank Corp.) considered as distressed financial institutions. In connection with the infusion of public funds, WIB and the KDIC have entered into an Agreement on the Implementation of the Business Plan. On September 1, 2001, WIB changed its name from Hanaro Investment Bank to Woori Investment Bank. As of December 31, 2002, WIB's common stock amounted to ₩2,491,200 million (\$2,075,308 thousand) consisting of 498,240,000 shares issued and outstanding. WIB is wholly owned by the Company. The head office and three branches of WIB are located in Seoul, 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, 2002, its common stock amounted to ₩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.

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, 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, 2002, its common stock amounted to ₩10,000 million (\$8,331 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.

Woori First Asset Securitization Specialty Co., Ltd. ("WASS1") was established on November 16, 2001 under the Act on Asset-Backed Securitization of the Republic of Korea as a special purpose company. WASS1 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, WCC, Kyongnam Bank, Kwangju Bank and WIB. WASS1 changed its contractor in connection with the asset management and other activities from WAMC (currently "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, 2002, its common stock amounted to ₩10 million (\$8 thousand) consisting of 2,000 shares issued and outstanding. The Company owns 95% of WASS1. The office of WASS1 is located in Seoul, Korea.

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 WAMC (currently "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, 2002, its common stock amounted to ₩10 million (\$8 thousand) consisting of 2,000 shares issued and outstanding. The Company owns 95% of WASS2. The office of WASS2 is located in Seoul, Korea.

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 WAMC (currently "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, 2002, its common stock amounted to ₩10 million (\$8 thousand) consisting of 2,000 shares issued and outstand-

ing. WASS3 is wholly owned by the Company. The office of WASS3 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 the group's functional restructuring, on March 29, 2002, the Company purchased the entire common stock of WITM from Woori Bank and incorporated WITM as 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, 2002, its common stock amounted to ₩30,000 million (\$24,992 thousand) consisting of 6,000,000 shares issued and outstanding. WITM is wholly 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 the group's functional restructuring, as of July 29, 2002, the Company acquired 40.2% (13,250,570 shares) of common stocks of Woori Securities from Woori Bank and Woori Securities has become 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, 2002, its common stock amounted to ₩164,782 million (\$137,273 thousand) consisting of 32,956,413 shares issued and outstanding. The Company owns 40.2% of Woori Securities' common shares. The head office of Woori Securities is located in Seoul, Korea. Woori Securities has 46 branches or offices in Korea.

(3) 2nd-tier Subsidiaries

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

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, 2002, the common stock of WCI amounted to ₩5,040 million (\$4,199 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 12 branches or offices in Korea.

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. As of December 31, 2002, its common stock amounted to \$35,000 thousand consisting of 7,000,000 shares issued and outstanding, and is wholly owned by Woori Bank.

P.T. Bank Woori Indonesia ("BWI", formerly P.T. Bank Hanvit Indonesia) was established on June 18, 1992 and is engaged in the banking

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business in Indonesia. BWI changed its name from P.T. Bank Hanvit Indonesia to P.T. Bank Woori Indonesia on May 20, 2002. As of December 31, 2002, its common stock amounted to IDR 170,000 million, consisting of 1,700 shares issued and outstanding. Woori Bank owns 81.6% of BWI.

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 a split off from WAMC (currently 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 WASS1, WASS2, WASS3, Woori LB First Asset Securitization Specialty Co., Ltd., Woori LB Second Asset Securitization Specialty Co., Ltd., Woori LB Third Asset Securitization Specialty Co., Ltd., and Woori LB Fourth Asset Securitization Specialty Co., Ltd. As of December 31, 2002, its common stock amounted to ₩4,000 million (\$3,332 thousand), consisting of 800,000 shares issued and outstanding. WF&I and LB Luxembourg own 51% and 49%, respectively, of WCAAMC. The office of WCAAMC is located in Seoul, Korea.

(4) Affiliates accounted for using the equity method by subsidiaries of the Company

General information pertaining to the Company's affiliates accounted for using the equity method by subsidiaries of the Company is as follows:

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, 2002, its common stock amounted to ₩44,000 million (\$36,654 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.

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, 2002, its common stock amounted to ₩8,000 million (\$6,664 thousand), consisting of 1,600,000 shares issued and outstanding. Woori Bank owns 22% of KFS. The head office of KFS is located in Seoul, Korea.

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. WLBASS1 made a contract with WCAAMC to appoint WCAAMC as operational trustee and asset manager and to entrust management of securitization assets. As of December 31, 2002, common stock of WLBASS1 amounted to ₩8,000 million (\$6,664 thousand), consisting of 1,600,000 shares issued and outstanding. WF&I and LB Luxembourg own

30% and 70%, respectively, of WLBASS1. The office of WLBASS1 is located in Seoul, Korea.

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. WLBASS2 made a contract with WCAAMC to appoint WCAAMC as operational trustee and asset manager and to entrust management of securitization assets. As of December 31, 2002, common stock of WLBASS2 amounted to ₩2,300 million (\$1,916 thousand), consisting of 460,000 shares issued and outstanding. WF&I and LB Luxembourg own 30% and 70%, respectively, of WLBASS2. The office of WLBASS2 is located in Seoul, Korea.

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. WLBASS3 made a contract with WCAAMC to appoint WCAAMC as operational trustee and asset manager and to entrust management of securitization assets. As of December 31, 2002, common stock of WLBASS3 amounted to ₩6,900 million (\$5,748 thousand), consisting of 1,380,000 shares issued and outstanding. WF&I and LB Luxembourg own 30% and 70%, respectively, of WLBASS3. The office of WLBASS3 is located in Seoul, Korea.

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. WLBASS4 made a contract with WCAAMC to appoint WCAAMC as operational trustee and asset manager and to entrust management of securitization assets. As of December 31, 2002, common stock of WLBASS4 amounted to ₩7,200 million (\$5,998 thousand), consisting of 1,440,000 shares issued and outstanding. WF&I and LB Luxembourg own 30% and 70%, respectively, of WLBASS4. The office of WLBASS4 is located in Seoul, Korea.

(5) Subsidiaries excluded from consolidation and not accounted for using the equity method

NexBITec Co. was established on February 28, 2000 and is engaged in the business of financial computerization of financial institutions. As of December 31, 2002, its common stock amounted to ₩1,010 million (\$841 thousand), consisting of 202,000 shares issued and outstanding. NexBITec Co. was not consolidated and accounted for using the equity method in accordance with the Rules for Preparation of Consolidated Financial Statements, since total assets were lower than ₩7,000 million at the end of 2001 and 2000, and the effect of applying the equity method would not be material.

(6) The control chart as of December 31, 2002 is summarized as follows:

Parent company	Subsidiaries	Number of shares owned	Percentage of ownership (%)
Woori Finance Holdings Co., Ltd.	Woori Bank	552,880,000	100.0
"	Kyongnam Bank	51,800,000	99.9
"	Kwangju Bank	34,080,000	99.9
"	Woori Credit Card Co., Ltd.	234,600,000	100.0
"	Woori Investment Bank	498,240,000	100.0
"	Woori Finance Information System Co., Ltd.	900,000	100.0
"	Woori F&I Co., Ltd.	2,000,000	100.0
"	Woori First Asset Securitization Specialty Co., Ltd.	1,900	95.0
"	Woori Second Asset Securitization Specialty Co., Ltd.	1,900	95.0
"	Woori Third Asset Securitization Specialty Co., Ltd.	2,000	100.0
"	Woori Investment Trust Management Co., Ltd. (*1)	6,000,000	100.0
"	Woori Securities Co., Ltd. (*1)	13,250,570	40.2
Woori Bank and Kyongnam Bank (*2)	BC Card Co., Ltd.	1,303,920	29.7
Woori Bank	Woori Credit Information Co., Ltd.	1,008,000	100.0
"	Woori America Bank	7,000,000	100.0
"	P.T. Bank Woori Indonesia	1,387	81.6
"	Korea Finance Security Co., Ltd.	351,960	22.0
Woori Investment Bank	AB Capital Markets H.K. (*3)	9,999,999	100.0
Woori Credit Card Co., Ltd.	NexBITec Co.	102,000	50.5
Woori F&I Co., Ltd.	Woori CA Asset Management Co., Ltd.	408,000	51.0
"	Woori LB First Asset Securitization Specialty Co., Ltd.	480,000	30.0
"	Woori LB Second Asset Securitization Specialty Co., Ltd.	138,000	30.0
"	Woori LB Third Asset Securitization Specialty Co., Ltd.	414,000	30.0
"	Woori LB Fourth Asset Securitization Specialty Co., Ltd.	432,000	30.0

(*1) The Company acquired the shares of Woori Investment Trust Management Co., Ltd. and Woori Securities Co., Ltd. from Woori Bank on March 29, 2002 and July 29, 2002, respectively. As a result, those companies have become subsidiaries of the Company.

(*2) Woori Bank sold 90,000 shares (2%) of its investment shares in BC Card Co., Ltd. for ₩2,250 million (\$1,874 thousand) on August 20, 2002. As of December 31, 2002, Woori Bank and Kyongnam Bank owned 27.7% and 2.0%, respectively, of the common stock of BC Card Co., Ltd.

(*3) AB Capital Markets H.K. was under liquidation as of December 31, 2002.

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The control chart as of December 31, 2001 is summarized as follows:

Parent company	Subsidiaries	Number of shares owned	Percentage of ownership (%)
Woori Finance Holdings Co., Ltd.	Woori Bank	552,880,000	100.0
"	Kyongnam Bank	51,800,000	99.9
"	Kwangju Bank	34,080,000	99.9
"	Woori Credit Card Co., Ltd.	234,600,000	100.0
"	Woori Investment Bank	498,240,000	100.0
"	Woori Finance Information System Co., Ltd. (*1)	900,000	100.0
"	Woori F&I Co., Ltd.	2,000,000	100.0
"	Woori First Asset Securitization Specialty Co., Ltd.	1,900	95.0
"	Woori Second Asset Securitization Specialty Co., Ltd.	1,900	95.0
Woori Bank and Kyongnam Bank	BC Card Co., Ltd. (*2)	1,393,920	31.7
Woori Bank	Woori Securities Co., Ltd.	13,250,570	40.2
"	Woori Investment Trust Management Co., Ltd.	6,000,000	100.0
"	Woori Credit Information Co., Ltd.	1,008,000	100.0
"	Woori America Bank	5,500,000	100.0
"	P.T. Bank Woori Indonesia	1,387	81.6
"	Korea Finance Security Co., Ltd.	351,960	22.0
Woori Investment Bank	Central Telecom Capital Corp. (*3)	3,000,001	50.0
"	AB Capital Markets H.K. (*4)	9,999,999	100.0
Woori Credit Card Co., Ltd.	NexBITec Co.	102,000	50.5
Kyongnam Bank	Kyongnam Leasing Co., Ltd. (*5)	1,761,419	24.3

(*1) The Company acquired the total common shares of Woori Finance Information System Co., Ltd., which was previously owned by Woori Bank, on September 29, 2001. As a result, WFIS became a subsidiary of the Company.

(*2) Woori Bank and Kyongnam Bank owned 29.7% and 2.0%, respectively, of the common stock of BC Card Co., Ltd. as of December 31, 2001.

(*3) Central Telecom Capital Corp. was not included in the subsidiaries as of December 31, 2002, since all of its shares owned by Woori Investment Bank were sold to Korea Telecom Solutions Inc. on December 30, 2002.

(*4) AB Capital Markets H.K. was under liquidation as of December 31, 2001.

(*5) Kyongnam Leasing Co., Ltd. was not included in the subsidiaries as of December 31, 2002, since all of its shares owned by Kyongnam Bank were sold to the Military Mutual Aid Association on February 6, 2002.

In response to general unstable economic conditions, the Korean government and the private sector have been implementing structural reforms to historical business practices. Implementation of these reforms is progressing slowly, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient

and profitable firms. The Company may be either directly or indirectly affected by these general unstable economic conditions and the reform program described above. The accompanying non-consolidated financial statements reflect management's assessment of the impact to date of the economic situation on the financial position of the Company. Actual results may differ materially from management's current assessment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean won and prepares statutory non-consolidated financial statements in the Korean language (Hangul) in conformity with financial accounting standards and accounting standards for financial holding companies in the Republic of Korea. Certain financial accounting standards applied by the Company that conform with those generally accepted in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, the accompanying financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been restructured and translated into English from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position or results of operations, is not presented in the accompanying financial statements.

The US dollar amounts presented in these financial statements were computed by translating the Korean won into US dollars based on the Base Rate of ₩1,200.40 to US\$1.00 on December 31, 2002, 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.

Valuation of Investment Equity Securities

Equity securities held for investment in Woori Bank, Kyongnam Bank, Kwangju Bank, Woori Credit Card Co., Ltd., and Woori Investment Bank were transferred from the KDIC on March 27, 2001. All the shares of Woori Finance Information System Co., Ltd. were acquired from Woori Bank on September 29, 2001. All the shares of Woori F&I Co., Ltd. (formerly Woori Asset Management Co., Ltd.) and Woori First Asset Securitization Specialty Co., Ltd. were acquired on November 16, 2001. All the shares of Woori Second Asset Securitization Specialty Co., Ltd. were acquired on December 22, 2001. All the shares of Woori Third Asset Securitization Specialty Co., Ltd. were acquired on March 15, 2002. All the shares of Woori Investment Trust Management Co., Ltd. were acquired from Woori Bank on March 29, 2002. The shares of Woori Securities Co., Ltd. were acquired from Woori Bank on July 29, 2002. These investments in equity securities are accounted for using the equity method since the Company is able to exercise significant influence over or control the investees. 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 as accounted for in a similar manner by the investor. In addition, as the Company owns 20% or more of voting shares of investees directly or

indirectly, which is regarded that the Company could give significant influence on investees' management, investment equity securities in those investees are valued by using the equity method.

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.

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 lives adopted by the Company are 5 years for tangible assets.

Intangible Assets

Intangible assets incurred in connection with software installation are recorded at the purchase cost, plus incidental expenses. Intangible assets are amortized using the straight-line method over the estimated useful lives of 5 years.

Amortization of Discount (Premium) on Debentures

Discount or premium on debentures issued is amortized over the period from issuance to maturity using the effective interest rate method. Amortization of discount or premium is recognized as interest expense or interest income on the debentures.

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 amount to be paid for employees is calculated based on the average wage for 30 days for their one-year service while for the directors is based on a different regulation of the Company. The accrued severance benefits that would be payable assuming all eligible employees and directors were to resign as of December 31, 2002 amount to ₩968 million (\$806 thousand). The accrued severance benefits are included in other liabilities. Actual payment of severance indemnities amounted to ₩79 million (\$66 thousand) in 2002.

Funding of the severance liability is not required. However, in order to obtain a tax deduction, the Company has purchased an employee retirement trust, which meet the funding requirements for tax saving purpose, and made deposits with Woori Bank as of December 31, 2002. The deposits, amounting to ₩581 million (\$484 thousand) as of December 31, 2002, are presented as a deduction from accrued severance indemnities.

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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 used for trading activities or for hedging activities according to their transaction purpose. All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations. The accounting for derivative transactions that are part of a qualified hedge 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 incurrance of a liability, the gain or loss in capital adjustment is added to or deducted from the asset or the liability.

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.

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 (₩1,200.40 and ₩1,326.10 to \$1.00 at December 31, 2002 and 2001, 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.

Income Tax Expense

Income tax expense is the amount currently payable for the period added to or deducted from the changes in deferred income taxes. However, deferred income tax assets are recognized only if the future tax benefits from accumulated temporary differences and tax loss carry forwards are reasonably expected to be 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 is to be offset against deferred income tax liabilities or assets in future periods.

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. The number of shares used in computing earnings per share was 749,383,489 for the year ended December 31, 2002 and 727,458,609 for the period from March 27, 2001 (inception) to December 31, 2001.

	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)		(In thousands)	
Net income on common shares	₩ 589,214	₩ 684,102	\$ 490,848	\$ 569,895
Extraordinary gain (loss)	-	-	-	-
Income tax effect on extraordinary gain (loss)	-	-	-	-
Consolidated operating income common shares	₩ 589,214	₩ 684,102	\$ 490,848	\$ 569,895

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, which is 750,115,437 shares outstanding for the year ended December 31, 2002. Stock warrants right is assumed to be exercised at the beginning of the year and since the annual average stock price (₩5,342) is below the conversion or exercise price of the convertible bonds and stock options, there is no dilution effect. On the other hand, there was no annual average stock price in 2001, thus the number of the dilutive potential common shares from dilutive securities was not computed.

Exercisable common stock as of December 31, 2002 is as follows:

Item	Face value (In millions)	Exercise period	Common stock to be issued	Remarks
Warrants	₩ 44,899	By 2003.6.16.	8,979,716 shares	Exercise price: 1 share per face value ₩5,000 of bonds; ₩5,000 paid in cash upon exercise
Convertible bonds	US\$ 36	2002.10.28~ 2005.8.27	5,914,180 shares	Conversion rate of ₩1,201.4 Convert 1 share with ₩7,313
Convertible bonds	US\$ 16	2003.1.21~ 2005.11.20	3,481,173 shares	Conversion rate of ₩1,215.8 Convert 1 share with ₩5,588
Stock options	-	2005.12.5~ 2008.12.4	1,560,000 shares	(Note 14)

Change in Financial Accounting Standards

The Korea Accounting Standards Board (KASB) issued the Statement of Financial Accounting Standards ("SFAS") No.6 - "Subsequent Events". This statement provides accounting and reporting standards for events subsequent to the balance sheet date. This statement is effective for fiscal years beginning after December 31, 2002, however, earlier application is permitted. As the

Company early adopted this statement in 2002, appropriations of retained earnings to be approved by the Company's board of directors subsequent to December 31, 2002 are not recorded in the accompanying financial statements and are to be accounted for in 2003. The change in the above financial accounting standards has no effect on the net income or net asset value as of and for the period ended December 31, 2001.

3. INVESTMENT SECURITIES OF SUBSIDIARIES:

(1) Investment equity securities as of December 31, 2002, which were accounted for using the equity method, were as follows (Unit: Won in millions, shares in thousands):

	Shares	Percentage of ownership(%)	Acquisition cost	Book value	Net asset value
Equity securities accounted for using the equity method:					
Woori Bank	552,880	100.0	₩ 2,741,818	₩ 4,500,143	₩ 4,226,046
Kyongnam Bank	51,800	99.9	259,000	424,060	416,050
Kwangju Bank	34,080	99.9	170,400	290,003	272,594
Woori Credit Card Co., Ltd.	234,600	100.0	1,173,000	379,126	353,276
Woori Investment Bank	498,240	100.0	170,493	222,936	217,480
Woori Finance Information System Co., Ltd.	900	100.0	5,244	3,364	3,401
Woori F&I Co., Ltd.	2,000	100.0	10,094	17,016	16,927
Woori First Asset Securitization Specialty Co. Ltd. (*1)	2	95.0	10	-	-
Woori Second Asset Securitization Specialty Co. Ltd.	2	95.0	10	31,666	33,343
Woori Third Asset Securitization Specialty Co. Ltd. (*1)	2	100.0	10	-	-
Woori Investment Trust Management Co., Ltd.	6,000	100.0	39,128	39,646	39,646
Woori Securities Co., Ltd.	13,251	40.2	152,662	154,159	153,922
			₩ 4,721,869	₩ 6,062,119	₩ 5,732,685

(*1) Since WASS1 and WASS2 have accumulated deficits as of December 31, 2002, the equity method has been discontinued.

The difference of ₩1,340,250 million (\$1,116,503 thousand) between the acquisition cost and the book value consists of a) sum of accumulated gain on valuation using the equity method of ₩706,492 million (\$588,547 thousand) reflected in retained earnings, accumulated loss on valuation of investment securities of ₩118,447 million (\$98,673 thousand) reflected in capital adjustments, and accumulated decrease in subsidiaries' consolidated retained earnings of ₩123,832 million (\$103,159 thousand), b) gain on valuation using the equity method of ₩804,406 million (\$670,115 thousand) reflected in current operations, c) gain on valuation of investment securities of ₩139,204 million (\$115,965 thousand) reflected as capital adjust-

ments, d) decrease in subsidiaries' consolidated retained earnings of ₩2,197 million (\$1,830 thousand), and e) decrease by dividends received amounting to ₩65,376 million (\$54,462 thousand). In addition, the gain on valuation using the equity method of ₩804,406 million (\$670,115 thousand) recorded in current operations consists of a) the Company's share of net income (loss) of its subsidiaries amounting to ₩817,440 million (\$680,973 thousand), b) net of unrealized intercompany gain of ₩5,427 million (\$4,521 thousand), and c) amortization of the difference between the acquisition cost and the book value of the net assets of subsidiaries on the acquisition date of ₩18,461 million (\$15,379 thousand).

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

_for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

Investment equity securities as of December 31, 2001, which were accounted for using the equity method, were as follows (Unit: Won in millions, shares in thousands):

	Shares	Percentage of ownership(%)	Acquisition cost	Book value	Net asset value
	Equity securities accounted for using the equity method:				
Woori Bank	552,880	100.0	₩ 2,764,400	₩ 3,255,964	₩ 2,944,057
Kyongnam Bank	51,800	99.9	259,000	327,005	318,550
Kwangju Bank	34,080	99.9	170,400	213,177	194,801
Woori Credit Card Co., Ltd.	234,600	100.0	1,173,000	1,008,866	981,580
Woori Investment Bank	498,240	100.0	170,493	195,613	189,858
Woori Finance Information System Co., Ltd.	900	100.0	5,244	6,511	6,585
Woori F&I Co., Ltd.	2,000	100.0	10,094	9,728	9,634
Woori First Asset Securitization Specialty Co., Ltd. (*1)	2	95.0	10	-	-
Woori Second Asset Securitization Specialty Co., Ltd. (*1)	2	95.0	10	-	-
			₩ 4,552,651	₩ 5,016,864	₩ 4,645,065

(*1)Since WASS1 and WASS2 have accumulated deficits as of December 31, 2001, the equity method has been discontinued.

The difference of ₩464,213 million (\$386,715 thousand) between the acquisition cost and the book value consists of a) gain on valuation using the equity method of ₩706,492 million (\$588,547 thousand), reflected in current operations, b) loss on valuation of investment securities of ₩118,447 million (\$98,673 thousand), reflected in capital adjustments, and c) decrease in subsidiaries' consolidated retained earnings of ₩123,832 million (\$103,159 thousand). In addition, the gain on valuation using the equity method of ₩706,492 million (\$588,547 thousand) recorded in current operations consists of a) the Company's share of net income (loss) of its subsidiaries amounting to ₩725,943 million (\$604,751 thousand) and b) amortization of the difference between the acquisition cost and the book value of the net assets of subsidiaries on the acquisition date amounting to ₩19,451 million (\$16,204 thousand).

(2) For investments in the subsidiaries accounted for using the equity method, the difference between the acquisition cost and the book value of the net assets on the acquisition date was amortized using the straight-line method over 20 years.

The details of the difference between the acquisition cost and the book value of the net assets on the acquisition date during the year ended December 31, 2002 were as follows (Unit: Won in millions).

	Beginning Balance	Increase (Decrease)	Amortization (Recovery)	Ending Balance
Woori Bank	₩ 311,907	₩ (22,582)	₩ 15,228	₩ 274,097
Kyongnam Bank	8,455	-	445	8,010
Kwangju Bank	18,376	-	967	17,409
Woori Credit Card Co., Ltd.	27,286	-	1,436	25,850
Woori Investment Bank	5,755	-	299	5,456
Woori Finance Information System Co., Ltd.	(74)	-	(37)	(37)
Woori F&I Co., Ltd.	94	-	5	89
Woori Securities Co., Ltd.	-	355	118	237
	₩ 371,799	₩ (22,227)	₩ 18,461	₩ 331,111

The details of the difference between the acquisition cost and the book value of the net assets on the acquisition date during the period from March 27, 2001 (inception) to December 31, 2001 were as follows (Unit: Won in millions).

	Beginning Balance	Increase (Decrease)	Amortization (Recovery)	Ending Balance
Woori Bank	₩ 328,323	₩ -	₩ 16,416	₩ 311,907
Kyongnam Bank	8,900	-	445	8,455
Kwangju Bank	19,343	-	967	18,376
Woori Credit Card Co., Ltd.	28,722	-	1,436	27,286
Woori Investment Bank	5,979	-	224	5,755
Woori Finance Information System Co., Ltd.	(111)	-	(37)	(74)
Woori F&I Co., Ltd.	94	-	-	94
	₩ 391,250	₩ -	₩ 19,451	₩ 371,799

(3) The details of the elimination of unrealized intercompany income or loss during the year ended December 31, 2002 were as follows (Unit: Won in millions):

	Operating Income	Operating Expenses	Non-operating Income	Non-operating Expenses	Total
Woori Bank	₩ -	₩ -	₩ (12,873)	₩ -	₩ (12,873)
Kyongnam Bank	-	-	55	-	55
Woori Credit Card Co., Ltd.	-	-	-	3,659	3,659
Woori Investment Bank	-	13,947	-	-	13,947
Woori Finance Information System Co., Ltd.	(2,807)	3,446	-	-	39
	₩ (2,807)	₩ 17,393	₩ (12,818)	₩ 3,659	₩ 5,427

(4) The valuation of the investment securities using the equity method by subsidiaries during the year ended December 31, 2002 was as follows (Unit: Won in millions):

	Beginning Valuation Amount	Gain (Loss) on Valuation using the Equity Method	Capital Adjustments	Other Increase (Decrease)	Ending Valuation Amount
Woori Bank	₩ 3,255,964	₩ 751,005	₩ 573,184	₩ (80,010)	₩ 4,500,143
Kyongnam Bank	327,005	81,852	20,383	(5,180)	424,060
Kwangju Bank	213,177	73,871	6,420	(3,465)	290,003
Woori Credit Card Co., Ltd.	1,008,866	(149,196)	(480,544)	-	379,126
Woori Investment Bank	195,613	2,911	24,412	-	222,936
Woori Finance Information System Co., Ltd.	6,511	(3,147)	-	-	3,364
Woori F&I Co., Ltd.	9,728	7,322	(34)	-	17,016
Woori First Asset Securitization Specialty Co., Ltd.	-	-	-	-	-
Woori Second Asset Securitization Specialty Co., Ltd.	-	31,666	-	-	31,666
Woori Third Asset Securitization Specialty Co., Ltd.	-	(10)	-	10	-
Woori Investment Trust Management Co., Ltd.	-	2,018	-	37,628	39,646
Woori Securities Co., Ltd.	-	6,114	(4,617)	152,662	154,159
	₩ 5,016,864	₩ 804,406	₩ 139,204	₩ 101,645	₩ 6,062,119

The valuation of the investment securities using the equity method by subsidiaries during the period from March 27, 2001 (inception) to December 31, 2001 was as follows (Unit: Won in millions):

	Beginning Valuation Amount	Gain (Loss) on Valuation using the Equity Method	Capital Adjustments	Other Increase (Decrease)	Ending Valuation Amount
Woori Bank	₩ 2,764,400	₩ 688,936	₩ (89,142)	₩ (108,230)	₩ 3,255,964
Kyongnam Bank	259,000	68,713	10,780	(11,488)	327,005
Kwangju Bank	170,400	65,379	(18,926)	(3,676)	213,177
Woori Credit Card Co., Ltd.	273,000	(152,101)	(12,033)	900,000	1,008,866
Woori Investment Bank	170,493	34,479	(9,126)	(233)	195,613
Woori Finance Information System Co., Ltd.	5,244	1,472	-	(205)	6,511
Woori F&I Co., Ltd.	10,094	(366)	-	-	9,728
Woori First Asset Securitization Specialty Co. Ltd.	10	(10)	-	-	-
Woori Second Asset Securitization Specialty Co. Ltd.	10	(10)	-	-	-
	₩ 3,652,651	₩ 706,492	₩ (118,447)	₩ 776,168	₩ 5,016,864

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_for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

(5) Of the valuation of the investment securities using the equity method, the details of other increase or decrease during the year ended December 31, 2002 were as follows (Unit: Won in millions):

	Acquisition (Disposition) Amount	Retained Earnings	Dividends Received	Other Increase (Decrease)
Woori Bank (*1)	₩ (22,582)	₩ (2,140)	₩ (55,288)	₩ (80,010)
Kyongnam Bank	-	-	(5,180)	(5,180)
Kwangju Bank	-	(57)	(3,408)	(3,465)
Woori Finance Information System Co., Ltd.	-	-	-	-
Woori Third Asset Securitization Specialty Co., Ltd.	10	-	-	10
Woori Investment Trust Management Co., Ltd.	39,128	-	(1,500)	37,628
Woori Securities Co., Ltd.	152,662	-	-	152,662
	₩ 169,218	₩ (2,197)	₩ (65,376)	₩ 101,645

(*1)Woori Bank treated the gain on disposition of the investment securities from WITM amounting to ₩17,715 million (\$14,758 thousand) and loss on disposition of the investment securities from Woori Securities amounting to ₩40,297 million (\$33,570 thousand) as increase and decrease, respectively, in capital surplus. The Company treated these amounts as increase and decrease, respectively, in acquisition cost of the investment securities from Woori Bank.

The details of other increase or decrease during the period from March 27, 2001 (inception) to December 31, 2001 were as follows (Unit: Won in millions):

	Acquisition (Disposition) Amount	Retained Earnings	Dividends Received	Other Increase (Decrease)
Woori Bank	₩ -	₩ (108,230)	₩ -	₩ (108,230)
Kyongnam Bank	-	(11,488)	-	(11,488)
Kwangju Bank	-	(3,676)	-	(3,676)
Woori Credit Card Co., Ltd.	900,000	-	-	900,000
Woori Investment Bank	-	(233)	-	(233)
Woori Finance Information System Co., Ltd.	-	(205)	-	(205)
	₩ 900,000	₩ (123,832)	₩ -	₩ 776,168

4. LOANS:

Loans as of December 31, 2002 and 2001 consisted of:

	Issuance Date	Maturity Date	Interest Rate (%)	Korean Won		US Dollars (Note 2)	
				2002	2001	2002	2001
				(In millions)		(In thousands)	
WASS1:							
1-1 non-guaranteed privately placed bond	2001.12.21.	2010.12.21.	(*1)	₩ 4,360	₩ 300,000	\$ 3,632	\$ 249,917
1-2 non-guaranteed privately placed bond	2001.12.21.	2010.12.21.	7.50%	184,487	184,487	153,688	153,688
				188,847	484,487	157,320	403,605
WASS2:							
2-1 non-guaranteed privately placed bond	2002. 1. 8.	2012. 1. 8.	7.50%	59,936	-	49,930	-
WASS3:							
3-1 non-guaranteed privately placed bond	2002. 4.15.	2012. 4.15.	7.80%	65,204	-	54,318	-
Woori Bank:							
1 st Non-guaranteed subordinated convertible bonds	2002. 9.27.	2012. 9.27.	(*2)	150,000	-	124,958	-
2 nd Non-guaranteed subordinated convertible bonds	2002.10.30.	2012.10.30.	(*2)	200,000	-	166,611	-
3 rd Non-guaranteed subordinated convertible bonds	2002.11.28.	2012.11.28.	(*2)	250,000	-	208,264	-
Long-term accrued interest income (*2)				3,829	-	3,190	-
				603,829	-	503,023	-
Woori Credit Card:							
Non-guaranteed subordinated privately placed bond	2002.12.27.	2008.12.27.	6.62%	200,000	-	166,611	-
Kwangju Bank							
Non-guaranteed subordinated convertible bonds	2002.12.31.	2012.12.31.	(*3)	50,000	-	41,653	-
Long-term accrued interest income (*3)				6	-	5	-
				50,006	-	41,658	-
WFIS	2002. 4.25.	2006. 4.25.	7.80%	30,000	-	24,992	-
" (*4)	2002.10.31	2006.10.31.	7.30%	150,000	-	124,958	-
				180,000	-	149,950	-
WF&I (*5)	2002. 9.27.	2006. 9.27.	7.60%	400	-	333	-
"	2002.12.20.	2006.12.20.	7.60%	34,200	-	28,491	-
				34,600	-	28,824	-
WASS2	2002.12.31	2002. 1. 8.	7.50%	-	167,136	-	139,233
				₩ 1,382,422	₩ 651,623	\$ 1,151,634	\$ 542,838

(*1)Interest rate of 3-year treasury bond + 1%, which were 6.24% and 6.91% in 2002 and 2001, respectively.

(*2)The coupon rate on the bonds is zero and guaranteed return is 148.02%. The conversion price is ₩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.

(*3)The coupon rate on the bonds is zero and guaranteed return is 155.29%. The conversion price is ₩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.

(*4)Loan related to the transaction between Woori Bank, Woori Credit Card, and Woori Finance Information System, in which the formers transferred their IT equipment to the latter.

(*5)Loan issued to support the takeover of the securitization debentures and the investment equity securities related to the joint venture special entities of WF&I. Lump-sum redemption is needed (partial early payment could be made).

The principals of the non-guaranteed privately placed bonds listed above shall be fully paid on the maturity date. However, the trustees may exercise advanced redemption rights to pay in part or in whole the principals in accordance with the business trust contract pursuant to the asset securitization plan. The trustees that have been repaid in relation with 1-1

non-guaranteed privately placed bond, 2-1 non-guaranteed privately placed bond, and 3-1 non-guaranteed privately placed bond amounts to ₩295,640 million (\$246,285 thousand), ₩107,200 million (\$89,304 thousand), and ₩62,100 million (\$51,733 thousand), respectively.

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5. ALLOWANCE FOR POSSIBLE LOAN LOSSES:

Allowance for possible loan losses as of December 31, 2002 and 2001 were as follows:

	2002		Korean Won 2001		US Dollars (Note 2)		2001	
			(In millions)		(In thousands)			
Woori F&I Co., Ltd.	₩	173	₩	-	\$	144	\$	-
Woori Finance Information System Co., Ltd.		900		-		750		-
Woori Bank		3,000		-		2,499		-
Woori Credit Card Co., Ltd.		1,000		-		833		-
Kwangju Bank		250		-		208		-
Woori First Asset Securitization Specialty Co., Ltd.		131,868		836		109,854		696
Woori Second Asset Securitization Specialty Co., Ltd.		300		2,422		250		2,018
Woori Third Asset Securitization Specialty Co., Ltd.		9,889		-		8,238		-
	₩	147,380	₩	3,258	\$	122,776	\$	2,714

6. BORROWINGS:

Borrowings in local currency as of December 31, 2002 and 2001 consisted of:

	Annual interest rate (%)	Maturity	2002		Korean Won 2001		US Dollars (Note 2)	
					(In millions)		(In thousands)	
Seoul Bank	(*1)	2003.10.30.	₩	200,000	₩	220,000	\$	166,611
KorAm Bank	(*1)	2003.10.31.		100,000		-		83,306
Hana Bank	5.86	2002. 2.28.		-		90,000		74,975
			₩	300,000	₩	310,000	\$	249,917
							\$	258,247

(*1) Interest rate of 3-month CD rate + 1% should be paid in advance. Early redemption is possible.

7. FIXED ASSETS:

Fixed assets as of December 31, 2002 and 2001 consisted of:

	2002		Korean Won 2001		US Dollars (Note 2)		2001	
			(In millions)		(In thousands)			
Tangible assets								
Vehicles	₩	104	₩	104	\$	87	\$	87
Furniture and equipment		523		681		435		567
Structures in leased offices		121		143		101		119
		748		928		623		773
Less: Accumulated depreciation		(424)		(300)		(353)		(250)
		324		628		270		523
Intangible assets		50		23		42		19
	₩	374	₩	651	\$	312	\$	542

8. OTHER ASSETS:

Other assets as of December 31, 2002 and 2001 consisted of:

	2002		Korean Won 2001		US Dollars (Note 2)		2001	
			(In millions)		(In thousands)			
Guarantee deposits	₩	3,871	₩	3,871	\$	3,225	\$	3,225
Other receivable		100		15		83		12
Accrued income		5,098		795		4,247		662
Currency swaps (Notes 9 and 11)		440		5,210		367		4,340
Prepaid expenses		1,887		3,525		1,572		2,937
Prepaid income tax		6,964		692		5,801		577
	₩	18,360	₩	14,108	\$	15,295	\$	11,753

9. DEBENTURES:

(1) Debentures in local currency as of December 31, 2002 and 2001 consisted of:

	Issuing Date	Interest Rate (%)	Maturity	2002		Korean Won 2001		US Dollars (Note 2)		
						(In millions)		(In thousands)		
Bonds with warrants	2001. 7.16.	5.00	2003. 7.16.	₩	66,680	₩	66,680	\$	55,548	
The 2nd bonds	2001. 9.28.	5.00	2004. 9.28.		300,000		300,000		249,917	
The 3rd bonds	2001.12. 3.	5.93	2004.12. 3.		300,000		300,000		249,917	
The 4th bonds	2001.12.17.	6.00	2004.12.17.		150,000		150,000		124,958	
The 5th bonds	2001.12.28.	6.86	2004. 6.28.		300,000		300,000		249,917	
The 7th bonds	2002.11.27.	5.80	2005.11.27.		300,000		-		249,917	
The 8th bonds	2002.12.26.	6.05	2007.12.26.		200,000		-		166,610	
Total					1,616,680		1,116,680		1,346,784	
Long-term accrued interest on bond					-		300		-	
Less: Discounts					(12,232)		(16,712)		(10,190)	
					₩	1,604,448	₩	1,100,268	\$	1,336,594
								\$	916,584	

The warrants are exercisable from three months following the issuance date. The Company is obligated to issue new common shares upon the requests of the bondholders. The exercise price is ₩5,000 (\$4.17) and the

warrants are valid from October 17, 2001 to June 16, 2003. New common shares issued during the year ended December 31, 2002 due to exercise of warrants were 4,356,188 shares.

(2) Debentures in foreign currencies as of December 31, 2002 and 2001 consisted of the following:

	Issuing Date	Annual Interest rate (%)	Maturity	2002		Foreign Currency 2001	
				(In thousands)		(In thousands)	
Floating Rate Notes	2001.11. 2.	(*1)	2004.11.02.	US\$	150,000	US\$	150,000
Less: Discount					(438)		(663)
				US\$	149,562	US\$	149,337
Translation into Korean Won (in millions)				₩	179,534	₩	198,036
Euro Yen Bonds	2002. 1.16.	1.74	2004. 1.16.	JPY	15,000,000		-
Less: Discount					(39,604)		-
				JPY	14,960,396		-
Translation into Korean Won (in millions)				₩	151,530	₩	-
Convertible Bonds (*2)	2002. 9.27.	-	2005. 9.27.	US\$	36,000		-
Long-term accrued Interest					276		-
				US\$	36,276		-
Translation into Korean Won (in millions)				₩	44,474	₩	-
Convertible Bonds (*3)	2002.12.20.	-	2005.12.20.	US\$	16,000		-
Long-term accrued Interest					13		-
				US\$	16,013		-
Translation into Korean Won (in millions)				₩	19,264	₩	-
Total				₩	394,802	₩	198,036

(*1) LIBOR (6 months) + 1.6%

(*2) The unguaranteed subordinated privately placed bonds of \$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 on the maturity date. The conversion price is ₩7,313 (\$6.1) (exchange rate applied was ₩1,201.4 / \$) per share, which might be adjusted resulting from 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 until one and half year after the issuance date.

(*3) The unguaranteed subordinated privately placed bonds of \$16 million were issued to Lehman Brothers International Europe ("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 on the maturity date. The conversion price is ₩5,588 (\$4.6) (exchange rate applied was ₩1,215.8 / \$) per share, which might be adjusted resulting from 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 until one and half year after the issuance date.

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(3) In connection with the debentures in foreign currencies listed above, the Company has entered into cross currency swaps with Woori Bank in order to prevent any risks involved with fluctuations in exchange rates and interest rates. As of December 31, 2002 and 2001, cross currency swap contracts were as follows (Unit: Won in millions, Dollars in thousands, Yen in thousands).

	Contract date	Maturity date	Contracted amount		Interest rates and terms of payment
			2002	2001	
Swap 1	2001.11.7.	2004.11.2.	US\$ 50,000	US\$ 50,000	Receipt: LIBOR (6 months) + 1.6% Payment: Annual rate of 6.90% in every 3 month
Swap 2	2001.11.18.	2004.11.2.	US\$ 99,496	US\$ 99,496	Receipt: LIBOR (6 months) + 1.6% Payment: CD interest rate (3 months) + 1.5%
Swap 3	2002.1.28.	2004.1.16.	JPY 14,924,633	-	Receipt: CD interest rate (91 days) + 1.59% Payment: Annual rate of 1.74% in every 6 months
Swap 4	2002.9.27.	2005.9.27.	US\$ 36,000	-	Receipt: Compound interest rate of 2.9245%(6 month) Payment: Annual rate of 5%
Swap 5	2002.12.20.	2005.12.20.	US\$ 16,000	-	Receipt: Compound interest rate of 2.7335%(6 month) Payment: Annual rate of 4.84%

For the year ended December 31, 2002, gains on valuation of ₩440 million (\$367 thousand) and losses on valuation of ₩20,121 million (\$16,762 thousand) were accounted for in connection with Swap 1, Swap 2, Swap 3,

Swap 4, and Swap 5. For the period from March 27, 2001 (inception) to December 31, 2001, gain on valuation of ₩5,210 million (\$4,340 thousand) was accounted for in connection with Swap 1.

10. OTHER LIABILITIES:

Other liabilities as of December 31, 2002 and 2001 consisted of:

	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)	(In millions)	(In thousands)	(In thousands)
Accrued severance benefits	₩ 968	₩ -	\$ 807	\$ -
Deposit with employee retirement trust (see Note 2)	(581)	-	(484)	-
Accrued expenses (Note 11)	10,228	5,845	8,520	4,869
Other payables	143	384	119	320
Withholdings	103	150	86	125
Currency swaps (Notes 9 and 11)	14,911	-	12,422	-
Deferred income tax liabilities	-	1,783	-	1,485
	₩ 25,772	₩ 8,162	\$ 21,470	\$ 6,799

11. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES:

Assets and liabilities in foreign currencies of the Company as of December 31, 2002 and 2001 are summarized as follows:

	Korean Won		Foreign currency	
	2002	2001	2002	2001
	(In millions)	(In millions)	(In thousands)	(In thousands)
(Assets)				
Currency swaps	₩ 440	₩ 5,210	JPY 43,403	US\$ 3,929
	440	5,210		
(Liabilities)				
Debentures in foreign currencies	179,534	198,036	US\$ 149,562	US\$ 149,337
	151,530	-	JPY 14,960,396	-
	44,136	-	US\$ 36,000	-
	19,248	-	US\$ 16,000	-
Long-term accrued interest payables	338	-	US\$ 276	-
	16	-	US\$ 13	-
	394,802	198,036		
Accrued expenses	1,104	1,220	US\$ 920	US\$ 920
	553	-	JPY 54,611	-
	1,657	1,220		
Currency swaps	14,911	-	US\$ 12,422	-
	₩ 411,370	₩ 199,256		

12. SHAREHOLDERS' EQUITY:

The Company has 2,400,000,000 authorized shares of common stock, ₩5,000 par value, of which 767,814,797 common shares [₩3,839,074 million (\$3,198,162 thousand)] and 727,458,609 common shares [₩3,637,293 million (\$3,030,067 thousand)] were issued and outstanding as of December 31, 2002 and 2001, respectively.

The changes in the capital stock of the Company during the period from the establishment date to December 31, 2002 were as follows (Unit: Won in millions):

Date of Issuance	Description	Number of shares issued	Capital stock	Paid-in capital in excess of par value
March 27, 2001	Establishment	727,458,609	₩ 3,637,293	₩ -
May 2002	Exercise of warrants	165,782	829	-
June 12, 2002	Issue of new shares	36,000,000	180,000	58,645
June 2002	Exercise of warrants	1,416,457	7,082	-
July 2002	Exercise of warrants	2,070,958	10,355	-
August 2002	Exercise of warrants	427,432	2,137	-
September 2002	Exercise of warrants	271,023	1,355	-
October 2002	Exercise of warrants	2,318	12	-
November 2002	Exercise of warrants	1,312	7	-
December 2002	Exercise of warrants	906	4	-
		767,814,797	₩ 3,839,074	₩ 58,645

Pursuant to the Financial Holding Company Act article 53, legal reserves are appropriated at least one tenth of the net income if dividend is declared, not exceeding the total capital amount.

As of December 31, 2002, the Company is estimating cash dividend rate of 1.0% and 5.0% for 673,458,069 shares and 94,356,188 shares respectively, and therefore, the payout ratio (dividends/net income) is 9.72%.

13. 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 standard exercise price (₩6,800 per share), regardless of the management performance target levels achieved. In addition, with the remaining 40 percent of the total number of stock options granted, the exercise price, which is ₩6,800 per share, will be split based on the Company's non-per-

forming 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.

The summary of stock options granted as of December 31, 2002 is summarized as follows:

Description	The Company	Subsidiaries	Total
Exercisable number of shares	450,000 shares	1,110,000 shares	1,560,000 shares
Type	Share issue or balance compensation	Share issue or balance compensation	
Valuation method	Fair value approach	Fair value approach	Fair value approach

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

Description	Application
Risk free rate	Yield (5.70%) of treasury bond, which has the same residual maturity as the expected exercise period, as of December 4, 2002
Expected 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 continuous compounded method
Exercise price	₩6,800 per share
Fair value	₩2,081 per share

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

(3) The summary of stock option costs over the exercisable period is summarized as follows (Unit: Won in millions):

Description	The Company	Subsidiaries	Total
Total stock option costs	₩ 936	₩ 2,309	₩ 3,245
Amortized in current period	39	96	135
To be amortized after current period	897	2,213	3,110

As for the managements of the subsidiaries, each subsidiary is responsible of covering the fair value of the stock option. The subsidiaries accounted the related cost as stock compensation expense and other payables, and the Company accounted the same amount as other receivables and capital adjustments.

14. INCOME TAX EXPENSE:

(1) Differences between financial accounting income and taxable income (loss) for the year ended December 31, 2002 were as follows:

	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)		(In thousands)	
Net income	₩ 589,214	₩ 684,102	\$ 490,848	\$ 569,895
Permanent differences:	119,845	(243,740)	99,838	(203,049)
Temporary differences:	(740,475)	(465,950)	(616,857)	(388,162)
Taxable income (loss)	₩ (31,416)	₩ (25,588)	\$ (26,171)	\$ (21,316)

(2) The changes in cumulative temporary differences and loss carryforward for the year ended December 31, 2002 were as follows

(Unit: Won in millions):

	Beginning	Addition	Deduction	Ending	Deferred tax
					assets (liabilities)
Investment securities	₩ (462,444)	₩ (941,410)	₩ (65,376)	₩ (1,338,478)	₩ (40,850)
Swap contracts	(5,210)	19,682	-	14,472	4,298
Accrued income	(795)	(5,098)	(795)	(5,098)	(1,514)
Depreciation	36	5	23	18	5
Accrued expenses	679	2,903	679	2,903	862
Deferred tax liabilities	1,784	-	1,784	-	-
Allowance for doubtful accounts	-	119,854	-	119,854	35,597
Accounts receivable	-	(96)	-	(96)	(29)
	(465,950)	(804,160)	(63,685)	(1,206,425)	(1,631)
Loss carryforward	25,588	31,416	-	57,004	16,930
	₩ (440,362)	₩ (772,744)	₩ (63,685)	₩ (1,149,421)	₩ 15,299

(*)The Company estimates the income tax effect due on the gain on valuation using the equity method by considering each subsidiary's deferred tax expense applicable amount and its feasibility. The tax effect portion of the taxable temporary differences resulting from the gain on valuation using the equity method amounted to ₩137,541 million (\$114,579 thousand) as of December 31, 2002. In addition, the Company did not recognize deferred tax assets due to the uncertainty of its future realization.

(3) Remaining tax loss carryforwards and expiration periods were as follows (Unit: Won in millions):

Year	Amount	Utilized	Remaining	Expiration
2001	₩ 25,588	₩ -	₩ 25,588	Up to year 2006
2002	31,416	-	31,416	Up to year 2007
	₩ 57,004	₩ -	₩ 57,004	

(4) There is no accrued income tax expense or income tax expense due to temporary differences to recognize for the year ended December 31, 2002.

15. SUPPLEMENTAL CASH FLOW INFORMATION :

Transactions not involving cash inflows and outflows for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001 consisted of:

	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)		(In thousands)	
Transfer of investment securities	₩ -	₩ 3,637,293	\$ -	\$ 3,030,067
Increase in capital adjustment on valuation of investment securities	139,204	-	121,024	-
Decrease in capital adjustment on valuation of investment securities	-	118,447	-	98,673
Decrease in retained earnings on valuation of investment securities	2,197	125,601	6,890	104,633
Transfer of account from loans to other loans	167,136	-	139,234	-
Transfer of long-term accrued interest to paid-in capital in excess of par value	607	-	506	-
Increase in account receivable and stock option	96	-	80	-

16. VALUE ADDED:

Accounts required for computation of value added consisted of:

Accounts	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)		(In thousands)	
Ordinary income	₩ 589,214	₩ 685,885	\$ 490,848	\$ 571,380
Salaries, wages and bonus	8,035	4,084	6,694	3,402
Retirement allowance	1,047	-	872	-
Other employee benefits	416	311	347	259
Rent	2,369	1,652	1,974	1,376
Depreciations	253	300	211	250
Taxes and dues	89	22	74	18
Net Financial Expense	52,495	4,581	43,730	3,817
Total	₩ 653,918	₩ 696,835	\$ 544,750	\$ 580,502

17. GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001 are summarized as follows:

	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)		(In thousands)	
Salaries, wages and bonuses	₩ 8,035	₩ 4,084	\$ 6,694	\$ 3,402
Provision for severance benefits	1,047	-	872	-
Fringe benefits	416	311	346	259
Rent	2,370	1,652	1,974	1,376
Entertainment	534	367	445	306
Depreciation	253	301	211	251
Amortization on intangible assets	11	3	9	2
Taxes and dues	89	22	74	18
Advertising	6,311	496	5,257	413
Travel	390	134	325	112
Telecommunications	69	58	57	49
Commissions	1,630	788	1,358	656
Suppliers	125	108	104	90
Stock compensation (Note 13)	39	-	33	-
Other	793	306	661	255
	₩ 22,112	₩ 8,630	\$ 18,420	\$ 7,189

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

_for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

18. FINANCIAL INFORMATION OF SUBSIDIARIES:

(1) The balance sheets of subsidiaries are prepared as of December 31, 2002 and 2001, the consolidated balance sheet dates.

Condensed balance sheets of subsidiaries as of December 31, 2002 were as follows (Unit: Won in millions):

Company	Total assets	Total liabilities	Total stockholders' equity
Woori Bank	₩ 89,355,718	₩ 85,201,199	₩ 4,154,519
Kyongnam Bank	10,026,839	9,616,024	410,815
Kwangju Bank	8,068,536	7,795,942	272,594
Woori Credit Card Co., Ltd.	4,704,214	4,396,191	308,023
Woori Investment Bank	2,151,436	1,947,902	203,534
Woori Finance Information System Co., Ltd.	241,053	238,291	2,762
Woori F&I Co., Ltd.	58,395	40,727	17,668
Woori First Asset Securitization Specialty Co., Ltd.	70,250	202,119	(131,869)
Woori Second Asset Securitization Specialty Co., Ltd.	97,704	64,361	33,343
Woori Third Asset Securitization Specialty Co., Ltd.	66,990	76,879	(9,889)
Woori Investment Trust Management Co., Ltd.	40,219	573	39,646
Woori Securities Co., Ltd.	531,251	148,420	382,831
	₩ 115,412,605	₩ 109,728,628	₩ 5,683,977

Condensed balance sheets of subsidiaries as of December 31, 2001 are as follows (Unit: Won in millions):

Company	Total assets	Total liabilities	Total stockholders' equity
Woori Bank (*1)	₩ 79,086,327	₩ 75,910,533	₩ 3,175,794
Kyongnam Bank (*1)	8,796,723	8,483,353	313,370
Kwangju Bank (*1)	7,138,829	6,947,436	191,393
Woori Credit Card Co., Ltd.	1,348,675	408,689	939,986
Woori Investment Bank	2,699,504	2,489,011	210,493
Woori Finance Information System Co., Ltd.	10,553	3,968	6,585
Woori F&I Co., Ltd.	9,684	50	9,634
Woori First Asset Securitization Specialty Co., Ltd.	485,767	485,784	(17)
Woori Second Asset Securitization Specialty Co., Ltd.	167,146	167,171	(25)
	₩ 99,743,208	₩ 94,895,995	₩ 4,847,213

(*1) From 2002, pursuant to the Regulation on Supervision of Banking Institutions, the Company and its subsidiaries began to record banker's usance transactions, which previously were accounting off balance sheet, in the financial statements as loans in foreign currency and borrowings in foreign currency. Accordingly, there was an increase in loans in foreign currency and borrowings in foreign currency amounting to ₩863,062 million (\$718,979 thousand), ₩23,041 million (\$19,194 thousand), and ₩20,556 million (\$17,124 thousand), for Woori Bank, Kyongnam Bank, and Kwangju Bank, respectively, as of December 31, 2002. Also there was an increase in loans in foreign currency and borrowings in foreign currency amounting to ₩1,237,268 million (\$1,030,713 thousand), ₩16,865 million (\$ 14,049 thousand), and ₩42,216 million (\$ 35,168 thousand), for Woori Bank, Kyongnam Bank, and Kwangju Bank, respectively, as of December 31, 2001.

(2) The related statements of operations of subsidiaries are prepared for the years ended December 31, 2002 and 2001, which are the period of the related consolidated statements of operations.

The related condensed statements of operations of subsidiaries for the year ended December 31, 2002 were as follows (Unit: Won in millions):

Company	Operating Revenue	Operating Expense	Net Operating Profit (Loss)	Ordinary Income (Loss)	Net Income (Loss)
Woori Bank	₩ 6,780,503	₩ 6,148,120	₩ 632,383	₩ 606,505	₩ 779,106
Kyongnam Bank	745,970	637,849	108,121	82,242	82,242
Kwangju Bank	579,907	493,945	85,962	74,839	74,839
Woori Credit Card Co., Ltd.	915,039	894,789	20,250	(151,419)	(151,419)
Woori Investment Bank	359,877	390,445	(30,568)	(10,737)	(10,737)
Woori Finance Information System Co., Ltd.	140,598	143,870	(3,272)	(3,452)	(3,823)
Woori F&I Co., Ltd.	15,219	11,864	3,355	11,056	7,327
Woori First Asset Securitization Specialty Co., Ltd.	36,713	89,849	(53,136)	(131,852)	(131,852)
Woori Second Asset Securitization Specialty Co., Ltd.	45,320	21,453	23,867	33,367	33,367
Woori Third Asset Securitization Specialty Co., Ltd.	23,245	43,675	(20,430)	(9,899)	(9,899)
Woori Investment Trust Management Co., Ltd.	10,543	7,688	2,855	2,844	2,013
Woori Securities Co., Ltd.	214,904	172,996	41,908	41,077	29,304
	₩ 9,867,838	₩ 9,056,543	₩ 811,295	₩ 544,571	₩ 700,468

The related condensed statements of operations of subsidiaries for the year ended December 31, 2001, were as follows (Unit: Won in millions):

Company	Operating Revenue	Operating Expense	Net Operating Profit (Loss)	Ordinary Income (Loss)	Net Income (Loss)
Woori Bank	₩ 7,459,439	₩ 7,093,709	₩ 365,730	₩ 651,359	₩ 705,352
Kyongnam Bank	724,675	637,912	86,763	69,158	69,158
Kwangju Bank	534,798	463,508	71,290	66,346	66,346
Woori Credit Card Co., Ltd.	588,710	693,807	(105,097)	(271,625)	(150,665)
Woori Investment Bank	513,445	414,018	99,427	37,997	34,703
Woori Finance Information System	24,858	22,178	2,680	2,506	1,435
Woori F&I Co., Ltd.	196	610	(414)	(366)	(366)
Woori First Asset Securitization Specialty Co., Ltd.	5,593	7,853	(2,260)	(27)	(27)
Woori Second Asset Securitization Specialty Co., Ltd.	-	-	-	(34)	(34)
	₩ 9,851,714	₩ 9,333,595	₩ 518,119	₩ 555,314	₩ 725,902

(3) Financing and asset management of the Company and its subsidiaries as of December 31, 2002 are summarized as follows (Unit: Won in millions):

1) Debt Financing

Company	Deposits	Borrowings	Debentures	Total
Woori Finance Holdings Co., Ltd.	₩ -	₩ 300,000	₩ 1,999,250	₩ 2,299,250
Woori Bank	64,350,044	9,970,760	5,941,886	80,262,690
Kyongnam Bank	7,604,899	1,284,863	303,304	9,193,066
Kwangju Bank	6,102,205	967,696	200,485	7,270,386
Woori Credit Card Co., Ltd.	-	1,137,547	3,198,006	4,335,553
Woori Investment Bank	1,604,051	232,718	-	1,836,769
Woori Finance Information System Co., Ltd.	-	180,000	-	180,000
Woori F&I Co., Ltd.	-	34,600	-	34,600
Woori First Asset Securitization Specialty Co., Ltd.	-	-	188,847	188,847
Woori Second Asset Securitization Specialty Co., Ltd.	-	-	59,936	59,936
Woori Third Asset Securitization Specialty Co., Ltd.	-	-	65,204	65,204
Woori Investment Trust Management Co., Ltd.	60	-	-	60
Woori Securities Co., Ltd.	119,693	3,762	-	123,455
	₩ 79,780,952	₩ 14,111,946	₩ 11,956,918	₩ 105,849,816

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

_for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

2) Asset Management

Company	Cash and Due from Bank	Marketable Securities	Investment Securities	Loans	Total
Woori Finance Holdings Co., Ltd.	₩ 73,255	₩ -	₩ 6,062,119	₩ 1,235,042	₩ 7,370,416
Woori Bank	4,140,975	2,249,970	17,970,492	59,549,559	83,910,996
Kyongnam Bank	1,151,124	198,918	2,379,901	5,823,292	9,553,235
Kwangju Bank	386,827	164,145	1,968,418	4,898,160	7,417,550
Woori Credit Card Co., Ltd.	968,941	-	856,374	2,669,541	4,494,856
Woori Investment Bank	343,509	204,560	193,708	539,186	1,280,963
Woori Finance Information System Co., Ltd.	53,159	-	87	-	53,246
Woori F&I Co., Ltd	4,422	9	49,827	-	54,258
Woori First Asset Securitization Specialty Co., Ltd.	18,980	-	-	51,048	70,028
Woori Second Asset Securitization Specialty Co., Ltd.	23,032	-	38,172	35,934	97,138
Woori Third Asset Securitization Specialty Co., Ltd.	17,348	-	11,731	37,033	66,112
Woori Investment Trust Management Co., Ltd.	22,183	7,647	339	-	30,169
Woori Securities Co., Ltd.	217,147	126,200	54,818	39,599	437,764
	₩ 7,420,902	₩ 2,951,449	₩ 29,585,986	₩ 74,878,394	₩ 114,836,731

Financing and asset management of the Company and its subsidiaries as of December 31, 2001 are summarized as follows (Unit: Won in millions):

1) Debt Financing

Company	Deposits	Borrowings	Debentures	Total
Woori Finance Holdings Co., Ltd.	₩ -	₩ 310,000	₩ 1,298,304	₩ 1,608,304
Woori Bank	56,264,265	10,854,631	3,084,569	70,203,465
Kyongnam Bank	5,978,822	1,435,321	424,974	7,839,117
Kwangju Bank	5,282,204	946,702	297,723	6,526,629
Woori Investment Bank	2,041,478	196,474	45,901	2,283,853
Woori F&I Co., Ltd.	27	-	-	27
Woori First Asset Securitization Specialty Co., Ltd.	-	-	484,487	484,487
Woori Second Asset Securitization Specialty Co., Ltd.	-	167,136	-	167,136
	₩ 69,566,796	₩ 13,910,264	₩ 5,635,958	₩ 89,113,018

2) Asset Management

Company	Cash and Due from Bank	Marketable Securities	Investment Securities	Loans	Total
Woori Finance Holdings Co., Ltd.	₩ 13,825	₩ -	₩ 5,016,864	₩ 648,365	₩ 5,679,054
Woori Bank	4,311,578	2,736,360	17,122,587	48,769,457	72,939,982
Kyongnam Bank	1,387,331	2,897	2,205,955	4,750,485	8,346,668
Kwangju Bank	299,088	162,542	2,056,441	3,969,013	6,487,084
Woori Credit Card Co., Ltd.	322,304	-	214,112	642,611	1,179,027
Woori Investment Bank	204,722	316,774	231,772	713,155	1,466,423
Woori Finance Information System Co., Ltd.	8,183	-	38	14	8,235
Woori F&I Co., Ltd.	8,260	27	-	-	8,287
Woori First Asset Securitization Specialty Co., Ltd.	48,104	-	-	437,482	485,586
Woori Second Asset Securitization Specialty Co., Ltd.	10	-	-	167,136	167,146
	₩ 6,603,405	₩ 3,218,600	₩ 26,847,769	₩ 60,097,718	₩ 96,767,492

(4) The allowance for possible loan losses of subsidiaries as of December 31, 2002 is summarized as follows (Unit: Won in millions):

Company	Loans subject to allowance for possible loan losses	Allowance	% of allowance to loans
Woori Bank	₩ 61,219,892	₩ 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
WASS1	100,056	49,008	48.98
WASS2	40,889	4,955	12.12
WASS3	57,544	20,510	35.64
Woori Securities	60,252	20,652	34.28
Total	₩ 75,798,935	₩ 2,155,580	2.84

The allowance for possible loan losses of subsidiaries as of December 31, 2001 is summarized as follows (Unit: Won in millions):

Company	Loans subject to allowance for possible loan losses	Allowance	% of allowance to loans
Woori Bank	₩ 48,987,831	₩ 1,455,642	2.97
Kyongnam Bank	4,820,977	87,357	1.81
Kwangju Bank	3,999,146	72,349	1.81
Woori Credit Card	731,704	89,093	12.18
Woori Investment Bank	1,118,406	405,251	36.23
WASS1	443,848	6,366	1.43
WASS2	167,136	-	-
Total	₩ 60,269,048	₩ 2,116,058	3.51

19. CONTRIBUTION TO NET INCOME BY SUBSIDIARIES:

Contribution to net income of the Company by subsidiaries after elimination of intercompany transactions in 2002 and 2001 were as follows:

Company	Korean Won		US Dollars (Note 2)		Ratio 2002/2001
	2002	2001	2002	2001	
	(In millions)	(In thousands)	(In thousands)	(%)	
Woori Bank	₩ 751,005	₩ 688,936	\$ 625,629	\$ 573,922	93.4
Kyongnam Bank	81,852	68,713	68,187	57,242	10.2
Kwangju Bank	73,871	65,379	61,539	54,464	9.2
Woori Credit Card Co., Ltd.	(149,196)	(152,100)	(124,289)	(126,708)	(18.5)
Woori Investment Bank	2,911	34,478	2,426	28,722	0.3
Woori Finance Information System Co., Ltd.	(3,147)	1,472	(2,622)	1,226	(0.4)
Woori F&I Co., Ltd.	7,322	(366)	6,100	(305)	0.9
Woori First Asset Securitization Specialty Co., Ltd.	-	(10)	-	(8)	-
Woori Second Asset Securitization Specialty Co., Ltd.	31,666	(10)	26,379	(8)	3.9
Woori Third Asset Securitization Specialty Co., Ltd.	(10)	-	(8)	-	-
Woori Investment Trust Management Co., Ltd.	2,018	-	1,681	-	0.2
Woori Securities Co., Ltd.	6,114	-	5,093	-	0.8
	804,406	706,492	670,115	588,547	100.0
Other income	87,627	10,620	72,998	8,847	
Other expenses	(302,819)	(33,010)	(252,265)	(27,499)	
Net income	₩ 589,214	₩ 684,102	\$ 490,848	\$ 569,895	

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_for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

20. TRANSACTIONS WITH RELATED PARTIES:

Significant transactions with the subsidiaries for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001 and the related balances as of December 31, 2002 and 2001 were as follows:

Company	Korean Won		US Dollars (Note 2)		Account
	2002	2001	2002	2001	
	(In millions)	(In millions)	(In thousands)	(In thousands)	
Woori Bank	₩ 51,762	₩ 13,825	\$ 43,121	\$ 11,517	Cash and bank deposits
"	603,829	-	503,023	-	Loans
"	3,846	3,846	3,204	3,204	Guarantee deposits
"	43	-	36	-	Other receivables
"	76	795	63	662	Accrued income
"	440	5,210	367	4,340	Currency swaps (assets)
"	14,911	-	12,422	-	Currency swaps (liabilities)
"	5,410	4,566	4,507	3,804	Interest income
"	440	5,210	367	4,340	Gain on valuation of swap contracts
"	415	-	346	-	Interest expense
"	20,121	-	16,762	-	Loss on valuation of swap contract
"	1,985	1,652	1,654	1,376	Rent
Kyongnam Bank	10,595	-	8,826	-	Cash and bank deposits
"	12	-	10	-	Accrued income
"	500	211	417	176	Interest income
Kwangju Bank	10,898	-	9,079	-	Cash and bank deposits
"	50,006	-	41,658	-	Loans
"	3	-	2	-	Accrued income
"	585	211	487	176	Interest income
Woori Credit Card	200,000	-	166,611	-	Loans
"	12	-	10	-	Other receivables
"	147	-	122	-	Accrued income
"	92	-	77	-	Other payables
"	147	422	122	352	Interest income
Woori Investment Bank	7	-	6	-	Other receivables
Woori Finance Information System	180,000	-	149,950	-	Loans
"	12	-	10	-	Other receivables
"	2,235	-	1,862	-	Accrued income
"	3,405	-	2,837	-	Interest income
"	1,420	12	1,183	10	Fees and commissions
"	536	-	447	-	Other general and administration expense
Woori F&I Co., Ltd.	34,600	-	28,824	-	Loans
"	78	-	65	-	Accrued income
"	268	-	223	-	Interest income
"	221	-	184	-	Accrued expenses
Woori First Asset Securitization Specialty	188,847	484,487	157,320	403,605	Loans
"	431	-	359	-	Accrued income
"	28,089	-	23,400	-	Interest income
Woori Second Asset Securitization Specialty	59,936	167,136	49,930	139,234	Loans
"	1,038	-	865	-	Accrued income
"	8,843	-	7,367	-	Interest income
Woori Third Asset Securitization Specialty	65,204	-	54,319	-	Loans
"	1,078	-	898	-	Accrued income
"	6,554	-	5,460	-	Interest income
Woori Investment Trust Management	6	-	5	-	Other receivables
Woori Credit Information	7	-	6	-	Other receivables
Principal guaranteed Trust Accounts of Woori Bank	581	-	484	-	Deposit with employee retirement trust

21. TRANSFER OF CREDIT CARD SUBSCRIBER BASE:

Pursuant to an agreement on the business reform of WCC among the Company, Woori Bank, and WCC dated November 20, 2001 and a transfer agreement between Woori Bank and WCC dated December 26, 2001, the Company's subsidiary, Woori Bank, sold its credit card subscriber base to WCC for ₩600 billion (\$500 million) on January 31, 2002.

22. ESTABLISHMENT OF THE WOORI THIRD ASSET SECURITIZATION SPECIALTY CO., LTD:

The Company established the Woori Third Asset Securitization Specialty Co. Ltd. ("WASS3") on March 15, 2002. Woori Bank, Kyongnam Bank, and WCC sold their non-performing loans to WASS3 on March 29, 2002 as shown below (Unit: Won in millions).

	Original principal balances	Gross book value	Allowance for possible loan losses	Net book value	Proceeds on disposition	Gain on disposition
Woori Bank	₩ 1,677,997	₩ -	₩ -	₩ -	₩ 50,485	₩ 50,485
Kyongnam Bank	57,540	7,348	2,148	5,200	7,932	2,732
Woori Credit Card Co., Ltd.	164,193	122,184	53,740	68,444	68,887	443
	₩ 1,899,730	₩ 129,532	₩ 55,888	₩ 73,644	₩ 127,304	₩ 53,660

The outstanding principal balances included amounts written off by Woori Bank, Kyongnam Bank, and Woori Credit Card Co., Ltd. amounting to ₩1,677,997 million (\$1,397,865 thousand), ₩50,193 million (\$41,814 thousand) and ₩42,009 million (\$34,996 thousand), respectively.

23. ACQUISITION OF WOORI INVESTMENT TRUST MANAGEMENT CO., LTD. AND WOORI SECURITIES CO., LTD :

In relation to the functional restructuring, the Company acquired the total shares of WITM from Woori Bank for ₩56,844 million (\$47,354 thousand) on March 29, 2002. As a result, WITM has become a subsidiary of the Company. The book value of the shares of WITM accounted for by Woori Bank was ₩39,128 million (\$32,596 thousand) as of the date of the transaction. Also, the Company acquired 40.2% (13,250,570 shares) of the common stock of Woori Securities Co., Ltd. from Woori Bank for ₩112,365 million (\$ 93,606 thousand) on July 29, 2002. As a result, Woori Securities has become a subsidiary of the Company. The book value of the shares of Woori Securities accounted for by Woori Bank was ₩152,662 million (\$127,176 thousand) as of the date of the transaction.

24. TRANSFER OF IT EQUIPMENT :

Woori Bank transferred its IT equipment to WFIS on April 30, 2002, May 31, 2002, and September 30, 2002, respectively, at a transfer price amounting to ₩112,220 million (\$93,486 thousand). WCC transferred its IT equipment to WFIS on April 30, 2002 at ₩5,888 million (\$4,905 thousand). The details of the transactions were as follows (Unit: Won in millions).

	Acquisition Cost	Accumulated Depreciation	Book Value	Proceeds on Disposition	Gain (Loss) on Disposition
Woori Bank	₩ 306,828	₩ 224,617	₩ 82,211	₩ 93,818	₩ 11,607
	20,131	3,662	16,469	17,614	1,145
	1,916	1,283	633	788	155
	328,875	229,562	99,313	112,220	12,907
Woori Credit Card Co., Ltd.	23,459	16,097	7,362	5,888	(1,474)
	₩ 352,334	₩ 245,659	₩ 106,675	₩ 118,108	₩ 11,433

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

25. WASS1'S DISPOSITION OF SECURITIZATION ASSET:

(1) Sale to WLBASS1

The Company and Lehman Brothers HY Opportunity Korea, Inc. ("LBHY Korea") entered into a Loan Sale Agreement dated April 30, 2002 for the purpose of purchasing non-performing loans from WASS1. The Company and LBHY Korea reserved the right to assign their rights under the Loan Sale Agreement to WLBASS1. According to the Agreement, as of September 29, 2001, the sale price of the transfer asset would be settled. In addition, WASS1 would receive the transfer price, the interest (5% per year) and the preserved portion of the asset management fee incurred during the period between the cut-off date and the closing date. Also, the collected cash amount and related interest during the period stated above would be given to the transferee. The schedules of the Loan Sale Agreement were as follows:

Date	Details
September 29, 2001	Cut-off date for evaluation of the NPL
April 30, 2002	Date of Loan Sale Agreement
September 5, 2002	Date of Joint Venture Master Agreement
September 27, 2002	Date of closing and initial settlement
October 14, 2002	Final settlement date of amounts of transfer

The details of the transfer were as follows (Unit: Won in millions):

	Amounts
Appraisal price of transfer assets	₩ 221,276
Interest of transfer price, asset management fee, and suspense receivables	13,723
Redemption and interest (from September 29, 2001 to September 27, 2002)	(198,778)
	<u>36,221</u>
(As of September 27, 2002)	
Securitization debentures in local currencies	81,083
Securitization debentures in foreign currencies (*1)	75,296
Securitization Securities	2,247
Book value of sold assets	158,626
Allowance for possible loan losses	(6,366)
Suspense payments and loss on foreign currency transaction	(685)
Net book value	<u>151,575</u>
Losses on transfer of securitization assets	<u>₩ 115,354</u>

(*1) Translation into Korean Won

(2) Sale to Salomon Brothers Holding Company Inc. by open bidding

The Agreement defined that, as of November 30, 2002 (Cut-off date for evaluation of the transfer asset), the sale price of the transfer asset would be settled, and that the transferor would receive the transfer price, the interest and the asset management fee incurred during the period between the cut-off date and the closing date. Also, the collected cash amount and related interest during the period stated above would be given to the transferee. WASS1 received ₩10,795 million (\$ 8,993 thousand) as guarantee deposit, and posted the same amount as advance account. The schedules of the Agreement were as follows:

Date	Details
November 30, 2002	Cut-off date for evaluation of the NPL
December 17, 2002	Date of Loan Sale Agreement
February 14, 2003	Final settlement date of amounts of transfer

26. WASS2'S DISPOSITION OF SECURITIZATION ASSET :

(1) Sale to WLBASS2

The Company and Lehman Brothers HY Opportunity Korea, Inc. ("LBHY Korea") entered into a Loan Sale Agreement dated December 13, 2002 for the purpose of purchasing from WASS2 the non-performing loans. The Company and LBHY Korea reserved the right to assign their rights under the Loan Sale Agreement to WLBASS2. According to the Agreement, as of September 30, 2002, the sale price of the transfer asset would be settled. In addition, WASS2 would receive the transfer price, the interest (5% per year) and the preserved portion of the asset management fee incurred during the period between the cut-off date and the closing date. Also, the collected cash amount and related interest during the period stated above would be given to the transferee. The schedules of the Loan Sale Agreement were as follows:

The schedules of the Loan Sale Agreement were as follows:

Date	Details
September 30, 2002	Cut-off date for evaluation of the NPL
December 13, 2002	Date of Loan Sale Agreement
December 20, 2002	Final settlement date of amounts of transfer

The details of the transfer were as follows (Unit: Won in millions):

	Amounts
Sale price of transfer assets	₩ 16,022
Interest of transfer price and asset management fee	239
Redemption and interest	(998)
	<u>15,263</u>
(As of December 20, 2002)	
Securitization debentures in local currencies	776
Securitization securities in local currencies	6,110
Securitization securities in foreign currencies	655
Book value of sold assets	7,541
Gains on transfer of securitization assets	<u>₩ 7,722</u>

(2) Sale to Jinheung Savings Bank Inc. by open bidding

The Agreement defined that, as of December 13, 2002 (Cut-off date for evaluation of the transfer asset), the sale price of the transfer asset would be settled, and that the transferor would receive the sale price, the interest and the asset management fee incurred during the period between the cut-off date and the closing date. Also, the collected cash amount and related interest during the period stated above would be given to the transferee. WASS2 received ₩2,400 million (\$ 1,999 thousand) as guarantee deposit, and posted the same amount as advance account. The schedules of the Agreement were as follows:

Date	Details
December 13, 2002	Cut-off date for evaluation of the NPL
December 24, 2002	Date of Loan Sale Agreement
February 14, 2003	Final settlement date of amounts of transfer

27. WASS3'S DISPOSITION OF SECURITIZATION ASSET :

(1) Sale to WLBASS3

The Company and Lehman Brothers HY Opportunity Korea, Inc. ("LBHY Korea") entered into a Loan Sale Agreement dated December 13, 2002 for the purpose of purchasing from WASS3 the non-performing loans. The Company and LBHY Korea reserved the right to assign their rights under the Loan Sale Agreement to WLBASS3. According to the Agreement, as of September 30, 2002, the sale price of the transfer asset would be settled. In addition, WASS3 would receive the transfer price, the interest (5% per year) and the preserved portion of the asset management fee incurred during the period between the cut-off date and the closing date. Also, the collected cash amount and related interest during the period stated above would be given to the transferee. The schedules of the Loan Sale Agreement were as follows:

The schedules of the Loan Sale Agreement were as follows:

Date	Details
September 30, 2002	Cut-off date for evaluation of the NPL
December 13, 2002	Date of Loan Sale Agreement
December 20, 2002	Final settlement date of amounts of transfer

The details of the transfer were as follows (Unit: Won in millions):

	Amounts
Sale price of transfer assets	₩ 47,717
Interest of transfer price and asset management fee (from September 30, 2002 to December 20, 2002)	628
Redemption and interest (from September 30, 2002 to December 20, 2002)	(1,654)
	<u>46,691</u>
(As of December 20, 2002)	
Securitization debentures in local currencies	9,332
Securitization debentures in foreign currencies	756
Securitization securities	26,187
Book value of sold assets	36,275
Gains on transfer of securitization assets	<u>₩ 10,416</u>

(2) Sale to Jinheung Savings Bank Inc. by open bidding

The Agreement defined that, as of December 13, 2002 (Cut-off date for evaluation of the transfer asset), the sale price of the transfer asset would be settled, and that the transferor would receive the sale price, the interest (5% per year) and the asset management fee incurred during the period between the cut-off date and the closing date. Also, the collected cash amount and related interest during the period stated above would be given to the transferee. WASS3 received ₩9,600 million (\$ 7,997 thousand) as guarantee deposit, and posted the same amount as advance account.

The schedules of the Agreement were as follows:

Date	Details
December 13, 2002	Cut-off date for evaluation of the NPL
December 24, 2002	Date of Loan Sale Agreement
February 14, 2003	Final settlement date of amounts of transfer

28. AGREEMENT ON THE IMPLEMENT OF A MANAGEMENT IMPROVEMENT PLAN :

(1) Agreement on the implementation of the management improvement plan between the five subsidiaries and the KDIC.

On December 30, 2000, four of the Company's subsidiaries, Woori Bank, Kyongnam Bank, Kwangju Bank, and Woori Credit Card Co., Ltd. and the KDIC entered into agreements for the implementation of management improvement plans for the banks. Pursuant to the agreements, the subsidiaries received ₩3,466,800 million (\$2,888,037 thousand) from the KDIC in the form of investments in the subsidiaries' common stocks in December 2000 and the KDIC agreed to make additional contributions to the subsidiaries prior to September 30, 2001. On September 30, 2001, contributions in the aggregate amount of ₩2,581,000 million (\$2,150,117 thousand) were paid by the KDIC into the banks.

The details of the contribution to the subsidiaries were as follows (Unit: Won in millions)

	Woori Bank	Kyongnam Bank	Kwangju Bank	WCC	Total
Capital stock	₩ 2,764,400	₩ 259,000	₩ 170,400	₩ 273,000	₩ 3,466,800
Contribution	1,877,200	93,800	271,400	338,600	2,581,000
	<u>₩ 4,641,600</u>	<u>₩ 352,800</u>	<u>₩ 441,800</u>	<u>₩ 611,600</u>	<u>₩ 6,047,800</u>

In addition, Woori Investment Bank entered into an agreement with the KDIC on June 29, 2001 in connection with the management improvement plan for Woori Investment Bank.

Under the agreements, five subsidiaries are obligated to sell non-performing loans and fixed assets, close certain branches and subsidiaries, improve financial ratios including the capital adequacy ratio, and reinforce their risk management systems. If the five subsidiaries fail to implement the agreements, the KDIC may command for the five subsidiaries to increase or decrease their capital, pursue mergers, assign contracts such as loans and deposits, or close or sell parts of their business operations.

(2) Agreement on the implementation of the management improvement plan between the Company and the KDIC

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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

_for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

(3) Agreement on the implementation of the management improvement plan between the Company and its five subsidiaries

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

29. JOINT VENTURE MASTER AGREEMENT ON NON-PERFORMING LOANS :

In order to secure its liquidity and improve the financial structure of the subsidiaries of the Company by selling non-performing loans, the Company entered into a Joint Venture Master Agreement with Lehman Brothers Holdings Inc. ("LB") on co-managing the non-performing loans as of September 5, 2002. The agreement includes LB purchasing the non-performing loans from the Company or its affiliates through joint venture special purpose entities and acquiring 49% shares of WCAAMC. In addition, WF&I, a subsidiary of the Company, would acquire 51% of the shares of WCAAMC.

30. CONVERTIBLE BONDS PURCHASE AGREEMENT :

As of September 5, 2002, the Company entered into the Convertible Bonds Purchase Agreement with Lehman Brothers International Europe ("LBIE"), and details are summarized as follows:

Description	Application
Issuer	Woori Financial Holdings Co., Ltd.
Acceptor	Lehman Brothers International Europe
Maximum issue price	US\$ 250 million
Maturity	3 years
Nominal interest rate	None
Yields guaranteed upon maturity	US\$ Libor rate to the unconverted bonds at the maturity date.
Conversion price	The higher of 115% of the market price on issuance date or the price computed by the Korean Securities and Exchange Act.
Required holding period	One and half year from the issue date
Mandatory conversion conditions	The bonds should be converted, if the stock price is higher than the conversion price by more than 150% for over 20 days after the required holding period. Otherwise, the Company holds the option to buy it at face value.
Early Redemption	When over 50% of Woori Bank stocks are disposed of or defaulted

On September 27, 2002, in connection with the Convertible Bonds Purchase Agreement listed above, Woori Bank entered into the Currency Hedge Agreement with Lehman Brothers Commercial Corporation Asia Ltd. This Agreement indicates that the gains or losses on settlement of the swap contracts between Woori Bank and the Company, which was made to avoid any risks involved with fluctuations in exchange rate in accordance with the issuance of the convertible bonds, would be charged to Lehman Brothers Commercial Corporation Asia Ltd.

31. AGREEMENT ON INVESTMENT OPPORTUNITY SALE :

Pursuant to the Joint Venture Master Agreement dated September 5, 2002 entered into by the Company and LB, the parties agreed that the Company and LB Luxembourg, an affiliate of LB would invest each 50% in WLBASS1. In addition, the parties entered into an Investment Opportunity Sale Agreement dated September 13, 2002 wherein LB Luxembourg would acquire the right of the Company to subscribe for 20% economic interest in WLBASS1 from the Company for a price of ₩11.3 billion (\$9.4 million), which was received on September 27, 2002. As a result, the Company recorded ₩11.3 billion (\$9.4 million) as non-operating income.

32. RECEIVABLE FROM KDIC :

The receivable from KDIC amounting to ₩648,777 million (\$540,467 thousand), which would be due through 2005 pursuant to the contract on transfer loans and debt between WIB and the KDIC on March 31, 2001 has been discounted by WIB using a discount rate of 5.71%.

33. CREDITS TO HYNIX SEMICONDUCTOR INC :

As of December 31, 2002, amounts owed by Hynix Semiconductor Inc. ("Hynix") to Woori Bank amounted to ₩422.4 billion (\$351.9 million) and ₩142.6 billion (\$118.8 million) as loans to Hynix and investment equity securities issued by Hynix, respectively. Woori Bank provided ₩305.2 billion (\$254.2 million) of allowance for possible loan losses for the loans. Also, as of December 31, 2002, amounts owed by Hynix to Woori Third Asset Securitization Specialty amounted to ₩21.9 billion (\$18.2 million) and ₩4.4 billion (\$3.7 million) in forms of securitization marketable securities issued by Hynix and securitization debentures issued by Hynix, respectively. Woori Third Asset Securitization Specialty provided ₩10.1 billion (\$8.4 million) of allowance for possible loan losses for the loans. On December 30, 2002, a conference was called to discuss the matters on Hynix's normalization, and as a result, reduction of shares (rate of 1 new share for 21 outstanding shares), debt to equity swap, extension of existing stocks maturity period, change in the method of interest collection and some other decisions were made. Currently, Hynix faces an uncertain operational environment and liquidity crisis. Depending on the result of Hynix's restructuring process, its actual abilities to repay those loans, securities and bonds may differ materially from current assessment.

34. SUBSEQUENT EVENT :

As of February 10, 2003, Woori America Bank and National Penn Bancshares entered into an agreement, which indicated that Woori America Bank would merge with Penn Asia Bank on July 31, 2003. Pursuant to the agreement related to this merger, Woori America Bank would pay \$34.5 million to National Penn Bancshares, Penn Asia Bank's largest shareholder.

As of December 31, 2002, the amounts owed by SK Global Co., Ltd. (SK Global) to Woori Bank were ₩332 billion (\$277 million) and ₩8.4 billion (\$7 million) in loans (including acceptances and guarantees outstanding) and debt securities, respectively. Woori Bank's asset category for these credits was normal as of December 31, 2002, however, actual losses incurred from these credits may differ materially from the management's assessment. The accompanying financial statements did not reflect any adjustments which may arise from this uncertainty.

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF WOORI FINANCE HOLDINGS CO., LTD.:

We have audited the accompanying consolidated balance sheet of Woori Finance Holdings Co., Ltd. (the "Company") and its subsidiaries as of December 31, 2002 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year ended December 31, 2002, 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 audit. The consolidated balance sheet as of December 31, 2001 and the related consolidated statements of income, and changes in shareholders' equity of the Company and its subsidiaries for the period from March 27, 2001 (inception) to December 31, 2001, which are presented for comparative purposes, were audited by Anjin & Co., whose report dated March 2, 2002 expressed an unqualified opinion on those statements.

We conducted our audit 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 disclosure 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2002 consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2002, and the results of their operations, changes in shareholders' equity and their cash flows for the year ended December 31, 2002 in conformity with financial accounting standards in the Republic of Korea.

The translated amounts in the accompanying financial statements have been translated into US dollars, solely for the convenience of the reader, on the basis set forth in Note 2.

As explained in Note 1, on June 24, 2002, the Company listed its common shares on the Korea Stock Exchange through a public offering at a price of ₩6,800 (\$5.7) per share, which included 36 million new shares and 54 million issued shares.

As explained in Note 26, in order to secure its liquidity and improve the financial structure of the subsidiaries of the Company by disposing of its non-performing loans, the Company entered into a Joint Venture Master Agreement with Lehman Brothers Holdings Inc. ("LB") on co-managing the non-performing loans as of September 5, 2002. The agreement includes LB purchasing the non-performing loans from the Company or its affiliates through joint venture special purpose entities, acquiring 49% of the shares of Woori CA Asset Management Co., Ltd. ("WCAAMC"). In addition, Woori F&I Co., Ltd. (formerly Woori Asset Management Co., Ltd.), a subsidiary of the Company, would acquire 51% of the shares of WCAAMC.

As explained in Note 33, the Company and Lehman Brothers International Europe ("LBIE") entered into the Convertible Bonds Purchase Agreement, dated September 5, 2002 that LBIE purchase \$250 million of convertible bonds issued by the Company. Also, the Company issued \$36 million and \$16 million of unguaranteed subordinated convertible bonds as of September 5, 2002 and December 20, 2002, respectively, pursuant to the Convertible Bonds Purchase Agreement.

As explained in Note 38, as of February 10, 2003, Woori America Bank and National Penn Bancshares entered into an agreement, which indicated that Woori America Bank would merge with Penn Asia Bank on July 31, 2003. Pursuant to the agreement related to this merger, Woori America Bank would pay \$34.5 million to National Penn Bancshares, Penn Asia Bank's largest shareholder.

As explained in Note 38, as of December 31, 2002, the amounts owed by SK Global Co., Ltd. (SK Global) to Woori Bank were ₩332 billion (\$277 million) and ₩8.4 billion (\$7 million) in loans (including acceptances and guarantees outstanding) and debt securities, respectively. Woori Bank's asset category for these credits was normal as of December 31, 2002, however, actual losses incurred from these credits may differ materially from the management's assessment. The accompanying financial statements did not reflect any adjustments which may arise from this uncertainty.

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 or 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.

Deloitte & Touche LLC.

March 26, 2003

Notice to Readers _ This report is effective as of March 10, 2003, 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.

CONSOLIDATED BALANCE SHEETS

as of December 31, 2002 and 2001

	Korean Won		Translation into US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)		(In thousands)	
ASSETS				
Cash and due from banks (Notes 3, 4, 20 and 21)	₩ 6,568,852	₩ 6,432,890	\$ 5,472,219	\$ 5,358,955
Trading securities (Notes 4 and 5)	2,943,800	3,217,882	2,452,349	2,680,675
Investment securities (Notes 4 and 6)	23,508,709	21,806,451	19,584,063	18,165,987
Loans, net of allowances for possible loan losses and present value discounts (Notes 4, 7, 8, 21, 23, 31, 36 and 37)	73,604,113	59,876,198	61,316,322	49,880,205
Fixed assets (Notes 9 and 25)	2,796,183	2,831,851	2,329,376	2,359,090
Other assets (Notes 10, 18, 21, 35 and 36)	5,421,877	5,920,545	4,516,725	4,932,143
	114,843,534	100,085,817	95,671,054	83,377,055
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Deposits (Notes 11 and 21)	78,917,388	69,332,217	65,742,576	57,757,595
Borrowings (Notes 12 and 21)	13,839,614	13,742,572	11,529,169	11,448,327
Debentures, net of discounts (Notes 13 and 33)	10,792,932	5,491,533	8,991,113	4,574,753
Other liabilities (Notes 14, 18, 21 and 36)	5,978,833	7,080,301	4,980,700	5,898,285
	109,528,767	95,646,623	91,243,558	79,678,960
SHAREHOLDERS' EQUITY (Note 15)				
Common stock	3,839,074	3,637,293	3,198,162	3,030,067
Capital surplus	25,029	-	20,851	-
Retained earnings				
(Net income of ₩591,588 million in 2002 and ₩686,287 million in 2001)				
(Loss in excess of minority interests of ₩6,594 million in 2002)	1,151,113	558,852	958,941	465,555
Capital adjustments	54,506	(116,546)	45,406	(97,089)
Minority interests	245,045	359,595	204,136	299,562
	5,314,767	4,439,194	4,427,496	3,698,095
	₩ 114,843,534	₩ 100,085,817	\$ 95,671,054	\$ 83,377,055

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

	Korean Won		Translation into US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions, except for income per common share data)		(In thousands, except for income per common share data)	
OPERATING REVENUE				
INTEREST INCOME (Note 21):				
Interest on due from banks	₩ 55,090	₩ 95,744	\$ 45,893	\$ 79,760
Interest and dividends on trading securities	188,089	192,972	156,689	160,756
Interest and dividends on investment securities	1,675,595	1,430,779	1,395,864	1,191,919
Interest on loans	4,330,436	4,372,703	3,607,494	3,642,705
Other	246,830	103,831	205,623	86,497
	6,496,040	6,196,029	5,411,563	5,161,637
COMMISSION INCOME (Note 21):				
Commissions	541,822	671,691	451,368	559,556
Commissions received on credit cards	861,722	1,010,307	717,862	841,642
Guarantee fees	24,446	23,406	20,365	19,498
Other	27,040	4,057	22,526	3,380
	1,455,030	1,709,461	1,212,121	1,424,076
OTHER OPERATING REVENUE (Note 21):				
Gain on trading securities	168,568	252,684	140,426	210,500
Gain on redemption of investment securities	37,991	15,109	31,649	12,587
Foreign exchange trading income	287,212	392,253	239,263	326,769
Gain on derivatives trading	618,127	509,211	514,934	424,201
Trust management fees	70,558	312,772	58,779	260,556
Reversal of allowance for possible losses on acceptances and guarantees	298,784	406,247	248,904	338,426
Other	191,680	365,390	159,680	304,390
	1,672,920	2,253,666	1,393,635	1,877,429
	9,623,990	10,159,156	8,017,319	8,463,142
OPERATING EXPENSES INTEREST EXPENSE (Note 21):				
Interest on deposits	(2,702,504)	(3,188,603)	(2,251,337)	(2,656,284)
Interest on borrowings	(505,631)	(757,821)	(421,219)	(631,307)
Interest on debentures	(507,275)	(354,910)	(422,588)	(295,660)
Interest on others	(40,904)	(194,585)	(34,075)	(162,100)
	(3,756,314)	(4,495,919)	(3,129,219)	(3,745,351)
OTHER OPERATING EXPENSES (Note 21):				
Commissions	(286,991)	(246,669)	(239,079)	(205,489)
Bad debt expense	(2,004,231)	(2,148,344)	(1,669,636)	(1,789,690)
Salaries, employee benefits and provision for severance benefits	(1,056,614)	(1,118,404)	(880,218)	(931,693)
Depreciation and amortization	(136,969)	(198,079)	(114,103)	(165,011)
Foreign exchange trading loss	(183,034)	(278,786)	(152,478)	(232,244)
Loss on derivatives trading	(569,627)	(443,522)	(474,531)	(369,479)
Loss on trading securities	(122,181)	(113,217)	(101,784)	(94,316)
Loss on investment securities	(992)	-	(826)	-
Taxes and dues	(117,800)	(79,110)	(98,134)	(65,903)
Advertising	(67,381)	(46,752)	(56,132)	(38,947)
Payment to guaranteed trust accounts	(2,719)	(20,041)	(2,265)	(16,695)
Other administrative expenses	(603,879)	(658,596)	(503,064)	(548,647)
	(5,152,418)	(5,351,520)	(4,292,250)	(4,458,114)
	(8,908,732)	(9,847,439)	(7,421,469)	(8,203,465)
OPERATING INCOME	715,258	311,717	595,850	259,677
NON-OPERATING INCOME (Note 17)	540,113	1,190,685	449,944	991,907
NON-OPERATING EXPENSES (Note 17)	(800,487)	(937,984)	(666,850)	(781,393)
ORDINARY INCOME	454,884	564,418	378,944	470,191
EXTRAORDINARY ITEMS				
INCOME BEFORE INCOME TAX EXPENSE AND MINORITY INTERESTS				
	454,884	564,418	378,944	470,191
INCOME TAX BENEFIT (Note 18)	158,692	172,198	132,199	143,451
INCOME BEFORE MINORITY INTERESTS	613,576	736,616	511,143	613,642
MINORITY INTERESTS	(21,988)	(50,329)	(18,317)	(41,927)
NET INCOME	₩ 591,588	₩ 686,287	\$ 492,826	\$ 571,715
BASIC ORDINARY INCOME PER COMMON SHARE (Note 2)	₩ 789	₩ 943	\$ 0.66	\$ 0.79
BASIC NET INCOME PER COMMON SHARE (Note 2)	₩ 789	₩ 943	\$ 0.66	\$ 0.79
DILUTED ORDINARY INCOME PER COMMON SHARE (Note 2)	₩ 789	₩ -	\$ 0.66	\$ -
DILUTED NET INCOME PER COMMON SHARE (Note 2)	₩ 789	₩ -	\$ 0.66	\$ -

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGE IN SHAREHOLDERS' EQUITY

_for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

	Capital Stock	Capital Surplus	Retained Earnings	Capital Adjustments	Minority Interests	Total
	(In millions)					
March 27, 2001	₩ 3,637,293	₩ -	₩ -	₩ -	₩ 330,718	₩ 3,968,011
Net income	-	-	686,287	-	-	686,287
Acquisition of investment securities of WFIS from Woori Bank	-	-	(1,769)	-	-	(1,769)
Changes in scope of consolidation	-	-	(113,482)	(47,927)	(7,635)	(169,044)
Cumulative effect of accounting change	-	-	1,708	-	-	1,708
Prior period corrections	-	-	(7,556)	-	-	(7,556)
Discounts on stock issuance	-	-	-	(2,557)	-	(2,557)
Amortization of discount on stock issuance	-	-	(2,035)	-	-	(2,035)
Loss on valuation of investment securities	-	-	-	(59,322)	-	(59,322)
Purchase of treasury stock	-	-	-	(2,376)	-	(2,376)
Changes in minority interests	-	-	-	-	36,512	36,512
Others	-	-	(4,301)	(4,364)	-	(8,665)
December 31, 2001	3,637,293	-	558,852	(116,546)	359,595	4,439,194
January 1, 2002	3,637,293	-	558,852	(116,546)	359,595	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)
Amortization of discounts on stock issuance	-	-	(836)	836	-	-
Gain on valuation of investment securities	-	-	-	184,208	-	184,208
Acquisition of subsidiaries' treasury stocks	-	-	-	(9,282)	-	(9,282)
Gain on valuation using equity method on subsidiaries	-	-	1,430	-	-	1,430
Stock option	-	-	-	135	-	135
Valuation on derivative instruments	-	-	-	(6,296)	-	(6,296)
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

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

_for the year ended December 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:

	Korean Won (In millions)	Translation into US Dollars (Note 2) (In thousands)
Net income	₩ 591,588	\$ 492,826
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on trading securities	122,181	101,784
Loss on repayment of investment securities	992	826
Loss on derivatives trading	569,627	474,531
Bad debt expense	1,829,018	1,523,674
Retirement benefits	91,944	76,594
Depreciation	110,224	91,823
Amortization	26,745	22,280
Loss on sales of tangible assets	19,291	16,070
Loss on valuation using the equity method	5,876	4,895
Loss on disposal of investment securities	69,859	58,196
Loss on impairment of investment on equity securities	332,378	276,890
Loss on impairment of investment debentures	109,205	90,974
Loss on sale of loans	190,796	158,944
Net minority interests income	21,988	18,317
Amortization of present value discounts	6,837	5,696
Gain on trading securities	(168,568)	(140,427)
Gain on repayment of investment securities	(37,991)	(31,649)
Gain on derivatives trading	(618,127)	(514,934)
Reversal of allowance for possible loan losses	(27,131)	(22,602)
Gain on sales of tangible assets	(8,649)	(7,205)
Gain on valuation using the equity method	(23,950)	(19,952)
Gain on disposal of investment securities	(184,945)	(154,069)
Recovery of loss on impairment of investment on equity securities	(268)	(223)
Recovery of loss on impairment of investment debentures	(49,805)	(41,490)
Gain on sales of loans	(137,380)	(114,445)
	2,250,147	1,874,498

Changes in operating assets and liabilities:

Increase in present value discount	123,699	103,048
Increase in guarantee deposits	(9,197)	(7,662)
Decrease in accounts receivable - other	150,699	125,541
Increase in accrued income	(20,033)	(16,689)
Increase in prepaid expenses	(19,078)	(15,893)
Increase in deferred income tax assets	(190,410)	(158,622)
Increase in account receivables on disposal of assets	(4,615)	(3,845)
Decrease in domestic exchange settlements debits	176,269	146,842
Decrease in sundry assets	104,949	87,428
Retirement benefits payment	(10,120)	(8,431)
Decrease in National Pension	(48,175)	(40,132)
Decrease in allowance for possible losses on confirmed acceptances and guarantees	(181,933)	(151,560)
Decrease in other allowances	(116,202)	(96,803)
Increase in foreign exchange remittance pending	196,260	163,496
Decrease in domestic exchange remittance pending	(146,323)	(121,895)
Decrease in borrowing from trust accounts	(573,199)	(477,507)
Decrease in accounts payable	(170,071)	(141,680)
Increase in accrued expenses	34,085	28,395
Increase in income tax payable	1,882	1,568
Decrease in unearned revenue	(11,656)	(9,710)
Decrease in deposit for letter of guarantees and others	(8,839)	(7,363)
Decrease in deferred income tax liabilities	(1,899)	(1,582)
Increase in liabilities incurred by agency relationship	45,544	37,941
Increase in accounts for agency businesses	43,819	36,504
Decrease in sundry liabilities	(236,563)	(197,070)
	(871,107)	(725,681)
Net cash provided by operating activities	₩ 1,970,628	\$ 1,641,643

(continued)

CONSOLIDATED STATEMENT OF CASH FLOWS(CONTINUED)

for the year ended December 31, 2002

	Korean Won (In millions)	Translation into US Dollars (Note 2) (In thousands)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease in trading securities	₩ 301,040	\$ 250,783
Net decrease in non operating assets	6,997	5,829
Net decrease in derivative instruments assets	82,044	68,347
Net decrease in operating lease assets	5,853	4,876
Net increase in investment securities	(1,693,864)	(1,411,083)
Net increase in loans	(16,029,402)	(13,353,384)
Acquisition of tangible assets	(124,490)	(103,707)
Increase in intangible assets	(30,845)	(25,696)
Increase in leased assets	(6,497)	(5,412)
Net cash used in investing activities	(17,489,164)	(14,569,447)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in deposits	9,585,171	7,984,980
Net increase in borrowings in local currency	1,106,341	921,644
Net increase in borrowings in foreign currencies	280,577	233,736
Net increase in call money	315,032	262,439
Net increase in debentures in local currency	5,254,842	4,377,576
Net increase in debentures in foreign currencies	377,149	314,186
Increase in borrowings - others	2,864	2,386
Issuance of new shares	260,430	216,953
Net decrease bonds sold under repurchase agreements	(924,362)	(770,045)
Net decrease in bills sold	(272,047)	(226,630)
Net decrease in due to BOK in foreign currencies	(181,924)	(151,553)
Acquisition of subsidiaries' treasury stocks	(9,282)	(7,732)
Net decrease in minority interests	(45,046)	(37,526)
Net cash provided by financing activities	15,749,745	13,120,414
DECREASE IN CASH DUE TO CHANGE IN THE SCOPE OF CONSOLIDATION	(95,247)	(79,346)
NET INCREASE IN CASH AND DUE FROM BANKS	135,962	113,264
CASH AND DUE FROM BANKS, BEGINNING OF YEAR (Note 20)	6,432,890	5,358,955
CASH AND DUE FROM BANKS, END OF YEAR (Note 20)	₩ 6,568,852	\$ 5,472,219

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

1. GENERAL:

(1) Woori Finance Holdings Co., Ltd.

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 (hereafter 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 now has four 2nd-tier subsidiaries. On establishment, the Company's common stock amounted to ₩3,637,293 million (\$3,030,067 thousand), consisting of 727,459,000 common shares (₩ 5,000 per share) issued and outstanding. However as a result of several capital increases since establishment, the Company's common stock amounted to ₩3,839,074 million (\$3,198,162 thousand), consisting of 767,814,797 common shares issued and outstanding as of December 31, 2002. On June 24, 2002, the Company listed its common shares on the Korea Stock Exchange through a public offering at a price of ₩6,800 per share, which included 36 million new shares and 54 million issued shares. The KDIC owned 673,458,609 (87.7%) shares of the Company's common shares as of December 31, 2002.

In response to general unstable economic conditions, the Korean government and the private sector have been implementing structural reforms to historical business practices. Implementation of these reforms is progressing slowly, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The Company may be either directly or indirectly affected by these general unstable economic conditions and the reform program described above. The accompanying consolidated financial statements reflect management's assessment of the impact to date of the economic situation on the financial position of the Company. Actual results may differ materially from management's current assessment.

(2) Consolidated subsidiaries

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

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 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 ₩2,764,400 million (\$2,302,899 thousand), consisting of 552,880,000 common shares issued and outstanding as of December 31, 2002. Woori Bank is

wholly owned by the Company. The head office of Woori Bank is located in Seoul, Korea. Woori Bank has 675 branches or offices in Korea and overseas.

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, 2002, Kyongnam Bank's common stock amounted to ₩259,000 million (\$215,761 thousand), consisting of 51,800,043 shares of common stock 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 127 branches or 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, 2002, its common stock amounted to ₩170,403 million (\$141,955 thousand), consisting of 34,080,517 common shares issued and outstanding. The Company owns 99.99% of Kwangju Bank. Its head office is located in Kwangju City, Korea. Kwangju Bank has 112 domestic branches or offices in Korea.

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. In connection with the infusion of public funds, WCC and the KDIC have entered into an Agreement on the Implementation of the Business Plan. 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. As of December 31 2002, WCC's common stock amounted to ₩1,173,000 million (\$977,174 thousand), consisting of 234,600,000 shares of common stock issued and outstanding. WCC is wholly owned by the Company. The head office of WCC is located in Seoul, Korea.

Woori Investment Bank ("WIB", formerly Hanaro Investment Bank) was established with an initial capital of ₩30,000 million (\$24,992 thousand, 6,000,000 common shares issued), which was provided by the KDIC, on November 3, 2000, and initiated merchant bank services upon obtaining approval from the Financial Supervisory Commission on November 10, 2000. As of November 21, 2000, in accordance with the Financial Supervisory Commission's directive, WIB took over ₩2,490,200 million (\$2,074.5 million) of assets and ₩5,462,900 million (\$4,550.9 million) of lia-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

bilities from four merchant banks (Yeungnam Merchant Banking Corp., Central Banking Corp., Korea Merchant Banking Corp. and H&S Investment Bank Corp.) considered as distressed financial institutions. In connection with the infusion of public funds, WIB and the KDIC have entered into an Agreement on the Implementation of the Business Plan. On September 1, 2001, WIB changed its name from Hanaro Investment Bank to Woori Investment Bank. As of December 31, 2002, WIB's common stock amounted to ₩2,491,200 million (\$2,075,308 thousand), consisting of 498,240,000 shares issued and outstanding. WIB is wholly owned by the Company. The head office and three branches of WIB are located in Seoul, Korea.

Woori Finance Information System Co., Ltd. ("WFIS", formerly Hanviteun System Co., Ltd.) 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, 2002, its common stock amounted to ₩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.

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, 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, 2002, its common stock amounted to ₩10,000 million (\$8,331 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.

Woori First Asset Securitization Specialty Co., Ltd. ("WASS1") was established on November 16, 2001 under the Act on Asset-Backed Securitization of the Republic of Korea as a special purpose company. WASS1 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, WCC, Kyongnam Bank, Kwangju Bank and WIB. WASS1 changed its contractor in connection with the asset management and other activities from WAMC (currently "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, 2002, its common stock amounted to ₩10 million (\$8 thousand), consisting

of 2,000 shares issued and outstanding. The Company owns 95% of WASS1. The office of WASS1 is located in Seoul, Korea.

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 WAMC (currently "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, 2002, its common stock amounted to ₩10 million (\$8 thousand), consisting of 2,000 shares issued and outstanding. The Company owns 95% of WASS2. The office of WASS2 is located in Seoul, Korea.

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 WAMC (currently "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, 2002, its common stock amounted to ₩10 million (\$8 thousand), consisting of 2,000 shares issued and outstanding. WASS3 is wholly owned by the Company. The office of WASS3 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 the group's functional restructuring, on March 29, 2002, the Company purchased the entire common stock of WITM from Woori Bank and incorporated WITM as 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, 2002, its common stock amounted to ₩30,000 million (\$24,992 thousand) consisting of 6,000,000 shares issued and outstanding. WITM is wholly 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 the group's functional restructuring, as of July 29, 2002, the Company acquired 40.2% (13,250,570 shares) of common stocks of Woori Securities from Woori Bank and Woori Securities has become 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, 2002, its common stock amounted to ₩164,782 million (\$137,273 thousand), consisting of 32,956,413 shares issued and outstanding. The

Company owns 40.2% of Woori Securities' common shares. The head office of Woori Securities is located in Seoul, Korea. Woori Securities has 46 branches or offices in Korea.

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, 2002, the common stock of WCI amounted to ₩5,040 million (\$4,199 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 12 branches or offices in Korea.

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. As of December 31, 2002, its common stock amounted to \$35,000 thousand consisting of 7,000,000 shares issued and outstanding and is wholly owned by Woori Bank.

P.T. 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 P.T. Bank Woori Indonesia on May 20, 2002. As of December 31, 2002, its common stock amounted to IDR 170,000 million, consisting of 1,700 shares issued and outstanding. Woori Bank owns 81.6% of BWI.

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 a split off from WAMC (currently 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 WASS1, WASS2, WASS3, Woori LB First Asset Securitization Specialty Co., Ltd. As of December 31, 2002, its common stock amounted to ₩4,000 million (\$3,332 thousand), consisting of 800,000 shares issued and outstanding. WF&I and LB Luxembourg own 51% and 49%, respectively, of WCAAMC. The office of WCAAMC is located in Seoul, Korea.

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

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

(*1) Woori Third Asset Securitization Specialty Co., Ltd. and Woori CA Asset Management Co., Ltd. have been included in the consolidated subsidiaries for the first time for the year ended December 31, 2002.

(*2) The Company acquired common shares of Woori Investment Trust Management Co., Ltd. and Woori Securities Co., Ltd. from Woori Bank on March 29, 2002 and July 29, 2002, respectively. As a result, those companies have become subsidiaries of the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

The Company's consolidated subsidiaries as of December 31, 2001 are summarized as follows:

Parent company	Subsidiaries	Number of shares owned	Percentage of ownership (%)
Woori Finance Holdings Co., Ltd.	Woori Bank	552,880,000	100.0
"	Kyongnam Bank	51,800,000	99.9
"	Kwangju Bank	34,080,000	99.9
"	Woori Credit Card Co., Ltd.	234,600,000	100.0
"	Woori Investment Bank	498,240,000	100.0
"	Woori Finance Information System Co., Ltd. (*1)	900,000	100.0
"	Woori F & I Co., Ltd.	2,000,000	100.0
"	Woori First Asset Securitization Specialty Co., Ltd.	1,900	95.0
"	Woori Second Asset Securitization Specialty Co., Ltd.	1,900	95.0
Woori Bank and Kyongnam Bank	BC Card Co., Ltd. (*2)	1,393,920	31.7
Woori Bank	Woori Securities Co., Ltd.	13,250,570	40.2
"	Woori Investment Trust Management Co., Ltd.	6,000,000	100.0
"	Woori Credit Information Co., Ltd.	1,008,000	100.0
"	Woori America Bank	5,500,000	100.0
"	P.T. Bank Woori Indonesia	1,387	81.6
Woori Investment Bank	Central Telecom Capital Corp. (*3)	3,000,001	50.0

(*1) The Company acquired common shares of Woori Finance Information System Co., Ltd., which were previously owned by Woori Bank. As a result, WFIS has become a subsidiary of the Company.

(*2) Woori Bank and Kyongnam Bank owned 29.7% and 2.0%, respectively, of the common stock of BC Card Co., Ltd. as of December 31, 2001. However, Woori Bank sold 90,000 shares (2%) of its investment shares in BC Card Co., Ltd. for ₩2,250 million on August 20, 2002. As a result, BC Card has been included in the entities accounted for using the equity method as of December 31, 2002.

(*3) Central Telecom Capital Corp. was excluded from the consolidation as of December 31, 2002, since all of its shares owned by Woori Investment Bank were sold to KT Solutions Co., Ltd. on December 30, 2002.

The trust accounts, which the banks guarantee a fixed rate of return and the repayment of principal, are included in the consolidated financial statements as of December 31, 2002, pursuant to banking regulations promulgated by the Financial Supervisory Commission in the Republic of Korea.

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

General information pertaining to the entities accounted for by using the equity method is as follows:

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, 2002, its common stock amounted to ₩44,000 million (\$36,654 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.

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, 2002, its common stock amounted to ₩8,000 million (\$6,664 thousand), consisting of 1,600,000 shares issued and outstanding. Woori Bank owns 22% of KFS. The head office of KFS is located in Seoul, Korea.

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. WLBASS1 made a contract with WCAAMC to appoint WCAAMC as operational trustee and asset manager and to entrust management of securitization assets. As of December 31, 2002, common stock of WLBASS1 amounted to ₩8,000 million (\$6,664 thousand), consisting of 1,600,000 shares issued and outstanding. WF&I and LB Luxembourg own 30% and 70%, respectively, of WLBASS1. The office of WLBASS1 is located in Seoul, Korea.

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. WLBASS2 made a contract with WCAAMC to appoint WCAAMC as operational trustee and asset manager and to entrust management of securitization assets. As of December 31, 2002, common stock of WLBASS2 amounted to ₩2,300 million (\$1,916 thousand), consisting of 460,000 shares issued and outstanding. WF&I and LB Luxembourg own 30% and 70%, respectively, of WLBASS2. The office of WLBASS2 is located in Seoul, Korea.

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. WLBASS3 made a contract with WCAAMC to appoint WCAAMC as operational trustee and asset manager and to entrust management of securitization assets. As of December 31, 2002, common stock of WLBASS3 amounted to ₩6,900 million (\$5,748 thousand), consisting of 1,380,000 shares issued and outstanding. WF&I and LB Luxembourg own 30% and 70%, respectively, of WLBASS3. The office of WLBASS3 is located in Seoul, Korea.

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. WLBASS4 made a contract with WCAAMC to appoint WCAAMC as operational trustee and asset manager and to entrust management of securitization assets. As of December 31, 2002, common stock of WLBASS4 amounted to ₩7,200 million (\$5,998 thousand), consisting of 1,440,000 shares issued and outstanding. WF&I and LB Luxembourg own 30% and 70%, respectively, of WLBASS4. The office of WLBASS4 is located in Seoul, Korea.

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

Investor	Investee	Number of shares owned	Percentage of ownership (%)
Woori Bank and Kyongnam Bank	BC Card Co., Ltd.	1,303,920	29.7
Woori Bank	Korea Finance Security Co., Ltd.	351,960	22.0
Woori F&I	Woori LB First Asset Securitization Specialty Co., Ltd.	480,000	30.0
	Woori LB Second Asset Securitization Specialty Co., Ltd.	138,000	30.0
	Woori LB Third Asset Securitization Specialty Co., Ltd.	414,000	30.0
	Woori LB Fourth Asset Securitization Specialty Co., Ltd.	432,000	30.0

The entities accounted for using the equity method by the subsidiaries of the Company as of December 31, 2001 are summarized as follows:

Investor	Investee	Number of shares owned	Percentage of ownership (%)
Woori Bank	Korea Finance Security Co., Ltd.	351,960	22.0
Kyongnam Bank	Kyongnam Leasing Co., Ltd. (*1)	1,761,419	24.3

(*1) Kyongnam Leasing Co., Ltd. was not accounted for using the equity method as of December 31, 2002, since all of its shares owned by Kyongnam Bank were sold to the Military Mutual Aid Association on February 6, 2002.

(4) Subsidiaries excluded from consolidation and not accounted for using the equity method

The Company's subsidiaries not accounted for using the equity method as of December 31, 2002 and 2001 are summarized as follows:

Investor	Investee	Number of shares owned	Percentage of ownership (%)
Woori Credit Card Co., Ltd.	NexBITec Co.	102,000	50.5
Woori Investment Bank	AB Capital Markets H.K.	9,999,999	100.0

NexBITec Co. was established on February 28, 2000 and is engaged in the business of financial computerization of financial institutions. As of December 31, 2002, its common stock amounted to ₩1,010 million (\$841 thousand), consisting of 202,000 shares issued and outstanding. NexBITec Co. was not consolidated and accounted for using the equity method in accordance with the Rules for Preparation of Consolidated Financial Statements, since total assets were lower than ₩7,000 million at the end of 2001 and 2000, and the effect of applying the equity method would not be material. In addition, AB Capital Markets H.K. was not consolidated and accounted for using the equity method in accordance with the Rules for Preparation of Consolidated Financial Statements, since it is under liquidation as of December 31, 2002 and 2001.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

_ for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES :

Basis of Consolidated Financial Statement Presentation

The Company 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 consisting of the Financial Accounting Standards, Banking Accounting Standards, the Rules for Preparation of Consolidated Financial Statements and banking regulations promulgated by the Financial Supervisory Commission in the Republic of Korea. Certain accounting principles applied by the Company that conform with the accounting principles generally accepted in the Republic of Korea may not conform with accounting principles generally accepted in other countries. Accordingly, the accompanying financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been restructured and translated into English from the Korean language financial statements. Some supplementary information included in the Korean language financial statements, but not required for a fair presentation of the Company and its subsidiaries' 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 the Korean won into US dollars based on the Base rate (₩1,200.40 to \$1.00 at December 31, 2002) published by Korea Financial Telecommunications & Clearings Institute solely for the convenience of the reader. The 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.

Significant accounting policies followed in preparing the accompanying consolidated financial statements are summarized below. Certain accounts of the subsidiary companies are reclassified for consolidation purposes.

Accounting for consolidation

Investment and Equity Account Elimination and Inter-company Transaction Elimination

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 cost 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 cost and net assets acquired are credited or charged to capital surplus. If the acquisition date is not the year-end balance sheet date of subsidiaries, the closest year-end date to the acquisition date is regarded as the acquisition date. All significant inter-company transactions are eliminated in the consolidated financial statements.

Oversea consolidated subsidiaries' financial statements' conversion rate

The Korean won amounts presented in the financial statements of the oversea consolidated subsidiaries were computed by translating US dollar into Korean won based on the Base rate (\$1.00 to ₩1,200.40 and ₩1,326.10 at December 31, 2002 and 2001, respectively) published by the Korea Financial Telecommunications & Clearings Institute and cross rates.

Equity Method

For investments in affiliates accounted for using the equity method, the difference between acquisition cost 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's portion of net assets of affiliates accounted for using the equity method 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 (loss), changes in retained earnings of the affiliates are reflected in the consolidated retained earnings account 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.

Details of valuation of investment equity securities accounted for using the equity method as of December 31, 2002 are as follows (unit: Won in millions):

	Acquisition Cost	Beginning Balance	Gain (Loss) on Valuation	Other Changes	Ending Balance
BC Card Co., Ltd.	₩ 12,472	₩ 39,395	₩ 7,942	₩ (4,724) (*1)	₩ 42,613
Korea Finance Security Co., Ltd.	1,452	1,878	550	172 (*2)	2,600
Woori LB First Asset Securitization Specialty Co., Ltd.	2,400	2,400	7,653	(34) (*3)	10,019
Woori LB Second Asset Securitization Specialty Co., Ltd.	690	690	(32)	-	658
Woori LB Third Asset Securitization Specialty Co., Ltd.	2,070	2,070	(67)	-	2,003
Woori LB Fourth Asset Securitization Specialty Co., Ltd.	2,160	2,160	(79)	-	2,081
	₩ 21,244	₩ 48,593	₩ 15,967	₩ (4,586)	₩ 59,974

(*1) Composed of capital adjustment (losses on valuation of investment securities) of ₩1,777 million (\$1,480 thousand), gains on prior period adjustment of ₩1,235 million (\$1,029 thousand), dividends received amounting to ₩1,672 million (\$1,393 thousand), and decreases resulting from disposition amounting to ₩2,510 million (\$2,091 thousand).

(*2) Composed of dividends received amounting to ₩35 million (\$29 thousand) and increase in retained earnings of ₩207 million (\$172 thousand).

(*3) Composed of losses on valuation of investment securities (capital adjustment) of ₩34 million (\$28 thousand).

Details of valuation of investment equity securities accounted for using the equity method as of December 31, 2001 are as follows (unit: Won in millions):

	Acquisition Cost	Beginning Balance	Gain (Loss) on Valuation	Other Change	Ending Balance
Korea Finance Security Co., Ltd.	₩ 1,452	₩ 1,716	₩ -	₩ 162 (*1)	₩ 1,878
Kyongnam Leasing Co., Ltd.	8,807	-	-	-	-
	₩ 10,259	₩ 1,716	₩ -	₩ 162	₩ 1,878

(*1) Increase in retained earning of ₩174 million (\$145 thousand) and loss on valuation of investment securities of ₩12 million (\$10 thousand).

Date of the Consolidated Financial Statements

Consolidated financial statements were prepared on December 31, 2002 and 2001, the balance sheets date of the Company. In case the balance sheet dates of affiliates differ from the Company, the Company used the balance sheets of affiliates as of December 31, 2002 and 2001 and the related consolidated statements of income for the period ended December 31, 2002 and 2001.

Minority Interests

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

Valuation of Trading Securities

Trading equity and debt securities are stated at acquisition costs plus incidental expenses, cost determined by the individual moving average method. If the fair value of trading securities differs from the book value, trading securities are stated at fair value and the valuation gains or losses are reflected in current operations.

Valuation of Investment Securities

Equity Securities

Equity securities held for investments (excluding those of affiliates and subsidiaries) are stated at acquisition cost. Actively quoted (listed) securities, including those traded over-the-counter, are stated at fair value with a valuation gain or loss recorded as a capital adjustment. If the fair value of the listed equity security or the net equity value of an unlisted equity security held for investment declines compared to acquisition cost and is not expected to recover (impaired investment security), the value of the equity security is adjusted to fair value (for a listed security) or net equity value (for an unlisted security), with the valuation loss charged to current operations.

The investment in the Stock Market Stabilization Fund (SMSF) is stated at fair value with the valuation gain or loss credited or charged to current operations. The stocks distributed by SMSF are recorded as trading or securities held for investment at fair value and treated as a return of investment. Cash distributed by SMSF as dividends or as a return of investment equity are also treated as a return of investment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Debt Securities

Debt securities held for investment are classified as either held-to-maturity investment debt securities or available-for-sale investment debt securities at the time of purchase. Investments in debt securities of the types indicated below are classified as available-for-sale investment debt securities.

- ① All held-to-maturity investment debt securities if some portion was sold during the current period
- ② Securities obliged to be sold before maturity by legal regulations
- ③ Securities accounted for as investment securities impairment loss

Held-to-maturity investment debt securities are stated at acquisition cost, as determined by the individual moving average method. When the face value of a held-to-maturity investment debt security differs from its acquisition cost, the effective interest method is applied to amortize the difference over the remaining term of the security. Available-for-sale investment debt securities are stated at fair value, with resulting valuation gains or losses recorded as a capital adjustment. If fair value of a held-to-maturity or a available-for-sale investment debt security declines compared to the acquisition cost and is not expected to recover (impaired investment security), the carrying value of the debt security is adjusted to fair value with resulting valuation loss charged to current operations.

Gain or Loss on Valuation of Investment Securities

The net unrealized gain or loss, except for gain or loss on valuation of investment equity in SMSF and gain or loss on valuation using equity method, is presented as gain or loss on valuation of investment securities in capital adjustments. An unrealized valuation gain or loss of investment securities incurred in subsequent periods is deducted from or added to the previous balance of unrealized valuation gain or loss of investment securities. When investment securities are sold, the unrealized valuation gain or loss of investment securities included in the capital adjustment account is added to or deducted from gain or loss on disposal. With respect to an impaired investment security, any unrealized valuation loss on the security previously included in the capital adjustment account is reversed.

Recovery of Impaired Investment Securities

The recovery of previously impaired investment securities is accounted for as follows: for marketable equity securities and available for sale

debt securities, the recovery is recorded in current operations up to the amount of the previously recognized impairment loss and any excess is recorded as capital adjustment. For unlisted equity securities, the recovery is recorded in current operations up to the amount of previously recognized impairment loss. For held-to-maturity debt securities: when an impairment loss is recognized on held-to-maturity debt securities, they are reclassified to available for sale. Therefore, the recovery is recorded in current operations up to the amount of the previously recognized impairment loss and any excess is recorded as capital adjustment.

Reclassification of Securities

If the objectives of the Company and its subsidiaries change, a trading security can be reclassified to investment securities, but only as of a balance sheet date. The difference between the fair value of the security as of the balance sheet date and the book value is recognized as gain or loss on valuation of trading securities and credited or charged to current operations. Investment securities cannot be reclassified as trading securities.

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.

Allowance for Possible Losses on Credits

The Company classifies 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 subsidiaries classify all credits to a single borrower in the same category of classification, but credits guaranteed or credits collateralized by bank deposits, real estate and other assets may be classified differently based on the borrowers' guarantor's capability to service such guarantee or based on the value of collateral securing such credits.

The 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, 2002 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%

From December 31, 2002, the minimum percentages of allowances for possible loan losses applied by the Company and its subsidiaries for loans to households and for credit card accounts were raised from 0.5 percent to 0.75 percent and 1 percent, respectively, for loans classified as normal; from 2 percent to 8 percent and 12 percent, respectively, for loans classified as precautionary; and from 50 percent to 55 percent and 60 percent, respectively, for loans classified as doubtful. As the result of the changes described above, additional allowances for possible loan losses amounting to ₩87,979 million (\$73,291 thousand) were provided and consequently, the consolidated net income before tax decreased by the same amount for the year ended December 31, 2002. These percentages are mandated by the Regulation on Supervision established by Financial Supervisory Service. The Company and its subsidiaries complied with the regulation.

Confirmed acceptances and guarantees are classified as of the balance sheet dates using the same criteria as for loan classification. An allowance is then calculated, using 20 percent for substandard, 50 percent for doubtful and 100 percent for loss. No allowance is provided for those confirmed acceptances and guarantees classified as normal and precautionary. The allowance for possible losses on confirmed acceptances and guarantees is presented in other liabilities.

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

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.

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.

Tangible Assets and Depreciation

Tangible assets included in fixed assets are recorded at 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.

Intangible Assets

Intangible assets included in fixed assets are recorded at the production cost or purchase 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 donates assets such as buildings to government or 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.

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.

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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.

Amortization of Discount (Premium) on Debentures

Discount or premium on debentures issued is amortized over the period from issuance to maturity using the effective interest rate method. Amortization of discount or premium is recognized as interest expense or interest income on the debentures.

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 amount to be paid for employees is calculated based on the average wages for 30 days for their one-year service while for the directors is based on a different regulation of the Company. The accrued severance benefits that would be payable assuming all eligible employees and directors were to resign as of December 31, 2002 and 2001 amount to ₩133,996 million (\$111,626 thousand) and ₩59,480 million (\$49,550 thousand), respectively.

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.

Accounting for Derivative Instruments

Derivative instruments are classified as used for trading activities or for hedging activities according to their transaction purpose. All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations. The accounting for derivative transactions that are part of a qualified hedge 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.

Income Tax Expense

Income tax expense is the amount currently payable for the period added to or deducted from the changes in deferred income taxes. 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.

Accounting for Foreign Currency Transactions and Translation

The Company and its subsidiaries maintain their accounts in Korean won. Transactions in foreign currency are recorded in Korean won based on the prevailing rate of exchange on the transaction date. The Korean won equivalent of assets and liabilities denominated in foreign currency are translated in these consolidated financial statements based on Base Rate published by Korea Financial Telecommunications & Clearings Institution (₩1,200.40 and ₩1,326.10 to \$1.00 at December 31, 2002 and 2001, respectively) or cross rates as of the balance sheets date. Translation gains and losses on foreign currency denominated assets and liabilities are credited or charged to operations.

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.

Accounting for Guaranteed Trust Accounts

Certain trust accounts, which the bank guarantees a fixed rate of return on and/or the repayment of principal, are accounted for as follows:

Debt securities are recorded at fair value or present value of future cash flows using yields published by independent securities valuation institutions or yields disclosed by Korea Securities Computer Corp. (KOSCOM). However, debt securities not being subject to yields described above or dishonored debt securities are recorded at values based on the valuation of Market Price Valuation Meeting.

Stocks are stated at acquisition cost determined by the individual moving average method plus incidental expenses. Stocks that are traded on the Korea Stock Exchange or Korea Securities Dealers Automated Quotation are stated at fair value. Unlisted stocks are stated at acquisition cost.

An allowance for possible losses on assets, which are managed in unspecified trust accounts but not recorded at fair value, is provided based on asset quality classification criteria of the bank accounts reflecting the asset quality classification criteria regulated by the Korea Financial Supervisory Services. The assets are classified as of the balance sheet dates as normal, precautionary, substandard, doubtful, or loss. An allowance is then calculated on the category balances using the prescribed percentages of not less than zero percent (not less than 0.5 percent for trust accounts, which the bank account guarantees a fixed rate of return), not less than 2 percent, not less than 20 percent, not less than 50 percent, and 100 percent, respectively.

Earnings Per Common Share

Basic consolidated ordinary income per common share and basic consolidated net income per common share are computed by dividing the consolidated ordinary income (after deducting the tax effect) and consolidated net income, respectively, by the weighted average number of common shares outstanding during the year. The number of shares used in computing earnings per share was 749,383,489 and 727,458,609 in 2002 and 2001,

Exercisable common stock as of December 31, 2002 is as follows:

Item	Face value (In millions)	Exercise period	Common stock to be issued	Remarks
Warrants	₩ 44,899	By 2003.6.16.	8,979,716 shares	Exercise price: 1 share per face value ₩5,000 of bonds; ₩5,000 paid in cash upon exercise
Convertible Bonds	US\$ 36	2002.10.28 ~2005.8.27	5,914,180 shares	Conversion rate of ₩1,201.4
Convertible Bonds	US\$ 16	2003.1.21 ~2005.11.20	3,481,173 shares	Convert 1 share with ₩7,313 Conversion rate of ₩1,215.8
Stock options	-	2005.12.5 ~2008.12.4	1,560,000 shares	Convert 1 share with ₩5,588 (Note 16)

Change in Financial Accounting Standards

From 2002, pursuant to the Regulation on Supervisory of Banking Institutions, the Company and its subsidiaries began to record banker's usage transactions in the financial statements as "loans in foreign currencies" and "borrowings in foreign currencies". Previously, these transactions were recorded off the financial statements. Accordingly, there was an increase in loans in foreign currencies and borrowings in foreign currencies amounting to ₩906,659 million (\$755,297 thousand) as of December 31, 2002. There was an

	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)		(In thousands)	
Consolidated net income on common shares	₩ 591,588	₩ 686,287	\$ 492,826	\$ 571,715
Extraordinary gain (loss)	-	-	-	-
Income tax effect on extraordinary gain (loss)	-	-	-	-
Consolidated operating income on common shares	₩ 591,588	₩ 686,287	\$ 492,826	\$ 571,715

Diluted consolidated ordinary income per common share and diluted consolidated net income per common share are computed by dividing the diluted consolidated ordinary income and diluted consolidated net income by the sum of the weighted average number of common shares and the number of dilutive potential common shares from dilutive securities, which is 750,115,437 shares outstanding for the year ended December 31, 2002. Stock warrants right is assumed to be exercised at the beginning of the year and since the annual average stock price (₩5,342) is below the conversion or exercise price of the convertible bonds and stock options, there is no dilution effect. On the other hand, there was no annual average stock price in 2001, thus the number of the dilutive potential common shares from dilutive securities was not computed.

increase in loans in foreign currency and borrowings in foreign currency amounting to ₩1,296,349 million (\$1,709,136 thousand) as of December 31, 2001.

Consolidated Statement of Cash Flows

Pursuant to the Consolidated Financial Statement Standards, the Company did not prepare the statement of cash flows for the period from March 27, 2001 (inception) to December 31, 2001.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

3. RESTRICTED DUE FROM BANKS:

Restricted due from banks as of December 31, 2002 and 2001 consisted of:

Financial institution	Korean Won		US Dollars (Note 2)		Reason of restriction
	2002	2001	2002	2001	
	(In millions)		(In thousands)		
Due from banks in local currency					
Bank of Korea	₩ 2,016,060	₩ 937,425	\$ 1,679,490	\$ 780,927	Banking Law
Korea Stock Exchange and others	7,392	134,493	6,158	112,040	Indemnity fund and other
Korea Securities Finance Corporation and others	118,234	118,358	98,496	98,599	Subscription and other
Samsung Life Insurance Co. and others	-	81,654	-	68,023	Severance payment
Korea Life Insurance Co., Ltd. and others	75,076	-	62,542	-	Severance payment
Hanareum Banking and others	8,987	48,140	7,487	40,103	Restructuring of merchant banks
KB and others	-	17,459	-	14,544	Collateral for guarantees and other
Others	373	-	311	-	
	2,226,122	1,337,529	1,854,484	1,114,236	
Due from banks in foreign currencies					
Bank of Korea and others	282,897	149,211	235,669	124,301	Banking Law
Bank of Japan	1,086	-	905	-	Reserve deposits on oversea banks
Lehman Brothers.	88,881	134,402	74,043	111,965	Collateral for credit derivatives
Bank of Indonesia and others	4,785	9,544	3,986	7,951	Reserve deposits
Bangladesh Bank and others	17,406	13,261	14,500	11,047	Reserve deposits on oversea banks
Bank of Tokyo and others	-	17,046	-	14,200	Swaps
	395,055	323,464	329,103	269,464	
	₩ 2,621,177	₩ 1,660,993	\$ 2,183,586	\$ 1,383,699	

4. COLLATERALIZED ASSETS :

Collateralized assets as of December 31, 2002 consisted of:

Financial Institution	Collateralized assets	Korean Won		US Dollars (Note 2)		Reason of Collateral
		(In millions)		(In thousands)		
Bank of Korea	Securities and loans	₩ 4,529,497		\$ 3,773,323		Collateral borrowings, settlement risk and repurchase transactions
Deutsche Bank H.K.	Securities	1,009,800		841,220		Borrowings in foreign currency
Korea Industrial Bank and others	Securities and leased assets	32,718		27,256		RP transactions, Borrowings
Lehman Brothers and others	Due from banks and securities	562,304		468,431		Trading credit derivatives
KAMCO	Securities	238,955		199,063		Non-performing management fund
Samsung Futures Trading Co. and others	Securities	38,355		31,952		Futures maintenance margin
Peace First Securitization Specialty Co., Ltd.	Securities	15,797		13,160		Credit maintenance
Korea Stock Exchange and others	Securities	25,335		21,105		Index futures
FRB and other	Securities	6,282		5,233		Guarantee for FRB Discount
Dongwon Securities Co., Ltd.	Securities	35,800		29,823		Window and others
KB	Other guarantees	358,338		298,515		Futures maintenance margin
Goldman Sachs	Due form bank	71,027		59,169		ABS issuance
Nova Scotia Bank	Securities	45,000		37,488		Trading credit derivatives
Sumimoto Bank	Securities	15,000		12,496		Borrowings in foreign currency
Mishimoto Bank	Securities	38,000		31,656		Borrowings in foreign currency
Express Bank	Securities	15,000		12,496		Borrowings in foreign currency
Customer	Securities	260,000		216,594		Guarantee for RP
		₩ 7,297,208		\$ 6,078,980		

5. TRADING SECURITIES :

Trading securities as of December 31, 2002 and 2001 consisted of:

	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)		(In thousands)	
Equity securities	₩ 64,805	₩ 98,301	\$ 53,986	\$ 81,890
Government and public bonds	691,507	550,816	576,064	458,861
Finance debentures	845,419	1,163,794	704,281	969,505
Corporate bonds	849,810	944,032	707,939	786,431
Beneficiary certificates	305,625	416,329	254,603	346,825
Trading securities in foreign currencies	84,278	2,130	70,208	1,775
Others	102,356	42,480	85,268	35,388
	₩ 2,943,800	₩ 3,217,882	\$ 2,452,349	\$ 2,680,675

6. INVESTMENT SECURITIES :

Investment securities as of December 31, 2002 and 2001 consisted of:

	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)		(In thousands)	
Investment equity securities	₩ 953,690	₩ 918,250	\$ 794,477	\$ 764,953
Government bonds	1,830,716	1,974,816	1,525,088	1,645,132
Local government bonds	91,940	198,833	76,591	165,639
Finance debentures	4,839,957	3,701,402	4,031,954	3,083,474
Corporate bonds	11,996,415	12,168,098	9,993,681	10,136,703
Beneficiary certificates	1,799,517	1,157,925	1,499,098	964,616
Investment securities in foreign currencies (Note 23)	1,472,814	1,201,237	1,226,936	1,000,697
Others (Note 23)	523,660	485,890	436,238	404,773
	₩ 23,508,709	₩ 21,806,451	\$ 19,584,063	\$ 18,165,987

7. LOANS :

Loans as of December 31, 2002 and 2001 consisted of:

	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)		(In thousands)	
Loans in local currency	₩ 59,730,472	₩ 40,766,369	\$ 49,758,807	\$ 33,960,654
Loans in foreign currencies	6,870,832	6,417,470	5,723,785	5,346,110
Bills bought in local currency	375,347	571,337	312,685	475,955
Bills bought in foreign currencies	3,339,736	3,092,256	2,782,186	2,576,021
Advances for customers	174,115	309,056	145,048	257,461
Credit card accounts	3,386,753	4,885,141	2,821,354	4,069,594
Bonds purchased under resale agreements	25,564	2,763,449	21,296	2,302,107
Call loans	605,052	962,880	504,042	802,133
Privately placed bonds	274,926	530,382	229,029	441,838
Factoring receivables	506,813	-	422,203	-
Loans to be converted to equity securities	57,516	603,606	47,914	502,837
Direct financing lease investment	242,561	293,031	202,067	244,111
Others (Note 23)	784,208	2,466,021	653,289	2,054,333
	76,373,895	63,660,998	63,623,705	53,033,154
Allowance for possible loan losses	(2,712,499)	(3,734,354)	(2,259,663)	(3,110,925)
Present value discounts	(57,283)	(50,446)	(47,720)	(42,024)
	₩ 73,604,113	₩ 59,876,198	\$ 61,316,322	\$ 49,880,205

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

8. ALLOWANCE FOR POSSIBLE LOAN LOSSES :

The allowance for possible loan losses as of December 31, 2002 and 2001 consisted of:

	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)		(In thousands)	
Loans in local currency	₩ 1,051,569	₩ 961,683	\$ 876,016	\$ 801,136
Loans in foreign currencies	408,953	275,293	340,681	229,334
Bills bought in local currency	5,522	88,327	4,600	73,581
Bills bought in foreign currencies	145,712	81,899	121,386	68,227
Advances for customers	64,902	130,305	54,067	108,551
Credit card accounts	213,302	79,185	177,693	65,966
Call loans	-	142,400	-	118,627
Privately placed bonds	12,231	119,039	10,189	99,166
Loans to be converted to equity securities	-	4,933	-	4,110
Direct financing lease investment	3,610	22,072	3,007	18,387
Others (Note 23)	806,698	1,829,218	672,024	1,523,840
	₩ 2,712,499	₩ 3,734,354	\$ 2,259,663	\$ 3,110,925

9. FIXED ASSETS :

(1) Tangible assets as of December 31, 2002 and 2001 consisted of:

	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)		(In thousands)	
Land	₩ 1,316,866	₩ 1,364,052	\$ 1,097,023	\$ 1,136,331
Buildings	919,878	931,037	766,310	775,606
Equipment and furniture	653,165	856,691	544,123	713,671
Construction in process	4,107	4,995	3,421	4,161
Others	95,957	85,715	79,937	71,406
	2,989,973	3,242,490	2,490,814	2,701,175
Less: Accumulated depreciation	(640,235)	(848,626)	(533,352)	(706,953)
	₩ 2,349,738	₩ 2,393,864	\$ 1,957,462	\$ 1,994,222

(2) Intangible assets as of December 31, 2002 and 2001 consisted of the followings:

	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)		(In thousands)	
Goodwill				
Woori Finance Holdings Co., Ltd. (*1)	₩ 331,147	₩ 371,872	\$ 275,864	\$ 309,790
Woori Bank and its subsidiaries	-	2,240	-	1,866
Woori Securities	325	-	270	-
	331,472	374,112	276,134	311,656
Negative Goodwill				
Woori Finance Holdings Co., Ltd. (*2)	(41)	(6,078)	(34)	(5,063)
Other intangible assets	107,361	61,157	89,438	50,947
	₩ 438,792	₩ 429,191	\$ 365,538	\$ 357,540

(*1) The difference of ₩391,834 million (\$326,420 thousand) between the acquisition cost and the book value of the subsidiaries' net assets acquired was classified as goodwill. Goodwill is amortized using the straight-line method over 20 years and the amortization for the year ended December 31, 2002 and accumulated amortization as of December 31, 2002 were ₩19,488 million (\$16,235 thousand) and ₩38,105 million (\$31,744 thousand), respectively. Also, there was a decrease of ₩22,582 million (\$ 18,812 thousand) due to the change in the price of Woori Bank's investment security.

(*2) The difference of ₩116 million (\$96 thousand) between the acquisition cost and the book value of the subsidiaries' net assets acquired was classified as negative goodwill. Negative goodwill is amortized using the straight-line method over 5 years and the amortization of ₩37 million (\$31 thousand) for the year ended December 31, 2002 were credited to current operations. The accumulated amortization as of December 31, 2002 was ₩75 million (\$62 thousand).

(3) Leased assets as of December 31, 2002 and 2001 were ₩6,497 million (\$5,413 thousand) and ₩643 million (\$536 thousand), respectively.

(4) Non-operating assets as of December 31, 2002 and 2001 were ₩1,156 million (\$963 thousand) and ₩8,153 million (\$6,792 thousand), respectively.

10. OTHER ASSETS :

Other assets as of December 31, 2002 and 2001 consisted of:

	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)		(In thousands)	
Guarantee deposits	₩ 1,286,486	₩ 1,293,022	\$ 1,071,714	\$ 1,077,159
Accounts receivable-other	1,509,050	1,703,715	1,257,123	1,419,289
Accrued income	676,775	662,990	563,791	552,308
Prepaid expenses	40,607	23,157	33,828	19,291
Deferred income tax assets (Note 18)	424,931	234,521	353,991	195,369
Account receivables on disposal of assets	9,675	5,060	8,060	4,215
Derivative instruments assets	307,848	185,252	256,455	154,325
Domestic exchange settlements debits	841,178	1,017,447	700,748	847,590
Operating lease assets	5,778	221,995	4,813	184,934
Sundry assets	443,294	573,432	369,289	477,701
	5,545,622	5,920,591	4,619,812	4,932,181
Present value discount	(123,745)	(46)	(103,087)	(38)
	₩ 5,421,877	₩ 5,920,545	\$ 4,516,725	\$ 4,932,143

11. DEPOSITS :

Deposits as of December 31, 2002 and 2001 consisted of:

	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)		(In thousands)	
Deposits in local currency	₩ 74,545,884	₩ 65,614,989	\$ 62,100,870	\$ 54,660,937
Deposits in foreign currencies	3,933,510	2,935,120	3,276,833	2,445,118
Certificates of deposit	437,994	782,108	364,873	651,540
	₩ 78,917,388	₩ 69,332,217	\$ 65,742,576	\$ 57,757,595

12. BORROWINGS :

Borrowings as of December 31, 2002 and 2001 consisted of:

	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)		(In thousands)	
Borrowings in local currency	₩ 6,156,397	₩ 5,206,770	\$ 5,128,621	\$ 4,337,529
Borrowings in foreign currencies	5,159,810	4,881,958	4,298,409	4,066,943
Bonds sold under repurchase agreements	1,548,517	2,472,879	1,290,001	2,060,046
Bills sold	71,446	343,493	59,519	286,149
Due to BOK in foreign currencies	10,561	192,485	8,798	160,350
Call money	890,019	574,987	741,435	478,996
Others	2,864	70,000	2,386	58,314
	₩ 13,839,614	₩ 13,742,572	\$ 11,529,169	\$ 11,448,327

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

13. DEBENTURES :

Debentures as of December 31, 2002 and 2001 consisted of:

	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)		(In thousands)	
Debentures in local currency	₩ 9,597,597	₩ 4,597,383	\$ 7,995,332	\$ 3,829,876
Less: Discounts	(683,690)	(607,726)	(569,552)	(506,270)
Debentures in foreign currencies	1,894,963	1,519,371	1,578,610	1,265,721
Less: Discounts	(15,938)	(17,495)	(13,277)	(14,574)
	₩ 10,792,932	₩ 5,491,533	\$ 8,991,113	\$ 4,574,753

14. OTHER LIABILITIES :

Other liabilities as of December 31, 2002 and 2001 consisted of:

	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)		(In thousands)	
Accrued severance benefits	₩ 133,996	₩ 59,480	\$ 111,626	\$ 49,550
Less: Transfer to National Pension	(76,504)	(32,663)	(63,732)	(27,210)
Allowance for possible losses on confirmed acceptances and guarantees	60,012	241,945	49,993	201,554
Other allowances	475,538	591,740	396,150	492,952
Borrowings from trust accounts	776,863	1,350,062	647,170	1,124,677
Foreign exchange remittance pending	349,277	153,017	290,967	127,472
Domestic exchange settlement credits	528,912	675,235	440,613	562,508
Accounts payable	661,392	894,182	550,976	744,904
Income tax payable	16,277	29,400	13,560	24,492
Accrued expenses	1,587,123	1,579,046	1,322,162	1,315,433
Unearned revenues	134,945	166,841	112,417	138,988
Deposits for letter of guarantees and others	136,948	146,472	114,085	122,019
Derivative liabilities	266,415	103,979	221,938	86,620
Deferred income tax liabilities	2,433	4,858	2,027	4,047
Liabilities incurred by agency relationship	280,179	234,635	233,405	195,464
Accounts for agency businesses	387,393	343,574	322,720	286,216
Sundry liabilities	257,634	538,498	214,623	448,599
	₩ 5,978,833	₩ 7,080,301	\$ 4,980,700	\$ 5,898,285

15. SHAREHOLDERS EQUITY :

(1) Common stock

The common stock issued by the Company as of December 31, 2002 and 2001 is summarized as follows.

	2002	2001
Authorized	2,400,000,000 shares	2,400,000,000 shares
Par value	₩ 5,000	₩5,000
Issued	767,814,797 shares	727,458,609 shares

The changes in the capital stock of the Company during the period from the establishment date to December 31, 2002 were as follows

(Unit: Won in millions):

Issuance date	Description	Number of shares issued	Capital stock	Paid-in capital in excess of par value
March 27, 2001	Establishment	727,458,609	₩ 3,637,293	₩ -
May, 2002	Exercise of warrants	165,782	829	-
June 12, 2002	Issue of new shares	36,000,000	180,000	58,646
June, 2002	Exercise of warrants	1,416,457	7,082	-
July, 2002	Exercise of warrants	2,070,958	10,355	-
August, 2002	Exercise of warrants	427,432	2,137	-
September, 2002	Exercise of warrants	271,023	1,355	-
October, 2002	Exercise of warrants	2,318	12	-
November, 2002	Exercise of warrants	1,312	7	-
December, 2002	Exercise of warrants	906	4	-
		767,814,797	₩ 3,839,074	₩ 58,646

(2) Minority interests

Losses of subsidiaries in excess of minority interests were charged to retained earnings (deficit), not to minority interests. The loss of subsidiary (Woori First Asset Securitization Specialty Co., Ltd.) in excess of minority interests as of December 31, 2002 and 2001 amounted to ₩6,594 million (\$5,493 thousand) and nil, respectively.

16. 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 standard exercise price (₩6,800 per share) regardless of the management performance target levels achieved. In addition, for the remaining 40 percent of the total number of stock options granted, the exercise price, which is ₩6,800 per share, will be split based on the Company's 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.

The summary of stock options granted as of December 31, 2002 is summarized as follows:

Description	The Company	Subsidiaries	Total
Exercisable number of shares	450,000 shares	1,110,000 shares	1,560,000 shares
Type	Share issue or balance compensation	Share issue or balance compensation	
Valuation method	Fair value approach	Fair value approach	Fair value approach

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

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

Description	Application
Risk free rate	Yield (5.70%) of treasury bond, which has the same residual maturity as the expected exercise period, as of December 4, 2002
Expected 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 continuous compounded method
Exercise price	₩6,800 per share
Fair value	₩2,081 per share

(3) The summary of stock option costs over the exercisable period is summarized as follows (Unit: Won in millions):

Description	The Company	Subsidiaries	Total
Total stock option costs	₩ 936	₩ 2,309	₩ 3,245
Amortized in current period	39	96	135
To be amortized after current period	897	2,213	3,110

As for the managements of the subsidiaries, each subsidiary is responsible of covering the fair value of the stock option. The subsidiaries accounted the related cost as stock compensation expense and other payables, and the Company accounted the same amount as other receivables.

17. NON-OPERATING INCOME AND EXPENSES :

Non-operating income for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001 consisted of:

Description	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)	(In millions)	(In thousands)	(In thousands)
Gain on disposal of tangible assets	₩ 8,649	₩ 1,424	\$ 7,205	\$ 1,186
Gain on valuation using the equity method	23,950	1,479	19,952	1,232
Rental income	5,538	7,550	4,613	6,290
Gain on disposal of investment securities	184,945	127,755	154,070	106,427
Recovery of investment stocks impairment loss	268	25,701	223	21,411
Recovery of investment bonds impairment loss	49,805	28,823	41,490	24,011
Gain on valuation of stock market stabilization fund	15,988	91,418	13,319	76,156
Gain on sale of loans	137,380	839,164	114,445	699,070
Prior period error correction (Note 19)	9,367	2,092	7,803	1,743
Others (Note 27)	104,223	65,279	86,824	54,381
	₩ 540,113	₩ 1,190,685	\$ 449,944	\$ 991,907

Non-operating expenses for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001 consisted of:

Description	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)	(In millions)	(In thousands)	(In thousands)
Loss on disposal of tangible assets	₩ 19,291	₩ 60,583	\$ 16,071	\$ 50,469
Loss on valuation of investment using the equity method	5,876	987	4,895	822
Loss on disposal of investment securities	69,859	117,824	58,196	98,154
Loss on investment stocks impairment	332,378	80,311	276,889	66,904
Loss on investment bonds impairment	109,205	515,243	90,974	429,226
Loss on sale of loans	190,796	69,981	158,944	58,298
Prior period error correction (Note 19)	9,186	-	7,652	-
Donations	2,245	4,211	1,870	3,508
Others	61,651	88,844	51,359	74,012
	₩ 800,487	₩ 937,984	\$ 666,850	\$ 781,393

18. INCOME TAX EXPENSE (BENEFIT) :

Income tax benefit of the Company and its subsidiaries for the year ended December 31, 2002 consisted of the followings:

	Income tax expense (benefit)		Deferred income tax assets		Deferred income tax liabilities	
	Korean Won	US Dollars(Note 2)	Korean Won	US Dollars(Note 2)	Korean Won	US Dollars(Note 2)
	(In millions)	(In thousands)	(In millions)	(In thousands)	(In millions)	(In thousands)
The Company	₩ -	\$ -	₩ -	\$ -	₩ -	\$ -
Subsidiaries	(158,692)	(132,199)	424,931	353,991	2,433	2,027
	₩ (158,692)	\$ (132,199)	₩ 424,931	\$ 353,991	₩ 2,433	\$ 2,027

Income tax expense (benefit) of the Company and its subsidiaries for the period from March 27, 2001 (inception) to December 31, 2001 consisted of the followings:

	Income tax expense (benefit)		Deferred income tax assets		Deferred income tax liabilities	
	Korean Won	US Dollars(Note 2)	Korean Won	US Dollars(Note 2)	Korean Won	US Dollars(Note 2)
	(In millions)	(In thousands)	(In millions)	(In thousands)	(In millions)	(In thousands)
The Company	₩ 1,783	\$ 1,485	₩ -	\$ -	₩ 1,783	\$ 1,485
Subsidiaries	(173,981)	(144,936)	234,521	195,369	3,075	2,562
	₩ (172,198)	\$ (143,451)	₩ 234,521	\$ 195,369	₩ 4,858	\$ 4,047

19. PRIOR PERIOD CORRECTION :

The gain and loss on prior period corrections which is included in the Statements of Income, for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001 consisted of:

Description	Korean Won		US Dollars (Note 2)	
	2002	2001	2002	2001
	(In millions)	(In millions)	(In thousands)	(In thousands)
Gain on prior period corrections				
KAMCO adjustment	₩ 7,556	₩ -	\$ 6,294	\$ -
Gain on fund valuation	-	995	-	829
Gain on trade of investment securities	-	1,097	-	914
Commissions paid in prior period	1,140	-	950	-
Reconciliation of prior period income tax payment	550	-	458	-
Others	121	-	101	-
	9,367	2,092	7,803	1,743
Loss on prior period corrections				
KAMCO adjustment bad debt expense	7,556	-	6,294	-
Prior period bad debt expense	771	-	642	-
Others	859	-	716	-
	₩ 9,186	₩ -	\$ 7,652	\$ -

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for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

In 2001, Kyongnam Bank recorded ₩7,556 million (\$ 6,294 thousand) of loss on valuation of present value related to recourse loans sold to KAMCO as a charge in retained earnings. However, in 2002, Kyongnam Bank was instructed by the Financial Supervisory Service to record this amount as a bad debt expense instead of as a charge to retained earnings. Since this amount is already reflected in the beginning retained earnings of the Company, a corresponding credit has been reflected in the accompanying statement of income to offset the effect in retained earnings of the bad debt charge in the current year.

20. CONSOLIDATED STATEMENT OF CASH FLOW :

Cash flows from operating activities are presented by the indirect method. Cash for purposes of the cash flow statements is cash and due from banks.

Material transactions not involving cash inflows and outflows during 2002 were as follows:

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Write-offs of loans	₩ 2,739,451	\$ 2,282,115
Decrease of assets due to changes in scope of consolidation	759,263	632,508
Decrease of liabilities due to changes in scope of consolidation	732,489	610,204
Transfer to privately placed bonds from other loans	167,136	139,234
Increase in consolidated capital adjustment of subsidiaries	170,917	142,383

21. INTERCOMPANY TRANSACTIONS :

Significant balances (See Note 35 in connection with the KDIC) as of December 31, 2002 and transactions for the year ended December 31, 2002 with and among the subsidiaries and equity method invested, which have been eliminated in the consolidation, were as follows (Unit: Won in millions):

(1) Woori Finance Holdings Co., Ltd.

1) Assets

Company	Due from Banks		Loans		Other Assets		Total
Woori Bank	₩	51,762	₩	600,000	₩	8,234	₩ 659,996
Kyongnam Bank		10,595		-		12	10,607
Kwangju Bank		10,898		50,006		9	60,913
Woori Credit Card		-		200,000		159	200,159
Woori Investment Bank		-		-		7	7
Woori Finance Information System		-		180,000		2,247	182,247
Woori F&I		-		34,600		78	34,678
Woori First Asset Securitization Specialty		-		188,847		431	189,278
Woori Second Asset Securitization Specialty		-		59,936		1,038	60,974
Woori Third Asset Securitization Specialty		-		65,204		1,078	66,282
Woori Investment Trust Management		-		-		6	6
Woori Credit Information		-		-		7	7
Woori CA Asset Management		-		-		10	10
Trust Accounts		581		-		-	581
	₩	73,836	₩	1,378,593	₩	13,316	₩ 1,465,745

2) Liabilities

Company	Deposits		Borrowings		Other Liabilities		Total
Woori Bank	₩	-	₩	-	₩	14,911	₩ 14,911
Woori Credit Card		-		-		92	92
Woori F&I		-		-		221	221
	₩	-	₩	-	₩	15,224	₩ 15,224

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Bank	₩ 5,409	₩ -	₩ 440	₩ 415	₩ -	₩ 22,106
Kyongnam Bank	500	-	-	-	-	-
Kwangju Bank	585	-	-	-	-	-
Woori Credit Card	147	-	-	-	-	-
Woori Finance Information System	3,405	-	-	-	1,420	536
Woori F&I	268	-	-	-	-	-
Woori First Asset Securitization Specialty	28,089	-	-	-	-	-
Woori Second Asset Securitization Specialty	8,843	-	-	-	-	-
Woori Third Asset Securitization Specialty	6,554	-	-	-	-	-
	₩ 53,800	₩ -	₩ 440	₩ 415	₩ 1,420	₩ 22,642

(2) Woori Bank

1) Assets

Company	Due from Banks		Loans		Other Assets		Total
Woori Finance Holdings Co., Ltd.	₩	-	₩	-	₩	14,911	₩ 14,911
Woori Credit Card		-		-		2,391	2,391
P.T. Bank Woori Indonesia		-		59,420		81	59,501
Trust Accounts		-		-		267,096	267,096
	₩	-	₩	59,420	₩	284,479	₩ 343,899

2) Liabilities

Company	Deposits		Borrowings		Other Liabilities		Total
Woori Finance Holdings Co., Ltd.	₩	51,762	₩	600,000	₩	8,234	₩ 659,996
Kyongnam Bank		2,101		40,648		129	42,878
Kwangju Bank		87		17,085		26	17,198
Woori Credit Card		560,931		-		6,715	567,646
Woori Investment Bank		6		-		-	6
Woori Finance Information System		30,134		-		18,413	48,547
Woori F&I		1,514		-		2	1,516
Woori First Asset Securitization Specialty		18,966		-		17	18,983
Woori Second Asset Securitization Specialty		22,713		-		23	22,736
Woori Third Asset Securitization Specialty		17,344		-		9	17,353
Woori Investment Trust Management Co., Ltd.		1,138		-		27	1,165
Woori Securities		61,014		-		6,699	67,713
Woori Credit Information		1,311		-		5,507	6,818
P.T. Bank Woori Indonesia		39,613		48,616		101	88,330
Woori CA Asset Management		2,907		-		2	2,909
Trust Accounts		-		-		315,091	315,091
	₩	811,541	₩	706,349	₩	360,995	₩ 1,878,885

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Finance Holdings Co., Ltd.	₩ 415	₩ -	₩ 22,106	₩ 5,409	₩ -	₩ 440
Kyongnam Bank	7	-	-	2,608	46	-
Kwangju Bank	-	-	-	979	-	-
Woori Credit Card	5,932	67,541	78,155	1,298	-	231
Woori Investment Bank	338	-	-	10	-	-
Woori Finance Information System	3,409	-	3,215	310	-	101,184
Woori F&I	-	-	-	252	-	-
Woori First Asset Securitization Specialty	-	-	-	3,328	-	-
Woori Second Asset Securitization Specialty	-	-	-	705	-	-
Woori Third Asset Securitization Specialty	-	-	-	161	-	-
Woori Investment Trust Management Co., Ltd.	-	-	-	186	4	-
Woori Securities	7	-	319	1,087	-	-
Woori Credit Information	13	-	217	175	-	11,794
P.T. Bank Woori Indonesia	2,316	-	-	1,539	-	-
Woori CA Asset Management	-	-	-	26	-	-
Trust Accounts	91	49	77,568	12,991	-	-
BC Card	-	-	-	-	9,668	-
	₩ 12,528	₩ 67,590	₩ 181,580	₩ 31,064	₩ 9,718	₩ 113,649

(3) Kyongnam Bank

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Banks	₩ 2,101	₩ 40,648	₩ 129	₩ 42,878
Kwangju Bank	4,949	-	29	4,978
Woori Investment Bank	50,000	-	418	50,418
Trust Accounts	-	-	2,108	2,108
	₩ 57,050	₩ 40,648	₩ 2,684	₩ 100,382

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Finance Holdings Co., Ltd.	₩ 10,595	₩ -	₩ 12	₩ 10,607
Woori Securities	4,945	-	50	4,995
Woori Credit Information	2	-	13	15
Trust Accounts	-	-	10,762	10,762
BC Card	-	-	482	482
	₩ 15,542	₩ -	₩ 11,319	₩ 26,861

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Finance Holdings Co., Ltd.	₩ -	₩ -	₩ -	₩ 500	₩ -	₩ -
Woori Bank	2,608	46	-	7	-	-
Kwangju Bank	214	2	-	11	-	-
Woori Credit Card	2	-	-	-	-	-
Woori Investment Bank	1,025	-	-	24	-	-
Woori Securities	-	-	-	146	-	-
Woori Credit Information	-	-	-	-	229	-
Trust Accounts	149	-	-	242	-	-
BC Card	-	-	-	-	5,104	-
	₩ 3,998	₩ 48	₩ -	₩ 930	₩ 5,333	₩ -

(4) Kwangju Bank

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 87	₩ 17,085	₩ 26	₩ 17,198
Trust Accounts	-	-	1,600	1,600
	₩ 87	₩ 17,085	₩ 1,626	₩ 18,798

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Finance Holdings Co., Ltd.	₩ 10,898	₩ 50,006	₩ 9	₩ 60,913
Kyongnam Bank	4,949	-	29	4,978
Woori Securities	41	-	-	41
Trust Accounts	-	-	4,139	4,139
	₩ 15,888	₩ 50,006	₩ 4,177	₩ 70,071

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Finance Holdings Co., Ltd.	₩ -	₩ -	₩ -	₩ 585	₩ -	₩ -
Woori Bank	979	-	-	-	-	-
Kyongnam Bank	11	-	-	214	2	-
Woori Credit Card	10	-	-	-	-	-
Woori F&I	-	-	-	61	-	-
Woori Securities	1	-	-	1	-	-
Woori Credit Information	-	-	-	-	20	-
Trust Accounts	125	-	-	503	-	-
	₩ 1,126	₩ -	₩ -	₩ 1,364	₩ 22	₩ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

_ for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

(5) Woori Credit Card

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Finance Holdings Co., Ltd.	₩ -	₩ -	₩ 92	₩ 92
Woori Bank	560,931	-	6,715	567,646
Woori Investment Bank	-	-	18	18
Woori Finance Information System	-	-	950	950
Woori Securities	-	-	34	34
Woori Credit Information	-	-	16	16
	₩ 560,931	₩ -	₩ 7,825	₩ 568,756

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Finance Holdings Co., Ltd.	₩ -	₩ 200,000	₩ 159	₩ 200,159
Woori Bank	-	-	2,391	2,391
Woori Finance Information System	-	-	2,527	2,527
Woori Credit Information	-	-	1,113	1,113
Woori CA Asset Management	-	-	107	107
BC Card	-	-	6,251	6,251
	₩ -	₩ 200,000	₩ 12,548	₩ 212,548

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Finance Holdings Co., Ltd.	₩ -	₩ -	₩ -	₩ 147	₩ -	₩ -
Woori Bank	1,298	-	231	5,932	67,541	78,155
Kyongnam Bank	-	-	-	2	-	-
Kwangju Bank	-	-	-	10	-	-
Woori Investment Bank	48	-	-	14	-	-
Woori Finance Information System	185	-	-	-	11,140	-
Woori F&I	-	-	-	-	417	-
Woori Securities	2	-	-	-	-	-
Woori Credit Information	-	-	-	-	1,246	-
Woori CA Asset Management	-	-	-	-	257	-
BC Card	-	-	-	-	61,743	-
	₩ 1,533	₩ -	₩ 231	₩ 6,105	₩ 142,344	₩ 78,155

(6) Woori Investment Bank

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 6	₩ -	₩ -	₩ 6
Woori Investment Trust Management	-	-	124	124
	₩ 6	₩ -	₩ 124	₩ 130

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Finance Holdings Co., Ltd.	₩ -	₩ -	₩ 7	₩ 7
Kyongnam Bank	50,000	-	418	50,418
Woori Credit Card	-	-	18	18
Woori Investment Trust Management	7,647	-	-	7,647
	₩ 57,647	₩ -	₩ 443	₩ 58,090

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Bank	₩ 10	₩ -	₩ -	₩ 338	₩ -	₩ -
Kyongnam Bank	24	-	-	1,025	-	-
Woori Credit Card	14	-	-	48	-	-
Woori Finance Information System	-	-	-	-	-	6
Woori Investment Trust Management.	-	-	-	419	-	-
Woori Securities	15	-	-	2	-	-
	₩ 63	₩ -	₩ -	₩ 1,832	₩ -	₩ 6

(7) Woori Finance Information System

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 30,134	₩ -	₩ 18,413	₩ 48,547
Woori Credit Card	-	-	2,527	2,527
	₩ 30,134	₩ -	₩ 20,940	₩ 51,074

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Finance Holdings Co., Ltd.	₩ -	₩ 180,000	₩ 2,247	₩ 182,247
Woori Credit Card	-	-	950	950
	₩ -	₩ 180,000	₩ 3,197	₩ 183,197

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Finance Holdings Co., Ltd.	₩ -	₩ 1,420	₩ 536	₩ 3,405	₩ -	₩ -
Woori Bank	310	-	101,184	3,409	-	3,215
Woori Credit Card	-	11,140	-	185	-	-
Woori Investment Bank	-	-	6	-	-	-
Woori F&I	-	-	645	-	-	-
Woori Investment Trust Management	-	-	3	-	-	-
Woori CA Asset Management	-	-	213	-	-	-
	₩ 310	₩ 12,560	₩ 102,587	₩ 6,999	₩ -	₩ 3,215

(8) Woori F&I

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Finance Holdings Co., Ltd.	₩ -	₩ -	₩ 221	₩ 221
Woori Bank	1,514	-	2	1,516
Woori LB First Assets Securitization Specialty	-	-	5,889	5,889
Woori LB Second Assets Securitization Specialty	-	-	4,121	4,121
Woori LB Third Assets Securitization Specialty	-	-	12,363	12,363
Woori LB Fourth Assets Securitization Specialty	-	-	12,875	12,875
	₩ 1,514	₩ -	₩ 35,471	₩ 36,985

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2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Finance Holdings Co., Ltd.	₩ -	₩ 34,600	₩ 78	₩ 34,678

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Finance Holdings Co., Ltd.	₩ -	₩ -	₩ -	₩ 268	₩ -	₩ -
Woori Bank	252	-	-	-	-	-
Kwangju Bank	61	-	-	-	-	-
Woori Credit Card	-	417	-	-	-	-
Woori Finance Information System	-	-	-	-	-	645
Woori First Asset Securitization Specialty	-	5,731	-	-	-	-
Woori Second Asset Securitization Specialty	-	3,025	-	-	-	-
Woori Third Asset Securitization Specialty	-	1,158	-	-	-	-
Woori Credit Information	-	-	-	-	1,816	-
Woori LB First Assets Securitization Specialty	-	222	-	-	-	-
Woori LB Second Assets Securitization Specialty	-	11	-	-	-	-
Woori LB Third Assets Securitization Specialty	-	33	-	-	-	-
Woori LB Fourth Assets Securitization Specialty	-	35	-	-	-	-
	₩ 313	₩ 10,632	₩ -	₩ 268	₩ 1,816	₩ 645

(9) Woori First Asset Securitization Specialty Co., Ltd.

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 18,966	₩ -	₩ 17	₩ 18,983

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Finance Holdings Co., Ltd.	₩ -	₩ 188,847	₩ 431	₩ 189,278
Woori CA Asset Management	-	-	208	208
	₩ -	₩ 188,847	₩ 639	₩ 189,486

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Finance Holdings Co., Ltd.	₩ -	₩ -	₩ -	₩ 28,089	₩ -	₩ -
Woori Bank	3,328	-	-	-	-	-
Woori F&I	-	-	-	-	5,731	-
Woori CA Asset Management	-	-	-	-	961	-
	₩ 3,328	₩ -	₩ -	₩ 28,089	₩ 6,692	₩ -

(10) Woori Second Asset Securitization Specialty Co., Ltd.

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 22,713	₩ -	₩ 23	₩ 22,736

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Finance Holdings Co., Ltd.	₩ -	₩ 59,936	₩ 1,038	₩ 60,974
Woori Credit Information	-	-	416	416
Woori CA Asset Management	-	-	400	400
	₩ -	₩ 59,936	₩ 1,854	₩ 61,790

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Finance Holdings Co., Ltd.	₩ -	₩ -	₩ -	₩ 8,843	₩ -	₩ -
Woori Bank	705	-	-	-	-	-
Woori F&I	-	-	-	-	3,025	-
Woori Credit Information	-	-	-	-	1,195	-
Woori CA Asset Management	-	-	-	-	596	-
	₩ 705	₩ -	₩ -	₩ 8,843	₩ 4,816	₩ -

(11) Woori Third Asset Securitization Specialty Co., Ltd.

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 17,344	₩ -	₩ 9	₩ 17,353

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Finance Holdings Co., Ltd.	₩ -	₩ 65,204	₩ 1,078	₩ 66,282
Woori Credit Information	-	-	353	353
Woori CA Asset Management	-	-	454	454
	₩ -	₩ 65,204	₩ 1,885	₩ 67,089

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Finance Holdings Co., Ltd.	₩ -	₩ -	₩ -	₩ 6,554	₩ -	₩ -
Woori Bank	161	-	-	-	-	-
Woori F&I	-	-	-	-	1,158	-
Woori Credit Information	-	-	-	-	2,595	-
Woori CA Asset Management	-	-	-	-	688	-
	₩ 161	₩ -	₩ -	₩ 6,554	₩ 4,441	₩ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

_ for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

(12) Woori Investment Trust Management Co., Ltd.

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 1,138	₩ -	₩ 27	₩ 1,165
Woori Investment Bank	7,647	-	-	7,647
	₩ 8,785	₩ -	₩ 27	₩ 8,812

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Finance Holdings Co., Ltd.	₩ -	₩ -	₩ 6	₩ 6
Woori Investment Bank	-	-	124	124
	₩ -	₩ -	₩ 130	₩ 130

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Bank	₩ 186	₩ 4	₩ -	₩ -	₩ -	₩ -
Woori Investment Bank	419	-	-	-	-	-
Woori Finance Information System	-	-	-	-	-	3
	₩ 605	₩ 4	₩ -	₩ -	₩ -	₩ 3

(13) Woori Securities

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 61,014	₩ -	₩ 6,699	₩ 67,713
Kyongnam Bank	4,945	-	50	4,995
Kwangju Bank	41	-	-	41
Trust Accounts	3,287	-	-	3,287
	₩ 69,287	₩ -	₩ 6,749	₩ 76,036

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Credit Card	₩ -	₩ -	₩ 34	₩ 34

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Bank	₩ 1,087	₩ -	₩ -	₩ 7	₩ -	₩ 319
Kyongnam Bank	146	-	-	-	-	-
Kwangju Bank	1	-	-	1	-	-
Woori Credit Card	-	-	-	2	-	-
Woori Investment Bank	2	-	-	15	-	-
Woori Credit Information	-	-	-	-	48	-
	₩ 1,236	₩ -	₩ -	₩ 25	₩ 48	₩ 319

(14) Woori Credit Information

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 1,311	₩ -	₩ 5,507	₩ 6,818
Kyongnam Bank	2	-	13	15
Woori Credit Card	-	-	1,113	1,113
Woori Second Asset Securitization Specialty	-	-	416	416
Woori Third Asset Securitization Specialty	-	-	353	353
Woori CA Asset Management Trust Accounts	670	-	-	670
	₩ 1,983	₩ -	₩ 7,602	₩ 9,585

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Finance Holdings Co., Ltd.	₩ -	₩ -	₩ 7	₩ 7
Woori Credit Card	-	-	16	16
	₩ -	₩ -	₩ 23	₩ 23

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Bank	₩ 175	₩ 11,794	₩ -	₩ 13	₩ -	₩ 217
Kyongnam Bank	-	229	-	-	-	-
Kwangju Bank	-	20	-	-	-	-
Woori Credit Card	-	1,246	-	-	-	-
Woori F&I	-	1,816	-	-	-	-
Woori Second Asset Securitization Specialty	-	1,195	-	-	-	-
Woori Third Asset Securitization Specialty	-	2,595	-	-	-	-
Woori Securities	-	48	-	-	-	-
Woori CA Asset Management	-	536	-	-	-	3
	₩ 175	₩ 19,479	₩ -	₩ 13	₩ -	₩ 220

(15) P.T. Bank Woori Indonesia

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 39,613	₩ 48,616	₩ 101	₩ 88,330

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Bank	₩ -	₩ 59,420	₩ 81	₩ 59,501

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Bank	₩ 1,539	₩ -	₩ -	₩ 2,316	₩ -	₩ -

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_ for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

(16) Woori CA Asset Management

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 2,907	₩ -	₩ 2	₩ 2,909
Woori Credit Card	-	-	107	107
Woori First Asset Securitization Specialty	-	-	208	208
Woori Second Asset Securitization Specialty	-	-	400	400
Woori Third Asset Securitization Specialty	-	-	454	454
Woori LB First Assets Securitization Specialty	-	-	541	541
Woori LB Second Assets Securitization Specialty	-	-	26	26
Woori LB Third Assets Securitization Specialty	-	-	2	2
Woori LB Fourth Assets Securitization Specialty	-	-	33	33
	₩ 2,907	₩ -	₩ 1,773	₩ 4,680

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Finance Holdings Co., Ltd.	₩ -	₩ -	₩ 10	₩ 10
Woori Credit Information	-	-	200	200
	₩ -	₩ -	₩ 210	₩ 210

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Bank	₩ 26	₩ -	₩ -	₩ -	₩ -	₩ -
Woori Credit Card	-	257	-	-	-	-
Woori Finance Information System	-	-	-	-	-	213
Woori First Asset Securitization Specialty	-	961	-	-	-	-
Woori Second Asset Securitization Specialty	-	596	-	-	-	-
Woori Third Asset Securitization Specialty	-	688	-	-	-	-
Woori Credit Information	-	-	3	-	536	-
Woori LB First Assets Securitization Specialty	-	1,141	3	-	-	-
Woori LB Second Assets Securitization Specialty	-	26	-	-	-	-
Woori LB Third Assets Securitization Specialty	-	2	-	-	-	-
Woori LB Fourth Assets Securitization Specialty	-	33	-	-	-	-
	₩ 26	₩ 3,704	₩ 6	₩ -	₩ 536	₩ 213

(17) Trust Account

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ -	₩ -	₩ 315,091	₩ 315,091
Kyongnam Bank	-	-	10,762	10,762
Kwangju Bank	-	-	4,139	4,139
	₩ -	₩ -	₩ 329,992	₩ 329,992

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Finance Holdings Co., Ltd.	₩ 581	₩ -	₩ -	₩ 581
Woori Bank	-	-	267,096	267,096
Kyongnam Bank	-	-	2,108	2,108
Kwangju Bank	-	-	1,600	1,600
Woori Securities	3,287	-	-	3,287
Woori Credit Information	670	-	-	670
	₩ 4,538	₩ -	₩ 270,804	₩ 275,342

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Bank	₩ 12,991	₩ -	₩ -	₩ 91	₩ 49	₩ 77,568
Kyongnam Bank	242	-	-	149	-	-
Kwangju Bank	503	-	-	125	-	-
	₩ 13,736	₩ -	₩ -	₩ 365	₩ 49	₩ 77,568

(18) BC Card

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Kyongnam Bank	₩ -	₩ -	₩ 482	₩ 482
Woori Credit Card	-	-	6,251	6,251
	₩ -	₩ -	₩ 6,733	₩ 6,733

2) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Bank	₩ -	₩ 9,668	₩ -	₩ -	₩ -	₩ -
Kyongnam Bank	-	5,104	-	-	-	-
Woori Credit Card	-	61,743	-	-	-	-
	₩ -	₩ 76,515	₩ -	₩ -	₩ -	₩ -

(19) Woori LB First Asset Securitization Specialty Co., Ltd.

1) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori F&I	₩ -	₩ -	₩ 5,889	₩ 5,889
Woori CA Asset Management	-	-	541	541
	₩ -	₩ -	₩ 6,430	₩ 6,430

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

_ for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

2) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori F&I	₩ -	₩ -	₩ -	₩ -	₩ 222	₩ -
Woori CA Asset Management	-	-	-	-	1,141	3
	₩ -	₩ -	₩ -	₩ -	₩ 1,363	₩ 3

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

1) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori F&I	₩ -	₩ -	₩ 4,121	₩ 4,121
Woori CA Asset Management	-	-	26	26
	₩ -	₩ -	₩ 4,147	₩ 4,147

2) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori F&I	₩ -	₩ -	₩ -	₩ -	₩ 11	₩ -
Woori CA Asset Management	-	-	-	-	26	-
	₩ -	₩ -	₩ -	₩ -	₩ 37	₩ -

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

1) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori F&I	₩ -	₩ -	₩ 12,363	₩ 12,363
Woori CA Asset Management	-	-	2	2
	₩ -	₩ -	₩ 12,365	₩ 12,365

2) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori F&I	₩ -	₩ -	₩ -	₩ -	₩ 33	₩ -
Woori CA Asset Management	-	-	-	-	2	-
	₩ -	₩ -	₩ -	₩ -	₩ 35	₩ -

(22) Woori LB Fourth Asset Securitization Specialty Co., Ltd.

1) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori F&I	₩ -	₩ -	₩ 12,875	₩ 12,875
Woori CA Asset Management	-	-	33	33
	₩ -	₩ -	₩ 12,908	₩ 12,908

2) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori F&I	₩ -	₩ -	₩ -	₩ -	₩ 35	₩ -
Woori CA Asset Management	-	-	-	-	33	-
	₩ -	₩ -	₩ -	₩ -	₩ 68	₩ -

In addition, details of elimination of unrealized income or expenses among the subsidiaries for the year ended December 31, 2002 were as follows: (Unit: Won in millions)

	Operating Income	Operating Expenses	Non-Operating Income	Non-Operating Expenses	Total
Woori Bank	₩ -	₩ -	₩ (12,873)	₩ -	₩ (12,873)
Kyongnam Bank	-	-	55	-	55
Woori Credit Card	-	-	-	3,659	3,659
Woori Investment Bank	-	13,947	-	-	13,947
Woori Finance Information System	(2,807)	3,446	-	-	639
	₩ (2,807)	₩ 17,393	₩ (12,818)	₩ 3,659	₩ 5,427

Significant balances as of December 31, 2001 and transactions for the period from March 27, 2001 (inception) to December 31, 2001 with and among the subsidiaries and equity method invested, which have been eliminated in the consolidation, were as follows (Unit: Won in millions):

(1) Woori Finance Holdings Co., Ltd.

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 13,825	₩ -	₩ 9,850	₩ 23,675
Woori First Asset Securitization Specialty	-	484,487	-	484,487
Woori Second Asset Securitization Specialty	-	167,136	-	167,136
	₩ 13,825	₩ 651,623	₩ 9,850	₩ 675,298

2) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Bank	₩ 4,566	₩ -	₩ 5,210	₩ -	₩ -	₩ 1,652
Kyongnam Bank	211	-	-	-	-	-
Kwangju Bank	211	-	-	-	-	-
Woori Credit Card	422	-	-	-	-	-
Woori Finance Information System	-	-	-	-	12	-
	₩ 5,410	₩ -	₩ 5,210	₩ -	₩ 12	₩ 1,652

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

(2) Woori Bank

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Kyongnam Bank	₩ 73	-	₩ -	₩ 73
Woori Credit Card	-	-	394,772	394,772
Woori Investment Bank	12,500	3	-	12,503
Woori Finance Information System	-	-	14	14
Woori F&I	-	-	18	18
P.T. Bank Woori Indonesia	-	74,566	112	74,678
Trust Accounts	-	-	234,919	234,919
	₩ 12,573	₩ 74,569	₩ 629,835	₩ 716,977

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Finance Holdings Co., Ltd.	₩ 13,825	₩ -	₩ 9,850	₩ 23,675
Kyongnam Bank	1,101	32,316	-	33,417
Kwangju Bank	280	16,789	-	17,069
Woori Investment Bank	15,012	-	9,793	24,805
Woori Finance Information System	8,162	-	132	8,294
Woori F&I	8,259	-	44	8,303
Woori First Asset Securitization Specialty	48,104	-	16	48,120
Woori Second Asset Securitization Specialty	10	-	-	10
BC Card	-	-	6,588	6,588
Woori Securities	16,402	-	4,229	20,631
Woori Investment Trust Management Co., Ltd.	3,754	-	37	3,791
Woori Credit Information	5,365	-	3,035	8,400
P.T. Bank Woori Indonesia	-	56,750	92	56,842
Trust Accounts	-	-	396,984	396,984
	₩ 120,274	₩ 105,855	₩ 430,800	₩ 656,929

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Finance Holdings Co., Ltd.	₩ -	₩ -	₩ 1,652	₩ 4,566	₩ -	₩ 5,210
Kyongnam Bank	-	-	-	1,425	-	-
Kwangju Bank	-	-	-	876	-	-
Woori Credit Card	-	-	-	2,988	-	-
Woori Investment Bank	-	-	-	203	-	-
Woori Finance Information System	-	-	-	301	-	23,666
Woori F&I	-	-	-	48	-	-
Woori First Asset Securitization Specialty	-	89	-	82	-	-
BC Card	-	-	-	-	49,733	-
Woori Securities	70	-	-	994	-	-
Woori Investment Trust Management Co., Ltd.	-	-	-	763	-	-
Woori Credit Information	12	-	92	292	17,616	-
P.T. Bank Woori Indonesia	3,695	-	-	2,171	-	-
Trust Accounts	22,599	57	47,940	9,186	-	-
	₩ 26,376	₩ 146	₩ 49,684	₩ 23,895	₩ 67,349	₩ 28,876

(3) Kyongnam Bank

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Banks	₩ 1,101	₩ 32,316	₩ -	₩ 33,417
Kwangju Bank	4,951	-	-	4,951
Woori Credit Card	300	-	-	300
Woori Investment Bank	118,040	-	-	118,040
Trust Accounts	-	-	3,500	3,500
	₩ 124,392	₩ 32,316	₩ 3,500	₩ 160,208

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Banks	₩ 73	₩ -	₩ -	₩ 73
Woori Investment Bank	₩ -	₩ -	₩ 13	₩ 13
BC Card	-	-	469	469
Woori Securities	3	-	-	3
Woori Credit Information	-	-	209	209
Trust Accounts	-	-	12,952	12,952
	₩ 76	₩ -	₩ 13,643	₩ 13,719

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Finance Holdings Co., Ltd.	₩ -	₩ -	₩ -	₩ 211	₩ -	₩ -
Woori Bank	1,425	-	-	-	-	-
Kwangju Bank	417	-	-	9	-	-
Woori Credit Card	1,627	-	-	7	-	-
Woori Investment Bank	7,422	-	-	1	-	-
Woori First Asset Securitization Specialty	-	13	-	7	-	-
BC Card	-	-	-	-	3,697	-
Woori Investment Trust Management Co., Ltd.	-	-	-	35	-	-
Woori Credit Information	-	-	11	-	304	-
Trust Accounts	551	-	3,499	457	-	69
	₩ 11,442	₩ 13	₩ 3,510	₩ 727	₩ 4,001	₩ 69

(4) Kwangju Bank

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 280	₩ 16,789	₩ -	₩ 17,069
Trust Accounts	-	-	4,500	4,500
	₩ 280	₩ 16,789	₩ 4,500	₩ 21,569

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Kyongnam Bank	₩ 4,951	₩ -	₩ -	₩ 4,951
Woori Investment Bank	-	-	24	24
Woori Securities	4,946	-	-	4,946
Trust Accounts	-	-	14,726	14,726
	₩ 9,897	₩ -	₩ 14,750	₩ 24,647

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for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Finance Holdings Co., Ltd.	₩ -	₩ -	₩ -	₩ 211	₩ -	₩ -
Woori Bank	876	-	-	-	-	-
Kyongnam Bank	9	-	-	417	-	-
Woori Investment Bank	-	-	-	2	-	-
Woori First Asset Securitization Specialty	-	9	-	3	-	-
Woori Securities	27	-	-	405	-	-
Woori Credit Information Trust Accounts	-	-	-	-	1	-
	1,002	-	2,588	423	-	-
	₩ 1,914	₩ 9	₩ 2,588	₩ 1,461	₩ 1	₩ -

(5) Woori Credit Card

1) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Bank	₩ -	₩ -	₩ 394,772	₩ 394,772
Kyongnam Bank	300	-	-	300
	₩ 300	₩ -	₩ 394,772	₩ 395,072

2) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Finance Holdings Co., Ltd.	₩ -	₩ -	₩ -	₩ 422	₩ -	₩ -
Woori Bank	2,988	-	-	-	-	-
Kyongnam Bank	7	-	-	1,627	-	-
Woori Credit Information	-	-	-	-	20	-
	₩ 2,995	₩ -	₩ -	₩ 2,049	₩ 20	₩ -

(6) Woori Investment Bank

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 15,012	₩ -	₩ 9,793	₩ 24,805
Kyongnam Bank	-	-	13	13
Kwangju Bank	-	-	24	24
	₩ 15,012	₩ -	₩ 9,830	₩ 24,842

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Bank	₩ 12,500	₩ 3	₩ -	₩ 12,503
Kyongnam Bank	118,040	-	-	118,040
Woori Investment Trust Management Co., Ltd.	8,418	-	-	8,418
Central Telecom Capital Corp.	3,094	8,950	1,394	13,438
	₩ 142,052	₩ 8,953	₩ 1,394	₩ 152,399

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Bank	₩ 203	₩ -	₩ -	₩ -	₩ -	₩ -
Kyongnam Bank	1	-	-	7,422	-	-
Kwangju Bank	2	-	-	-	-	-
Woori First Assets Securitization Specialty	-	137	-	80	-	-
Woori Investment Trust Management Co., Ltd.	-	-	-	544	-	-
Central Telecom Capital Corp.	-	-	96	146	-	-
	₩ 206	₩ 137	₩ 96	₩ 8,192	₩ -	₩ -

(7) Woori Finance Information System

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 8,162	₩ -	₩ 132	₩ 8,294

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Bank	₩ -	₩ -	₩ 14	₩ 14

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Finance Holdings Co., Ltd.	₩ -	₩ 12	₩ -	₩ -	₩ -	₩ -
Woori Bank	301	-	23,666	-	-	-
Woori F&I	-	-	94	-	-	-
Woori Securities	-	-	579	-	-	-
Woori Investment Trust Management	-	-	2	-	-	-
	₩ 301	₩ 12	₩ 24,341	₩ -	₩ -	₩ -

(8) Woori F&I

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 8,259	₩ -	₩ 44	₩ 8,303
Woori First Assets Securitization Specialty	-	-	196	196
	₩ 8,259	₩ -	₩ 240	₩ 8,499

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Bank	₩ -	₩ -	₩ 18	₩ 18

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_ for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Bank	₩ 48	₩ -	₩ -	₩ -	₩ -	₩ -
Woori Finance Information System	-	-	-	-	-	94
Woori First Asset Securitization Specialty	-	196	-	-	-	-
	₩ 48	₩ 196	₩ -	₩ -	₩ -	₩ 94

(9) Woori First Asset Securitization Specialty Co., Ltd.

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 48,104	₩ -	₩ 16	₩ 48,120

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Finance Holdings Co., Ltd.	₩ -	₩ 484,487	₩ -	₩ 484,487
Woori F&I	-	-	196	196
	₩ -	₩ 484,487	₩ 196	₩ 484,683

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Bank	₩ 82	₩ -	₩ -	₩ -	₩ 89	₩ -
Kyongnam Bank	7	-	-	-	13	-
Kwangju Bank	3	-	-	-	9	-
Woori Investment Bank	80	-	-	-	137	-
Woori F&I	-	-	-	-	196	-
	₩ 172	₩ -	₩ -	₩ -	₩ 444	₩ -

(10) Woori Second Asset Securitization Specialty Co., Ltd.

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 10	₩ -	₩ -	₩ 10

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Finance Holdings Co., Ltd.	₩ -	₩ 167,136	₩ -	₩ 167,136

(11) BC Card

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ -	₩ -	6,588	6,588
Kyongnam Bank	-	-	469	469
	₩ -	₩ -	₩ 7,057	₩ 7,057

2) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expense	Commissions Paid	Other Expenses
Woori Bank	₩ -	₩ 49,733	₩ -	₩ -	₩ -	₩ -
Kyongnam Bank	-	3,697	-	-	-	-
	₩ -	₩ 53,430	₩ -	₩ -	₩ -	₩ -

(12) Woori Securities

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 16,402	₩ -	₩ 4,229	₩ 20,631
Kyongnam Bank	3	-	-	3
Kwangju Bank	4,946	-	-	4,946
	₩ 21,351	₩ -	₩ 4,229	₩ 25,580

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Credit Information	₩ -	₩ -	₩ 2	₩ 2

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expenses	Commissions Paid	Other Expenses
Woori Bank	₩ 994	₩ -	₩ -	₩ 70	₩ -	₩ -
Kwangju Bank	405	-	-	27	-	-
Woori Finance Information System	-	-	-	-	-	579
Woori Credit Information	-	-	-	-	10	-
	₩ 1,399	₩ -	₩ -	₩ 97	₩ 10	₩ 579

(13) Woori Investment Trust Management Co., Ltd.

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 3,754	₩ -	₩ 37	₩ 3,791
Woori Investment Bank	8,418	-	-	8,418
	₩ 12,172	₩ -	₩ 37	₩ 12,209

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2) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expenses	Commissions Paid	Other Expenses
Woori Bank	₩ 763	₩ -	₩ -	₩ -	₩ -	₩ -
Kyongnam Bank	35	-	-	-	-	-
Woori Investment Bank	544	-	-	-	-	-
Woori Finance Information System	-	-	-	-	-	2
	₩ 1,342	₩ -	₩ -	₩ -	₩ -	₩ 2

(14) Woori Credit Information

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ 5,365	₩ -	₩ 3,035	₩ 8,400
Kyongnam Bank	-	-	209	209
Woori Securities	-	-	2	2
	₩ 5,365	₩ -	₩ 3,246	₩ 8,611

2) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expenses	Commissions Paid	Other Expenses
Woori Bank	₩ 292	₩ 17,616	₩ -	₩ 12	₩ -	₩ 92
Kyongnam Bank	-	304	-	-	-	11
Kwangju Bank	-	1	-	-	-	-
Woori Credit Card	-	20	-	-	-	-
Woori Securities	-	10	-	-	-	-
	₩ 292	₩ 17,951	₩ -	₩ 12	₩ -	₩ 103

(15) P.T. Bank Woori Indonesia

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ -	₩ 56,750	₩ 92	₩ 56,842

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Bank	₩ -	₩ 74,566	₩ 112	₩ 74,678

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expenses	Commissions Paid	Other Expenses
Woori Bank	₩ 2,171	₩ -	₩ -	₩ 3,695	₩ -	₩ -

(16) Central Telecom Capital Corp.

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Investment Bank	₩ 3,094	₩ 8,950	₩ 1,394	₩ 13,438

2) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expenses	Commissions Paid	Other Expenses
Woori Investment Bank	₩ 146	₩ -	₩ -	₩ -	₩ -	₩ 96

(17) Trust Account

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Bank	₩ -	₩ -	₩ 396,984	₩ 396,984
Kyongnam Bank	-	-	12,952	12,952
Kwangju Bank	-	-	14,726	14,726
	₩ -	₩ -	₩ 424,662	₩ 424,662

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Bank	₩ -	₩ -	₩ 234,919	₩ 234,919
Kyongnam Bank	-	-	3,500	3,500
Kwangju Bank	-	-	4,500	4,500
	₩ -	₩ -	₩ 242,919	₩ 242,919

3) Income and expenses

Company	Interest Income	Commissions Received	Other Income	Interest Expenses	Commissions Paid	Other Expenses
Woori Bank	₩ 9,186	₩ -	₩ -	₩ 22,599	₩ 57	₩ 47,940
Kyongnam Bank	457	-	69	551	-	3,499
Kwangju Bank	423	-	-	1,002	-	2,588
	₩ 10,066	₩ -	₩ 69	₩ 24,152	₩ 57	₩ 54,027

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22. TRANSFER OF CREDIT CARD SUBSCRIBER BASE :

Pursuant to an agreement on the business reform of WCC among the Company, Woori Bank, and WCC dated November 20, 2001 and a transfer agreement between Woori Bank and WCC dated December 26, 2001, the Company's subsidiary, Woori Bank, sold its credit card business to WCC for ₩600 billion (\$500million) on January 31, 2002.

23. SALES OF NON-PERFORMING LOANS AMONG SUBSIDIARIES AND EQUITY METHOD INVESTEES :

(1) WASS1, WASS2, and WASS3 purchased non-performing loans from Woori Bank, Kyongnam Bank, Kwangju Bank, Woori Credit Card, and Woori Investment Bank on December 21, 2001, December 31, 2001 and March 29, 2002. The book value of uncollected non-performing loans as of December 31, 2002 in WFASS, WSASS and WTASS were presented by pre-acquisition book value of the five subsidiaries in the consolidated financial statements as shown below (Unit: Won in millions):

1) Woori First Asset Securitization Specialty Co., Ltd.:

	Gross book value	Allowance for possible loan losses	Book value
Other loans	₩ 535,375	₩ 484,327	₩ 51,048

2) Woori Second Asset Securitization Specialty Co., Ltd.:

	Gross book value	Allowance for possible loan losses	Book value
Investment securities in foreign currencies	₩ 11,216	₩ -	₩ 11,216
Other investment securities	11,801	-	11,801
Other loans	178,050	126,961	51,089
	₩ 201,067	₩ 126,961	₩ 74,106

3) Woori Third Asset Securitization Specialty Co., Ltd.:

	Gross book value	Allowance for possible loan losses	Book value
Other investment securities	₩ 11,731	₩ -	₩ 11,731
Other loans	27,593	20,103	7,490
	₩ 39,324	₩ 20,103	₩ 19,221

As a result of the elimination of the intercompany transaction above, the pre-acquisition costs of ₩775,766 million (\$646,256 thousand) are classified as investment securities in foreign currencies of ₩11,216 million

(₩9,344 thousand), other investment securities of ₩23,532 million (\$19,603 thousand), other loans of ₩741,018 million (\$617,309 thousand) and the allowance for possible loan losses of ₩631,391million (\$525,984 thousand) are presented in the consolidated balance sheet as of December 31, 2002 (Note 7 and 8), respectively.

(2) The Company established the Woori Third Asset Securitization Specialty Co., Ltd. on March 15, 2002. WTASS purchased non-performing loans from Woori Bank, Kyongnam Bank, and Woori Credit Card Co., Ltd. on March 29, 2002. The transactions are summarized as follows (Unit: Won in million):

Company	Original principal balance	Gross book value	Allowance for possible loan losses
Woori Bank	₩ 1,677,997	₩ -	₩ -
Kyongnam Bank	57,540	7,348	2,148
Woori Credit Card	164,193	122,184	53,740
	₩ 1,899,730	₩ 129,532	₩ 55,888

Company	Net book value	Proceeds on disposition	Gains on disposition
Woori Bank	₩ -	₩ 50,485	₩ 50,485
Kyongnam Bank	5,200	7,932	2,732
Woori Credit Card	68,444	68,887	443
	₩ 73,644	₩ 127,304	₩ 53,660

Among the outstanding principal balance, ₩1,677,997 million (\$1,397,865 thousand), ₩50,192 million (\$41,813 thousand) and ₩42,009 million (\$34,996 thousand) were written off by Woori Bank, Kyongnam Bank and Woori Credit Card, respectively.

24. ACQUISITION OF WOORI INVESTMENT TRUST MANAGEMENT CO., LTD. AND WOORI SECURITIES CO., LTD. :

In relation to its functional restructuring, the Company acquired the total shares of WITM from Woori Bank for ₩56,844 million (\$47,354 thousand) on March 29, 2002. As a result, WITM has become a subsidiary of the Company. The book value of the shares of WITM accounted for by Woori Bank was ₩39,128 million (\$32,596 thousand) as of the date of the transaction.

Also, the Company acquired 40.2% (13,250,570 shares) of the common stock of Woori Securities Co., Ltd. from Woori Bank for ₩112,365 million (\$93,606 thousand) on July 29, 2002. As a result, Woori Securities has become a subsidiary of the Company. The book value of the shares of Woori Securities accounted for by Woori Bank was ₩152,662 million (\$127,176 thousand) as of the date of the transaction.

25. TRANSFER OF IT EQUIPMENT :

Woori Bank transferred its IT equipments to WFIS on April 30, 2002, May 31, 2002 and September 30, 2002, at a transfer price amounting to ₩112,220 million (\$93,486 thousand). WCC transferred its IT equipments to WFIS on April 30, 2002 at ₩5,888 million (\$4,905 thousand). The details of the transactions were as follows (Unit: Won in millions).

Company	Acquisition Cost	Accumulated Depreciation	Book Value
Woori Bank	₩ 306,828	₩ 224,617	₩ 82,211
	20,131	3,662	16,469
	1,916	1,283	633
	₩ 328,875	₩ 229,562	₩ 99,313
Woori Credit Card Co., Ltd.	23,459	16,097	7,362
	₩ 352,334	₩ 245,659	₩ 106,675

Company	Proceeds on Disposition	Gain (Loss) on Disposition
Woori Bank	₩ 93,818	₩ 11,607
	17,614	1,145
	788	155
	112,220	12,907
Woori Credit Card Co., Ltd.	5,888	(1,474)
	₩ 118,108	₩ 11,433

26. JOINT VENTURE MASTER AGREEMENT ON NON-PERFORMING LOANS :

As of September 5, 2002, in order to secure its liquidity and improve the financial structure of the subsidiaries of the Company by selling non-performing loans, the Company entered into a Joint Venture Master Agreement with Lehman Brothers Holdings Inc. ("LB") on co-managing the non-performing loans. The agreement includes LB purchasing the non-performing loans from the Company or its affiliates through joint venture special purpose entities and acquiring 49% shares of WCAAMC. In addition, WF&I, a subsidiary of the Company, would acquire 51% of the shares of WCAAMC

27. AGREEMENT ON INVESTMENT OPPORTUNITY SALE :

Pursuant to the Joint Venture Master Agreement dated September 5, 2002, entered into by the Company and LB, the parties agreed that the Company and LB Luxembourg, an affiliate of LB would invest each 50% in JV SPC1 ("WLBFASS"), and reserve the rights of 50% economic interest in JV SPC1. In addition, the parties entered into an Investment Opportunity Sale Agreement dated September 13, 2002 wherein LB Luxembourg would acquire the right of the Company to subscribe for 20% economic interest in JV SPC1 from the Company for a price of ₩11,300 million (\$9.4 million). As a result, the Company recorded ₩11,300 million (\$9.4 million) as other non-operating income.

28. WASS1 S DISPOSITION OF SECURITIZATION ASSET :

(1) Sale to WLBASS1

The Company and Lehman Brothers HY Opportunity Korea, Inc. ("LBHY Korea") entered into a Loan Sale Agreement dated April 30, 2002 for the purpose of purchasing non-performing loans from WASS1. The Company and LBHY Korea reserved the right to assign their rights under the Loan Sale Agreement to WLBASS1. According to the Agreement, as of September 29, 2001, the sale price of the transfer asset would be settled. In addition, WASS1 would receive the transfer price, the interest (5% per year) and the preserved portion of the asset management fee incurred during the period between the cut-off date and the closing date. Also, the collected cash amount and related interest during the period stated above would be given to the transferee. The schedules of the Loan Sale Agreement were as follows:

Date	Details
September 29, 2001	Cut-off date for evaluation of the NPL
April 30, 2002	Date of Loan Sale Agreement
September 5, 2002	Date of Joint Venture Master Agreement
September 27, 2002	Date of closing and initial settlement
October 14, 2002	Final settlement date of amounts of transfer

The details of the transfer were as follows (Unit: Won in millions):

	Amounts
Appraisal price of transfer assets	₩ 221,276
Interest of transfer price, asset management fee, and suspense receivables	13,723
Redemption and interest (from September 29, 2001 to September 27, 2002)	(198,778)
	36,221
(As of September 27, 2002)	
Securitization debentures in local currencies	81,083
Securitization debentures in foreign currencies (*1)	75,296
Securitization securities	2,247
Book value of sold assets	158,626
Allowance for possible loan losses	(6,366)
Suspense payments and loss on foreign currency transaction	(685)
Net book value	151,575
Losses on transfer of securitization assets	₩ 115,354

(*1) Translation into Korean Won

(2) Sale to Salomon Smith Barney Inc. by open bidding

The Agreement defined that, as of November 30, 2002 (Cut-off date for evaluation of the transfer asset), the sale price of the transfer asset would be settled, and that the transferor would receive the transfer price, the interest and the asset management fee incurred during the period between the cut-off date and the closing date. Also, the collected cash amount and related interest during the period stated above would be given to the transferee. WASS1 received ₩10,795 million (\$ 8,993 thousand) as guarantee deposit, and posted the same amount as advance account. The schedules of the Agreement were as follows:

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Date	Details
November 30, 2002	Cut-off date for evaluation of the NPL
December 17, 2002	Date of Loan Sale Agreement
February 14, 2003	Final settlement date of amounts of transfer

29. WASS2 S DISPOSITION OF SECURITIZATION ASSET :

(1) Sale to WLBASS2

The Company and Lehman Brothers HY Opportunity Korea, Inc. ("LBHY Korea") entered into a Loan Sale Agreement dated December 13, 2002 for the purpose of purchasing from WASS2 non-performing loans. The Company and LBHY Korea reserved the right to assign their rights under the Loan Sale Agreement to WLBASS2. According to the Agreement, as of September 30, 2002, the sale price of the transfer asset would be settled. In addition, WASS1 would receive the transfer price, the interest (5% per year) and the preserved portion of the asset management fee incurred during the period between the cut-off date and the closing date. Also, the collected cash amount and related interest during the period stated above would be given to the transferee.

The schedules of the Loan Sale Agreement were as follows:

Date	Details
September 30, 2002	Cut-off date for evaluation of the NPL
December 13, 2002	Date of Loan Sale Agreement
December 20, 2002	Final settlement date of amounts of transfer

The details of the transfer were as follows (Unit: Won in millions):

	Amounts
Sale price of transfer assets	₩ 16,022
Interest of transfer price and asset management fee	239
Redemption and interest	(998)
	<u>15,263</u>
(As of December 20, 2002)	
Securitization debentures in local currencies	776
Securitization securities in local currencies	6,110
Securitization securities in foreign currencies	655
Book value of sold assets	<u>7,541</u>
Gains on transfer of securitization assets	<u>₩ 7,722</u>

(2) Sale to Jinheung Savings Bank Inc. by open bidding

The Agreement defined that, as of December 13, 2002 (Cut-off date for evaluation of the transfer asset), the sale price of the transfer asset would be settled, and that the transferor would receive the sale price, the interest and the asset management fee incurred during the period between the cut-off date and the closing date. Also, the collected cash amount and related interest during the period stated above would be given to the transferee. WASS2 received ₩2,400 million (\$ 1,999 thousand) as guarantee deposit, and posted the same amount as advance account. The schedules of the Agreement were as follows:

Date	Details
December 13, 2002	Cut-off date for evaluation of the NPL
December 24, 2002	Date of Loan Sale Agreement
February 14, 2003	Final settlement date of amounts of transfer

30. WASS3 S DISPOSITION OF SECURITIZATION ASSET :

(1) Sale to WLBASS3

The Company and Lehman Brothers HY Opportunity Korea, Inc. ("LBHY Korea") entered into a Loan Sale Agreement dated December 13, 2002 for the purpose of purchasing from WASS3 non-performing loans. The Company and LBHY Korea reserved the right to assign their rights under the Loan Sale Agreement to WLBASS3. According to the Agreement, as of September 30, 2002, the sale price of the transfer asset would be settled. In addition, WASS1 would receive the transfer price, the interest (5% per year) and the preserved portion of the asset management fee incurred during the period between the cut-off date and the closing date. Also, the collected cash amount and related interest during the period stated above would be given to the transferee.

The schedules of the Loan Sale Agreement were as follows:

Date	Details
September 30, 2002	Cut-off date for evaluation of the NPL
December 13, 2002	Date of Loan Sale Agreement
December 20, 2002	Final settlement date of amounts of transfer

The details of the transfer were as follows (Unit: Won in millions):

	Amounts
Sale price of transfer assets	₩ 47,717
Interest of transfer price and asset management fee (from September 30, 2002 to December 20, 2002)	628
Redemption and interest (from September 30, 2002 to December 20, 2002)	(1,654)
	<u>46,691</u>
(As of December 20, 2002)	
Securitization debentures in local currencies	9,332
Securitization debentures in foreign currencies	756
Securitization securities	<u>26,187</u>
Book value of sold assets	<u>36,275</u>
Gains on transfer of securitization assets	<u>₩ 10,416</u>

(2) Sale to Jinheung Savings Bank Inc. by open bidding

The Agreement defined that, as of December 13, 2002 (Cut-off date for evaluation of the transfer asset), the sale price of the transfer asset would be settled, and that the transferor would receive the sale price, the interest (5% per year) and the asset management fee incurred during the period between the cut-off date and the closing date. Also, the collected cash amount and related interest during the period stated above would be given to the transferee. WASS3 received ₩9,600 million (\$ 7,997 thousand) as guarantee deposit, and posted the same amount as advance account.

The schedules of the Agreement were as follows:

Date	Details
December 13, 2002	Cut-off date for evaluation of the NPL
December 24, 2002	Date of Loan Sale Agreement
February 14, 2003	Final settlement date of amounts of transfer

31. SALE OF WOORI INVESTMENT BANK S NON-PERFORMING ASSETS :

During the year ended December 31, 2002, WIB sold its non-performing assets including loans, amounting to ₩69,413 million (\$ 57,825 thousand) to Woori LB Fourth Assets Securitization Specialty at ₩69,292 million (\$ 57,724 thousand). Accordingly, ₩8,833 million (\$ 7,358 thousand) of gain on sale of loans and ₩8,954 million (\$7,459 thousand) of loss on sale of loans were incurred.

32. ACQUISITION OF UNGUARANTEED SUBORDINATED CONVERTIBLE BONDS AND UNGUARANTEED SUBORDINATED PRIVATELY PLACED BONDS :

The Company purchased ₩150,000 million (\$125 million), ₩200,000 million (\$167 million) and, ₩ 250,000 million (\$208 million) of unguaranteed subordinated convertible bonds issued by Woori Bank on September 27, October 30, and November 28, 2002, respectively. The coupon rate on the bonds is zero (guaranteed return is 148.02% of face value) and the maturity dates are 10 years later from each issuance date. The conversion price is ₩5,000 per share and the conversion rights are valid from one year after the issuance date to one month before the maturity date. The common stock of Woori Bank will be issued upon conversion.

In addition, the Company purchased ₩50,000 million (\$42 million) of unguaranteed subordinated convertible bonds issued by Kwangju Bank as of December 31, 2002. The coupon rate on the bonds is zero (guaranteed return is 155.29% of face value) and the maturity date is December 31, 2012. The conversion rights are valid from one year after the issuance date to one month before the maturity date. The common stock of Kwangju Bank will be issued upon conversion.

The Company purchased ₩200,000 million (\$167 million) of unguaranteed subordinated privately placed bonds issued by Woori Credit Card as of December 27, 2002. The coupon rate on the bonds is 6.62% and the maturity date is December 27, 2008.

33. ISSUANCE OF OVERSEAS UNGUARANTEED SUBORDINATED CONVERTIBLE BONDS :

As of September 5, 2002, the Company entered into the Convertible Bonds Purchase Agreement with Lehman Brothers International Europe ("LBIE"), and details are summarized as follows:

Description	Application
Issuer	Woori Financial Holdings Co., Ltd.
Acceptor	Lehman Brothers International Europe
Maximum issue price	US\$ 250 million
Maturity	3 years
Nominal interest rate	None
Yields guaranteed upon maturity	US\$ Libor rate to the unconverted bonds at the maturity date.
Conversion price	Whatever higher between 115% of the market price on issuing date and the price computed by the Securities and Exchange Act.
Required holding period	One and half year from the issue date
Mandatory conversion conditions	The bonds should be converted, if the stock price is higher than the conversion price by more than 150% for over 20 days after the required holding period. Otherwise, the Company holds the option to buy it at face value.
Early Redemption	When over 50% of Woori Bank stocks are disposed of or defaulted

On September 27, 2002, in connection with the Convertible Bonds Purchase Agreement listed above, Woori Bank entered into the Currency Hedge Agreement with Lehman Brothers Commercial Corporation Asia Ltd. This Agreement indicates that the gains or losses on settlement of the swap contracts between Woori Bank and the Company, which was made to avoid any risks involved with fluctuations in exchange rate in accordance with the issuance of the convertible bonds, would be charged to Lehman Brothers Commercial Corporation Asia Ltd.

The Company issued \$ 36 million and \$ 16 million of unguaranteed subordinated convertible bonds on September 27, 2002 and December 20, 2002, respectively, pursuant to the above agreement. The coupon rate on the bonds is zero (guaranteed return is 2.9245% and 2.7335 % of face value, respectively) and the maturity dates are September 27, 2005 and December 20, 2005, respectively. The conversion price is ₩7,313 (exchange rate applied was 1,201.4₩/\$) per share and ₩5,588 (exchange rate applied was 1,215.8₩/\$) per share for each bond, and the conversion rights are valid from one year following the issuance date to one month before the maturity date. The common stock of the Company will be issued upon conversion.

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34. MANAGEMENT IMPROVEMENT PLAN :

(1) Agreement on the implementation of the management improvement plan between the five subsidiaries and the KDIC.

On December 30, 2000, four of the Company's subsidiaries, Woori Bank, Kyongnam Bank, Kwangju Bank, and Woori Credit Card Co., Ltd. and the KDIC entered into agreements for the implementation of management improvement plans for the banks. Pursuant to the agreements, the subsidiaries received ₩3,466,800 million (\$2,888,037 thousand) from the KDIC in the form of investments in the subsidiaries' common stocks in December 2000 and the KDIC agreed to make additional contributions to the subsidiaries prior to September 30, 2001. On September 29, 2001, contributions in the aggregate amount of ₩2,581,000 million (\$2,150,117 thousand) were paid by the KDIC into the banks.

The details of the contribution to the subsidiaries were as follows (Unit: Won in million):

	Woori Bank	Kyongnam Bank	Kwangju Bank	WCC	Total
Capital Stock	₩ 2,764,400	₩ 259,000	₩ 170,400	₩ 273,000	₩ 3,466,800
Contribution	1,877,200	93,800	271,400	338,600	2,581,000
	₩ 4,641,600	₩ 352,800	₩ 441,800	₩ 611,600	₩ 6,047,800

In addition, Woori Investment Bank entered into an agreement with the KDIC on June 29, 2001 in connection with the management improvement plan for Woori Investment Bank.

Under the agreements, the five subsidiaries are obligated to sell non-performing loans and fixed assets, close certain branches and subsidiaries, improve financial ratios including the capital adequacy ratio, and reinforce their risk management systems. If the five subsidiaries fail to implement the agreements, the KDIC may command the five subsidiaries to increase or decrease their capital, pursue mergers, assign contracts such as loans and deposits, or close or sell parts of their business operations.

(2) Agreement on the implementation of the management improvement plan between the Company and the KDIC

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

(3) Agreement on the implementation of the management improvement plan between the Company and its five subsidiaries

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

35. RECEIVABLE FROM KDIC :

WIB made the present value evaluation on the receivable amounting to ₩648,777 million (\$540,467 thousand), which would be due until 2005 pursuant to the contract on transfer loans and debt between WIB and the KDIC on March 31, 2001. The discount rate used was 5.71%.

36. CONTINGENCIES AND COMMITMENTS :

(1) As of December 31, 2002, contingent liabilities of the Company and its subsidiaries consisted of confirmed and unconfirmed acceptances and guarantees. Confirmed acceptances and guarantees of ₩1,919,832 million (\$1,599,327 thousand) as of December 31, 2002 were issued to customers related to borrowings, sale of bonds, opening and confirmation of letters of credit, preemption of imported freights and others. Unconfirmed acceptances and guarantees of ₩3,067,120 million (\$2,555,082 thousand) as of December 31, 2002 were issued to customers related to opening of letters of credit in local and foreign currencies and others.

(2) As of December 31, 2002, the commitments on line of credit in local currency and in foreign currencies were ₩434,978 million (\$362,361 thousand) and ₩7,788 million (\$6,488 thousand), respectively. In addition, endorsed bills provided as collateral of ₩31,301 million (\$26,075 thousand) were outstanding as of December 31, 2002.

(3) As of and for the year ended December 31, 2002, outstanding contract amount, gain or loss on valuation of derivative instruments in the statement of operations, and assets and liabilities for the accumulated gain or loss on valuation of derivative instruments in the balance sheet were as follows (Unit: Won in millions):

Type	Outstanding contract amount		Gain (loss) on valuation		Fair value	
	Trading	Hedging	Trading	Hedging	Asset	Liability
Currency forwards	₩ 2,259,559	₩ 48,406	₩ 49,749	₩ 61	₩ 49,659	₩ 59,185
	-	-	(59,752)	(1,978)	-	-
Currency swaps	1,517,579	49,893	73,899	112	58,339	94,288
	-	-	(91,892)	(4,148)	-	-
Currency futures	-	225,075	-	-	-	-
Interest rate swaps	2,844,066	1,924,065	35,152	25,631	197,723	106,985
	-	-	(34,251)	(18,580)	-	-
Interest rate futures	81,098	51,538	-	-	-	-
Interest rate forwards	50,000	-	147	-	147	-
Stock-index options	5,707	-	2,329	-	1,980	5,957
	-	-	(2,984)	-	-	-
	₩ 6,758,009	₩ 2,298,977	161,276	25,804	₩ 307,848	₩ 266,415
	-	-	₩ (188,879)	₩ (24,706)	-	-

(4) As of December 31, 2002, the Company and its subsidiaries had filed lawsuits claiming damages amounting to ₩218,104 million (\$181,693 thousand) and had been designated as a defendant in lawsuits claiming damages amounting to ₩1,230,955 million (\$1,025,454 thousand). Among the lawsuits in which Woori Bank is a defendant, Woori Bank, two other domestic banks and others are named as defendants in a lawsuit filed in the United States claiming damages of \$880 million (₩1,056,400 million). The plaintiff alleges the defendants to be jointly liable for the losses arising from the L&H Korea's fraudulent financial statement presentation by aiding and assisting in such actions based on the US security laws. The plaintiff also alleges violations of certain other statutes and, if Woori Bank is found to have violated these statutes, the court could treble the damage claims. As of December 31, 2002, the ultimate outcome of this lawsuit cannot presently be determined. However, the Company does not anticipate the outcome of these lawsuits would have significant effects on the financial conditions or operations of the Company or its subsidiaries.

Kwangju Bank is named as defendants in a lawsuit related to issuing Daewoo Corp.'s deferred payment export guarantee document. The plaintiff alleges the defendant to verify the existence of the performance bond, which costs ₩120,000 million (\$ 100 million). The remaining bond value is ₩49,183 million (\$ 40,972 thousand) as of December 31, 2002. As the trial has just started and the outcome cannot presently be determined, the effect on the Company cannot presently be estimated. However, Kwangju Bank has accounted ₩21,800 million (\$18.2 million) as other allowances concerning this lawsuit.

Woori Investment Bank is named as a plaintiff in a case where KDIC is named as a defendant. WIB alleges that KDIC should pay ₩17,679 million (\$14,728 thousand) of Korea Merchant Banking's first liquidation dividends, which KDIC offset with ₩23,000 million (\$19,160 thousand), the total amount of WIB's payable to the KDIC. As of February 15, 2003, the ultimate outcome of this lawsuit cannot be reasonably determined.

(5) Among the non-performing loans sold by subsidiaries of the Company to KAMCO, ₩864,125 million (\$719,864 thousand) of loans as of December 31, 2002 were sold subject to payment guarantees by the subsidiaries on principal and interest of the loans or required repurchase by the subsidiaries. The decision to ask the subsidiaries to repurchase the loans is entirely at the option of KAMCO. As of December 31, 2002, the five subsidiaries accounted the expected loss of ₩326,612 million (\$272,086 thousand) as other allowances.

(6) The loans sold by Woori Bank to Hanvit Securitization Specialty Co., Ltd. (2nd, 3rd, 5th, 6th, 7th, 8th and 11th) of ₩534,000 million (\$ 444,852 thousand) were sold subject to repurchase. As of December 31, 2002, ₩101,600 million (\$84,638 thousand) of allowance for possible losses on those loans was provided and included in other allowance.

(7) As of December 31, 2002, Central Telecom Capital Corp. was provided with acceptances and guarantees by Korea Telecom Solutions Inc. in relation to the borrowings of ₩39,737 million (\$33,103 thousand) from Korea Development Bank and Kookmin Bank. An agreement was entered into, which stipulates that if Korea Telecom Solutions Inc. performs the guaranteed payment, Woori Investment Bank should make repayment of the above amount.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2002 and for the period from March 27, 2001 (inception) to December 31, 2001

37. CREDITS TO HYNIX SEMICONDUCTOR INC. :

As of December 31, 2002, amounts owed by Hynix Semiconductor Inc. ("Hynix") to Woori Bank amounted to ₩422,400 million (\$351.9 million) and ₩142,600 million (\$118.8 million) as loans to Hynix and investment equity securities (net of impairment loss) issued by Hynix, respectively. Woori Bank provided ₩305,200 million (\$254.2 million) of allowance for possible loan losses for the loans. Also, as of December 31, 2002, amounts owed by Hynix to Woori Third Asset Securitization Specialty amounted to ₩21,900 million (\$18.2 million) and ₩4,400 million (\$3.7 million) in forms of securitization marketable securities issued by Hynix and securitization debentures issued by Hynix, respectively. Woori Third Asset Securitization Specialty provided ₩10,100 million (\$8.4 million) of allowance for possible loan losses for the loans. On December 30, 2002, a conference was called to discuss the matters on Hynix's normalization, and as a result, reduction of shares (rate of 1 new share for 21 outstanding shares), debt to equity swap, extension of existing stocks maturity period, change in the method of interest collection and some other decisions were made. Currently, Hynix faces an uncertain operational environment and liquidity crisis. Depending on the result of Hynix's restructuring process, its actual abilities to repay those loans, securities and bonds may differ materially from current assessment.

38. SUBSEQUENT EVENT :

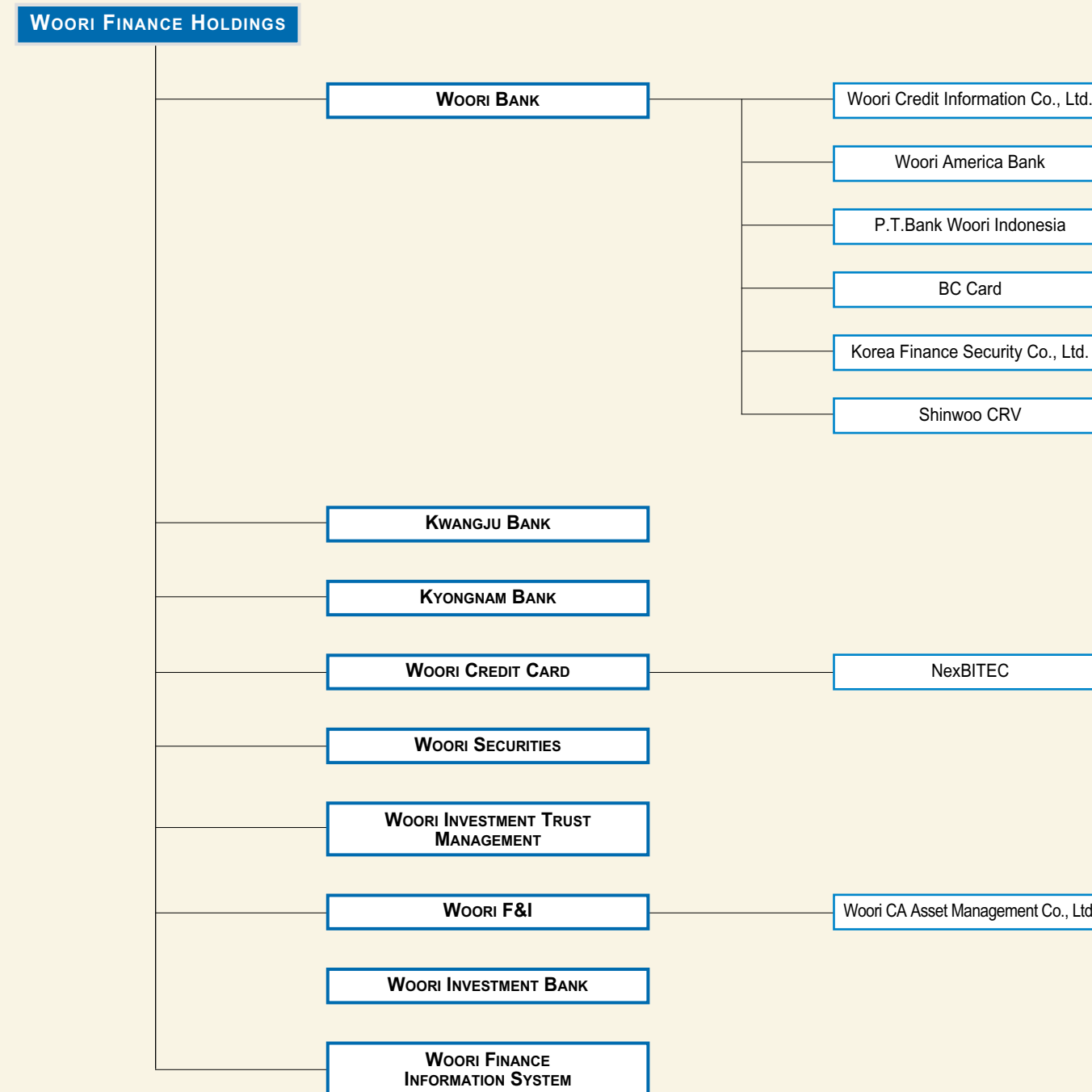
As of February 10, 2003, Woori America Bank and National Penn Bancshares entered into an agreement, which indicated that Woori America Bank would merge with Penn Asia Bank on July 31, 2003. Pursuant to the agreement related to this merger, Woori America Bank would pay \$34.5 million to National Penn Bancshares, Penn Asia Bank's largest shareholder.

As of December 31, 2002, the amounts owed by SK Global Co., Ltd. (SK Global) to Woori Bank were ₩332 billion (\$277 million) and ₩8.4 billion (\$7 million) in loans (including acceptances and guarantees outstanding) and debt securities, respectively. Woori Bank's asset category for these credits was normal as of December 31, 2002, however, actual losses incurred from these credits may differ materially from the management's assessment. The accompanying financial statements did not reflect any adjustments which may arise from this uncertainty.

ORGANIZATION CHART

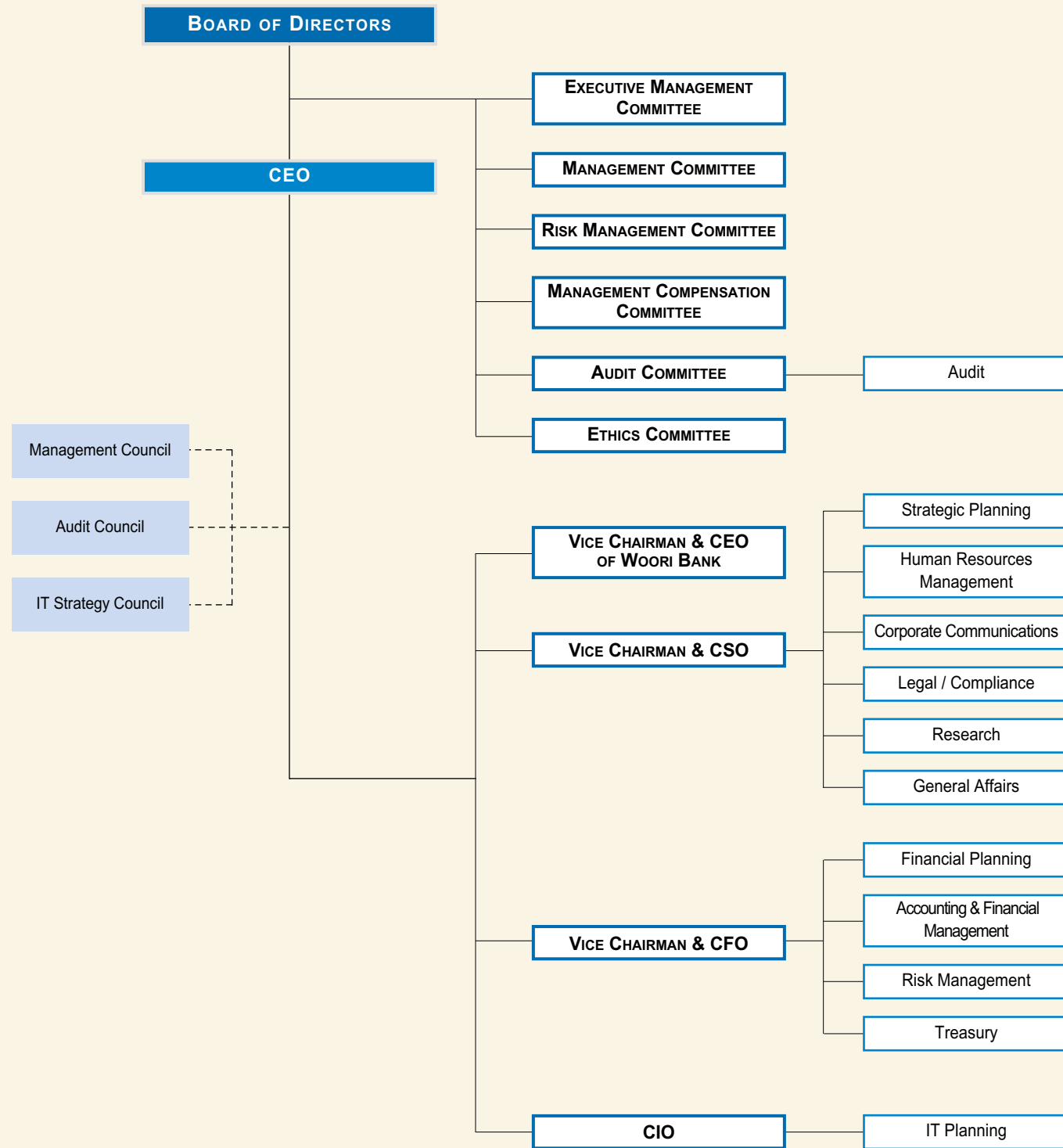
WOORI FINANCIAL GROUP

Woori Financial Group consists of one holding company, 12 subsidiaries (including 3 SPCs) and 8 Tier-2 subsidiaries.



ORGANIZATION CHART

FOR STABILITY, COORDINATION AND QUICK DECISION MAKING



LEADERSHIP

KOREA'S FIRST FINANCIAL HOLDING COMPANY

BOARD OF DIRECTORS

WOORI FINANCE HOLDINGS

Byung-Chul Yoon
Chairman & CEO

Duk-Hoon Lee
Vice Chairman and CEO of Woori Bank

Kwang-Woo Jun
Vice Chairman and Chief Strategy Officer

Euoo-Sung Min
Vice Chairman and Chief Financial Officer

Nam-Hong Cho
Non Standing Director

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

EXECUTIVES

Sam-Soo Pyo
Senior Managing Director

Hwan-Kyu Park
Senior Managing Director

Ki-Chul Han
Managing Director

Tae-Ho Sohn
Managing Director

Won-Gihl Sohn
Managing Director

WOORI BANK

Duk-Hoon Lee
CEO

Jong-Wook Kim
Deputy President

Jin-Gyu Park
Standing Auditor

Dai-Hwan Kim
Non Standing Director

Sang-Im Park
Non Standing Director

Joon-Ho Hahm
Non Standing Director

Young-Ha Kim
Non Standing Director

Young-Yong Kim
Non Standing Director

Tack-Soo Han
Non Standing Director

Jong-Koo Min
Executive Vice President

Dong-Myon Suh
Executive Vice President

Ki-Sin Kim
Executive Vice President

Jong-Hui Lee
Executive Vice President

Young-Ho Park
Executive Vice President

Young-Seok Kim
Executive Vice President

Dong-Chan Bae
Executive Vice President

Byung-Gihl Choi
Executive Vice President

Tae-Woong Jung
Executive Vice President

KWANGJU BANK

Jong-Dae Um
CEO

Dong-Hyuk Yang
Standing Auditor

Bong-Ky Jang
Non Standing Director

Jang-Hui Han
Non Standing Director

Sun-Sook Lim
Non Standing Director

Tae-Ho Sohn
Non Standing Director

Jae-Gwan Song
Executive Vice President

Zee-Yeol Oh
Executive Vice President

Sang-Yong Park
Executive Vice President

KYONGNAM BANK

Shin-Chul Kang
CEO

Young-Duk Kim
Standing Auditor

Young-Ae Kwon
Non Standing Director

Jin-Ho Huh
Non Standing Director

Hong-Beom Kim
Non Standing Director

Ki-Chul Han
Non Standing Director

Rock-Chae Chang
Managing Director

Hong-Dai Choi
Managing Director

Seong-Jin Kim
Managing Director

WOORI CREDIT CARD

Suk-Hee Hwang
CEO

Choong-Wan Lee
Deputy President

Ki-Sang Jung
Auditor

Byung-Chul Yoon
Non Standing Director

Young-Jin Hoh
Non Standing Director

Moon-Hwan Kim
Non Standing Director

Ki-Joong Kim
Managing Director

Kwang-Suh Koo
Managing Director

WOORI SECURITIES

Pal-Seung Lee
CEO

Hyung-Jin Kim
Deputy President

Beon Nam
Auditor

Euoo-Sung Min
Non Standing Director

Kum-Sik Kang
Non Standing Director

In-Kie Hong
Non Standing Director

Young-Il Kim
Managing Director

Young-Koo Kim
Managing Director

WOORI INVESTMENT TRUST MANAGEMENT

Sung Sang Cho
President

Sang-Keon Sohn
Auditor

Kwang-Woo Jun
Non Standing Director

Gi-Jong Jung
Non Standing Director

Seung-Yang Han
Managing Director

Kang-Rae Cho
Managing Director

Keun-Soo Youk
Managing Director

WOORI F&I

Hunihl Nam
CEO

Jin-Ho Yoon
Auditor

Jee-Yeon Joo
Managing Director

Euoo-Sung Min
Non Standing Director

Young-Soo Kim
Managing Director

Seok-Koo Yoon
Managing Director

WOORI INVESTMENT BANK

Jun-Ho Lee
CEO

Joo-Seon Yeom
Executive Vice President & CFO

Gah-Seog Chae
Auditor

Seong-Yook Park
Non Standing Director

Ki-Seok Kim
Non Standing Director

Jae-Gee Hong
Non Standing Director

WOORI FINANCE INFORMATION SYSTEM

Sam-Soo Pyo
CEO & President

Won-Chul Hwang
Auditor

Kwang-Woo Jun
Non Standing Director

Beom-Sik Yoon
Managing Director

Jong-Hwi Kim
Managing Director

Seok-Whan Lee
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Sook-Kyo Kwon
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