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ANNUAL REPORT ▶▶▶

WOORI FINANCIAL GROUP



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Gearing towards a **world-class** financial group

“ Value Creat



MAXIMIZING
SHAREHOLDER VALUE

20



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CONTRIBUTION TO
COMMUNITY VALUE

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PRIORITY ON
CUSTOMER VALUE



THE GROUP AT A GLANCE

THE GROUP AT A GLANCE

Business Summary

WOORI BANK

(billion won)	2003	2002
Operating Income	1,279.8	602.9
Net Income	1,332.2	779.7
Total Assets	103,309.7	87,477.4
BIS Ratio	11.2%	11.6%

Woori Bank (formerly Hanvit Bank until 2002) has its origins in two of Korea's oldest commercial banks, Hanil Bank and Commercial Bank of Korea, which dates back over 100 years. One of Korea's largest commercial banks by total assets, Woori Bank offers an extensive range of banking and other financial products and services to its 13 million customers through 692 domestic branches. Mergers with Woori Investment Bank in 2003 and Woori Credit Card in 2004 have further broadened the bank's business scope.

www.wooribank.com

KYONGNAM BANK

(billion won)	2003	2002
Operating Income	93.9	107.4
Net Income	85.2	82.5
Total Assets	10,986.1	9,975.8
BIS Ratio	11.7%	11.3%

Serving the southeastern region of the nation since its incorporation in 1970, Kyongnam Bank is a regional bank offering customers commercial banking, trust, and foreign exchange services. With a geographic base including the major industrial cities of Ulsan, Masan, and Changwon, Kyongnam Bank is a trusted name among large companies, SMEs, and households in its region, operating 131 branches and offices nationwide as of year-end 2003.

www.kyongnambank.co.kr

KWANGJU BANK

(billion won)	2003	2002
Operating Income	40.7	86.0
Net Income	57.1	74.8
Total Assets	8,777.6	8,046.9
BIS Ratio	10.7%	11.0%

One of the Group's two regional banking subsidiaries, Kwangju Bank is headquartered in the southwestern provincial capital of Kwangju, Jeollanam-do, where it has based its commercial banking operations since its inception in 1968. Through its 115 branches and offices, Kwangju Bank is a reliable partner for its 2 million retail and corporate customers.

www.kjbank.com

Business Summary

WOORI SECURITIES

(billion won)	2003	2002
Operating Income	3.4	41.8
Net Income	-13.1	29.3
Total Assets	603.7	627.1
Capital Adequacy Ratio	756.3%	620.7%

Since 1954, Woori Securities has been engaged in the trading, agency, brokerage, and underwriting of securities. It became a direct subsidiary of Woori Finance Holdings and changed its name from Hanvit Securities to the current one in 2002. As of the end of 2003, the subsidiary had 73 branches and offices in Korea, including 23 brokerage outlets located within the premises of Woori Bank branches.

www.woorisec.com

WOORI INVESTMENT TRUST MANAGEMENT

(billion won)	2003	2002
Operating Income	1.7	2.8
Net Income	1.3	2.0
Equity-to-Risk Ratio	719.3%	524.4%

Woori Investment Trust Management (WITM, formerly Hanvit Investment Trust Management) was established in 1988 and is engaged in the investment trust business. Its ownership was transferred to the holding company in 2002, when it also changed its name. WITM manages investment trusts and market-related products including beneficiary certificates and mutual funds for retail and institutional customers.

www.woorifgitm.com

WOORI F&I

(billion won)	2003	2002
Operating Income	31.2	10.3
Net Income	16.9	7.3
Total Assets	171.8	54.8

Woori F&I (WF&I, formerly Woori Asset Management) was established in 2001 to function as a vehicle for the management, operation, and disposition of distressed assets held by the Group's other subsidiaries. Woori Capital Advisors Asset Management, spun off by the company in 2002 through a joint venture with Lehman Brothers, took on the task of managing the Group's bad assets. Woori F&I also established joint-venture special-purpose companies (JV-SPCs) to purchase part of the Group's non-performing loans. WF&I is solely owned by Woori Finance Holdings.

WOORI FINANCE INFORMATION SYSTEM

(billion won)	2003	2002
Operating Income	20.9	4.4
Net Income	4.0	-2.2
Total Assets	280.2	242.0

Woori Finance Information System (WFIS, formerly Hanviteun System) was established in 1989 and became a wholly-owned subsidiary of Woori Financial Group in 2001. It currently handles all IT-related operations on an outsourcing basis for the Group and its subsidiaries, and is responsible for fulfilling IT management and development needs of the Group.

www.woorifis.com

FINANCIAL HIGHLIGHTS ^{*1)}



Selected Financial Data

As of Years ended Dec. 31, 2003 and 2002

(billion won, except where indicated otherwise)

	2003	2002	% Change
INCOME STATEMENT KEY FIGURES			
Operating Revenue	10,336.5	9,325.2	10.8
Operating Expense	7,582.0	6,904.5	9.8
Loan Loss Provisions	2,737.5	1,705.4	60.5
Operating Income	142.3	715.3	-80.1
Net Income	56.3	591.6	-90.5
KEY BALANCE SHEET FIGURES			
Total Assets	128,767.7	114,843.5	12.1
Shareholders' Equity	5,698.3	5,314.8	7.2
MARKET CAPITALIZATION			
	5,288.9	3,263.2	
PROFITABILITY RATIOS			
Return on Average Assets-Banking ^{*2)} (%)	1.3	1.0	-
Return on Average Equity-Banking ^{*2)} (%)	24.4	20.7	-
Cost/Income Ratio (%)	41.7	43.6	-
ASSET QUALITY RATIOS			
Loan Loss Reserves/NPLs ^{*3)} (%)	91.1	103.3	-
NPLs ^{*3)} /Total Credit (%)	2.8	3.3	-
BIS CAPITAL RATIOS ^{*2)}			
Tier I (%)	6.8	6.6	-
Total BIS (%)	11.3	11.5	-
EMPLOYEES (FULL-TIME EQUIVALENTS)			
	14,326	14,422	-0.7

Notes : *1) Based on Korean Generally Accepted Accounting Principles
*2) For Woori Bank, Kyongnam Bank, and Kwangju Bank combined
*3) Substandard and below credits

SHAREHOLDER INFORMATION



Stock Information

As of Years ended Dec. 31, 2003 and 2002

(won, except where indicated otherwise)

	2003	2002
Common Shares Outstanding (Shares)	775,504,910	767,814,797
Book Value Per Share	7,095	6,603
Dividend Per Share	100	250
Dividend Payout Ratio (%)	38.3	9.7
Share Price High ^{*1)}	7,750	7,050
Share Price Low ^{*2)}	3,900	3,902

Notes : *1)*2) Closing Price Per Common Stock



Shareholder Composition

As of Year ended Dec. 31, 2003

(%)

	2003
Korea Deposit Insurance Corporation (KDIC)	86.8
Foreigners	4.5
Individuals	4.2
Domestic Financial Institutions	2.7
Others	1.8



Share Price Ratio

Share Price of Dec. 30, 2002 = 100

(%)



PART

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NEW LEADER- SHIP

NEW LEADERSHIP

CEO Message





To Our Shareholders

I am honored and pleased to present my first annual report as your new chairman and chief executive officer. As we all know, the Group has faced a number of daunting challenges in the past three years since its establishment as the first financial holding company in Korea. Until now, efforts were focused on reorganizing our group business platform, cleaning up our asset base, and the advancement of operational capabilities, which has enabled Woori Financial Group to establish a strong growth engine for the future. With these tasks largely completed, it is time for us to set new targets in order to enhance the value of Woori Financial Group for our shareholders, customers, and community.

Going forward, our goal is to build Woori Financial Group into Korea's leading integrated financial services provider, a vision we embrace wholeheartedly. There still remains considerable work to be done, but we will push hard as we build on our core competences and realize our Group-wide synergies.

"The past three years have been a period of rebuilding and rehabilitation. Going forward, we plan to re-direct our efforts to achieve our new goals of realizing group synergies and enhancing value for our shareholders, customers, and community."

2003 in Review

By virtually any measure, Korea's economic climate in 2003 was unfavorable for business in general, and especially unforgiving for financial institutions. The pace of the economy slowed to a 3.1% GDP growth after a solid 6.2% in 2002, with continued sluggish domestic demand being the main culprit.

Consequently, the financial industry continued to grapple in 2003 with familiar problems, along with a few newly emerging ones. Events involving specific well-known corporate entities, namely, SK Global and LG Card, also brought about new hardships. In addition, broader trends of mounting credit card and consumer loan delinquencies amid lethargic domestic consumption hit hard on the financial world.

Although we couldn't possibly escape from these external factors entirely, it was our subsidiary Woori Credit Card where the damage was mostly done, resulting in the reduction of the Group's net income by 90% to a disappointing 57 billion won in 2003. Along with these income figures, the impairment of assets and mounting liquidity issues compelled us to merge Woori Credit Card into Woori Bank as a

Our banking subsidiaries in particular combined posted record earnings of 1.5 trillion won in 2003 owing to solid growth of quality assets and the industry's second highest net interest margin. Effective control of credit costs was another key factor, as we were able to decrease loan loss provisioning to 890 billion won from 1.1 trillion won in 2002. In addition, owing to our NPL disposition, loans classified as substandard or below were only 2.8%

standards in terms of greater management transparency and improved corporate governance. We have also adopted U.S. Generally Accepted Accounting Principles (GAAP) to ensure conformity to more advanced accounting standards.

A crowning achievement for our efforts made in the past 3 years was our listing last year on the New York Stock Exchange, where Woori Financial Group's ADRs (American Depository Receipts) now trade under the "WF" ticker symbol. Listing on the NYSE provides a foothold to assist us in our privatization endeavors, opening up new channels to diversify sources of capital.

"Despite the hardships Woori Credit Card encountered this year, the Group as a whole achieved solid, broad-based improvements across all other key performance indicators."

Looking to the Future

The Asian foreign currency crisis of the late 1990s prompted a wholesale restructuring of Korea's financial sector. The first priority for many banks and other financial institutions was mere survival, as a round of consolidation and closures permanently changed the landscape of the industry.

Korean banks today still face multiple challenges in a rapidly changing environment, where universal banking is gaining prominence as a business platform. Competition now centers on meeting increasingly diverse and sophisticated customer needs with

special business unit. By all means, however, the performance of our credit card operations must be weighed against solid, broad-based improvements we saw across all other key performance indicators.

On a consolidated basis, the Group's total assets at year-end 2003 stood at 128.79 trillion won, up 12.2% over 2002, as we once again demonstrated our ability to attract and retain customers in a stagnant market, while also providing top quality products and services. The Group's net operating revenue expanded 10.9% to 4.73 trillion won, while pre-provision income grew 4.9%. We were also able to enhance cost efficiencies through the realization of synergies from IT integration and rationalization of our branch network (Business Process Reengineering), as evidenced by the improved cost-to-income ratio of 41.7%.

of total credits, down from 6.8% in 2001. Our three banks are the bedrock of the Group, and we intend to expand and strengthen our group business portfolio upon this foundation.

Although the credit card problems diluted the positive strides we have made since the Group's inception, I am pleased to say that Woori has overcome its legacy issues. Along with our success in strengthening asset quality, we have also made steady progress meeting global market





best-of-class products and services. We see many advantages in the emergence of universal banking under the financial holding company structure, where financial products and services encompassing banking, brokerage, credit cards, and insurance will be provided through an integrated distribution platform. In this regard, I believe it is essential to improve efficiencies in product development and delivery, as well as in productivity.

Second, we will identify and maximize group-based synergies among our subsidiaries, utilizing our inherent strengths as a holding company to enhance customer information-sharing, product development, and cross-selling capacities.

Extending Woori Bank's customer relationship management (CRM) system to our regional banks has been a vital first step in this direction. In

assets, together with solid net interest margins of over 3% in 2004. To support this effort, we aim to maintain and deepen our strong relationships with many of Korea's largest corporations and retail customers. We anticipate that our conservative asset management and lower provisioning levels for credit card losses will have a substantial positive impact on our profitability going forward.

"Our success depends on effectively controlling credit costs and exploiting the Group's core competencies to realize the full scope of our potential synergies."



We have adopted three strategic initiatives for 2004 that will help us meet our objectives and enhance the value of Woori Financial Group. They are: strengthening our non-banking business areas; building a strong foundation for realizing greater group-wide synergies; and privatizing our ownership.

First, strengthening our non-banking businesses to facilitate greater fee income is central to the Group's long-term success. We are currently focusing on the expansion of our securities and asset management businesses, which constitute fundamental core products and services for our retail and corporate customers. In line with this, we are considering selective acquisitions of leading non-banking entities that will bolster our economies-of-scale and product development abilities.

addition, cost synergies are already being realized with the physical integration of group IT operations and joint procurement. Front-line operational productivity has also been significantly enhanced through our Business Process Reengineering program.

Lastly, privatization of the Korean government's ownership of the Group remains to be a high priority. The government currently holds an 86% stake, with the remainder being traded on the Korean and New York stock exchanges. Privatization will proceed in line with our commitment to promote shareholder value, while maximizing our role as a leading financial institution.

As we execute our three main objectives, we will also strive to maintain our strong core business base in the banking segment. We intend to achieve healthy growth of quality

Despite uncertain domestic and global economic prospects and increasing competition in our market, I am confident of our ability to achieve the goals we have set for 2004. This confidence stems from the quality of our people – the men and women who stand behind the Woori name. I believe that they represent our biggest competitive advantage and greatest guarantee of the Group's future prosperity. I thank them all for their undying efforts and cooperation, and you, our shareholders, for your unwavering trust and support.

Thank you,

YOUNG-KEY HWANG
Chairman & CEO

Our Top Management & Board of Directors



Young-Key Hwang
Chairman & CEO

Chairman Young-Key Hwang is a graduate of Seoul National University, where he majored in International Trade. He received his Master's Degree from the London School of Economics and gained his expertise in international finance through his career at BNP Paribas, Seoul and Bankers Trust International, Asia. He was executive director and group treasurer at the Chairman's Office of Samsung Group in 1989, Chief Investment Officer at Samsung Life Insurance in 1997, president and CEO of Samsung Investment Trust Management in 1999, and president and CEO of Samsung Securities in 2001.

*We recognize that corporate
for transparent and
It is our promise to maintain a
the pursuit of
and the promotion of*

*Non-Standing Directors

_____ From Left to Right

Dosoung Choi

*Professor of Finance, Seoul National University
Chair, Korea Corporate Governance Service Research Board*

- Chairman, Korean Securities Association
- Ph.D. in Finance at Pennsylvania State University
- B.A. in Business Administration at Seoul National University

Suk-Jean Kang

Chairman, CEO Consulting Group (ex-Chairman, GE-Korea)

- Professor, Sogang University
- Chairman, Management Quality Committee, Korea Management Association
- Committee Member, World Knowledge Forum
- ISMP at Harvard Business School
- Yonsei University Graduate School

Je-Hoon Lee

President, Korea BBB Association

- Member of the Financial Development Council, Ministry of Finance and Economy
- President & CEO, The JoongAng Ilbo
- Vice President, Office of the Executive Staff, Samsung Group
- M.A. in Journalism at Seoul National University
- B.A. in History at Seoul National University





*governance is a key element
effective management.
healthy balance between
our business goals
corporate integrity.*



Jong-Wook Kim
Vice Chairman

Vice Chairman Jong-Wook Kim graduated from the Department of International Trade at Seoul National University and immediately started his career at Hanil Bank, one of the two banks that were merged in 1999 to create Woori Bank, working there for the following 34 years. His posts have included international manager, chief secretary, managing director, vice president, and chief vice-president of Woori Bank.



Sung-Tae Ro

Dean of the School of Business Administration, Myongji University

- Director, Economic Research Institute, The JoongAng Ilbo
- Chief Editor, The Korea Economic Daily
- President, Hanwha Economic Research Institute
- Research Director, Korea Development Institute
- Ph.D. in Economics at Harvard University
- B.A. in Economics at Seoul National University

Oh-Seok Hyun

*President of the Trade Research Institute, Korea International Trade Association
Member of the Presidential Commission on Policy and Planning*

- Special Advisor to the Deputy Prime Minister
- Director-General of Economic Policy and Treasury, Ministry of Finance and Economy
- Assistant Minister and Dean of National Tax College, Ministry of Finance and Economy
- Secretary for Economic Affairs to the President
- Economist, The World Bank
- Ph.D. in Economics at the University of Pennsylvania

Chung-Sook Moon

Professor of Economics, Sookmyung Women's University

- Member, Presidential Regulatory Reform Committee
- Member of the Financial Development Review Committee, Ministry of Finance and Economy
- Member of Competition Policy Committee, Korea Fair Trade Commission
- Ph.D. in Consumer Economics at Kansas State University

Sung-Hwan Bae

Director of Receivership & Collection Department, Korea Deposit Insurance Corporation

- Member, Board of Directors of Seoul Guarantee Insurance
- Banking Supervisory Authority of the Bank of Korea
- Ph.D. in Business Administration at SungKyunKwan University
- M.A. in Economics at University of Illinois

PART

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VALUE CREATION

VALUE CREATION

CORPORATE GOVERNANCE

23

REALIZING OUR SYNERGIES

26

When Asia's long-running economic boom turned to a bust at the end of the 1990s, banks and their shareholders learned a number of valuable lessons. Most notably, it was a wakeup call, a reminder that it pays to keep books and numbers forthright and conservative. Woori Financial Group's uniquely vast experience in the financial services sector, stemming from long before the Group's inception, is the basis of our value proposition to shareholders, whether the times are good and more so when times are bad. In brief, it means pricing for risk, maintaining prudent loan policies, and adopting the most conservative accounting standards around in the industry.

27 MEASURING UP TO GLOBAL STANDARDS

MAXIMIZING SHAREHOLDER VALUE

Overview of 2003

Considering that strong profits were anticipated going into the year, the final consolidated business results for 2003 can, for the most part, be described as disappointing. Although our banking franchise as a whole maintained robust earnings performances relative to previous years, these were almost entirely offset by considerable losses incurred by our credit card operations.

There were signs early on in the year of mounting delinquencies at Woori Credit Card, which peaked by the end of the third quarter. Given the circumstances, severe measures were to be taken to deal with the credit card unit's increasingly fragile asset base. By year-end, such heavy provisioning resulted in a 1.7 trillion won provision expense.

Since its merger into Woori Bank at the end of March 2004, Woori Credit Card now functions as an independent business unit in a manner enabling both Woori Bank and Woori Credit Card to maximize their respective competitive strengths.

In addition to the unexpected provisioning needs of our subsidiary, several external factors including the debacle surrounding SK Global (now SK Networks) and the massive liquidity crisis at LG Card cut deeper still into the Group's bottom line, requiring further provisions for loans extended to those enterprises.

Our aggressive stance toward setting aside sufficient reserves against doubtful loans is in accordance with the Group's conservative approach to risk management. This, in turn, is due to comparatively more stringent internal accounting guidelines that we apply, which we expect to be rewarded for in the long run. We have taken giant steps toward eliminating NPLs on our banking subsidiaries' books, bringing the combined substandard & below loan ratio down from 6.8% in 2001 to 3.3% during 2002, and further to 2.8% last year.

INDUSTRY PEER-GROUP RANKINGS

The problems stemming from Woori Credit Card notwithstanding, solid gains achieved by our banking subsidiaries were more than sufficient to offset these temporary setbacks. Our formidable earnings power has been acknowledged within the industry, resulting in impressive peer-group rankings for strong profitability and improving asset quality.

> **3rd** in Asset volume with 129 trillion won

> **2nd** in Net interest margin with 3.2%

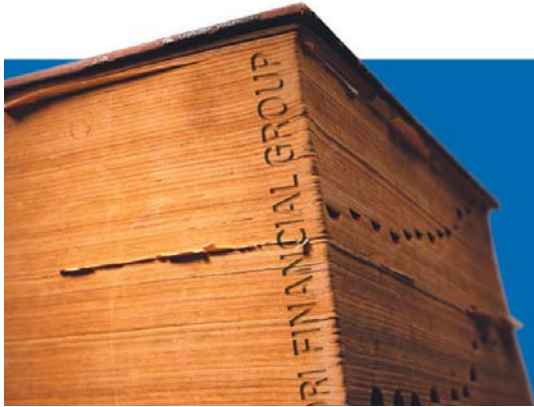
> **1st** in BIS capital ratio with 11.3%

> **2nd** in Cost-to-income ratio with 41.7%

Strong asset growth and healthy margins are the key ingredients for sustaining high earnings. Just as important for profitable operations are the Group's initiatives to streamline and integrate business processes and management systems, with the desired end-results being greater internal efficiencies, higher productivity, and substantial cost reduction.



Corporate Governance



Woori Financial Group achieves the maximum degree of transparency in corporate governance, providing for strict separation of ownership and management, and ensuring that professional managers of high caliber have unencumbered authority to manage the company. The Group satisfies Korea's legal requirements as well as those applied by the U.S. Securities Exchange Commission (SEC) in conjunction with the listing of Woori Financial Holdings on the New York Stock Exchange in late 2003. In certain areas, domestic rules to which we are bound are significantly stricter than those of the SEC.

BOARD & COMMITTEES

NEW BOARD OF DIRECTORS ENHANCING MANAGEMENT TRANSPARENCY

Our Board of Directors (BOD) performs several roles and functions including strategy formulation, budget assessment, and monitoring. A new BOD was appointed at Woori Financial Group's 3rd Annual General Shareholders' Meeting on March 30, 2004. On April 28, 2004, another non-standing director and member of the Audit Committee was nominated, and he was officially appointed at the following shareholders' meeting. This effectively increased the ratio of non-standing directors to a 77% super majority and has heightened the status of the Audit Committee. The BOD meeting of April 28 also presided over certain changes in the roles and functions of certain board committees, while creating new committees in compliance with legislation governing holding companies.

BOD COMMITTEES

* The BOD Management Committee (formerly the Management Committee) consists of the heads of all other committees, with responsibilities ranging from supervising all committees to devising management policies for overall operations and corporate governance policies. It convenes once every six months.

* The Audit Committee, composed of seven non-standing directors, one of whom must be a professional auditor in compliance with the revised Securities Act of November 2003, is mainly responsible for establishing, organizing, and evaluating internal auditing procedures, as well as appointing, approving, and evaluating outside auditors. The Audit Committee convenes quarterly.

* The Group Risk Management Committee is composed of two standing and three non-standing directors. Its responsibilities include establishing extensive risk management policies, maintaining proper risk levels, and allocating risk capital. The Risk Management Committee convenes quarterly.



* Other BOD entities are the Executive Management Committee, the MOU Review Committee (new), the Management Compensation Committee, the Ethics Committee, and the Non-standing Director Nomination Committee (new, pursuant to the Financial Holding Company Act).

INTERNAL CONTROL

GROUP “CODE OF ETHICS”

In honoring our commitment to corporate social responsibility (CSR), Woori Financial Group aims first to run a transparent, efficient, and profitable enterprise. In early 2003, we adopted a corporate “Code of Ethics” that has since been embraced by every Woori Financial Group employee. The “Code of Ethics” spells out the “Business Principles” of the Group, which encompass various ethical issues that can arise in the context of employer-employee and employee-client relationships. The “Code of Ethics,” as its name suggests, is ultimately designed to foster interpersonal dealings built on trust and confidence, the bedrock of ties among clients, employees, and shareholders.

RISK MANAGEMENT ORGANIZATION & SYSTEM

Through an integrated, multi-tiered organizational strategy based on a solid governance structure and free flow of information, we are able to effectively manage the different types and varying levels of risk to which the Group and its subsidiaries are exposed. These include risks related to credit, market, liquidity, and operations.

The highest risk management decision-making body is the Group Risk Management Committee (GRMC). Independent of business units and management, the GRMC issues directives to the risk management committees of each subsidiary. These Subsidiary Risk Management Committees (SRMCs), in turn, develop specific strategies and implement policies and guidelines for their particular operations. In addition, the Group Risk Management Council acts as a coordinator between the GRMC and the SRMCs. The Council reviews strategy implementation, risk status, and risk-adjusted capital allocation plans, as well as risk limits of each subsidiary.

Standardizing and improving group-wide risk management capacities is one of our key operational objectives, aimed at lowering credit costs by adopting advanced risk management policies and systems. Accordingly, we have completed the standardization of Group-wide market risk, ALM, and VaR systems. In addition, through the integration of our banking subsidiaries’ databases, we expect to have standardized credit risk management processes and risk-adjusted performance measures on line in the near future.





EXTERNAL CONTROL

RELATIONSHIP WITH THE GOVERNMENT

The largest shareholder of Woori Financial Group is the Korean government in the form of its agency, the Korea Deposit Insurance Corporation (KDIC). Although the KDIC owns 86.8% of the Group's shares as of year-end 2003, the Group conducts business based on purely economic principles without intervention from any government agency or official.

Our relationship with the KDIC dates back to 2000, when a series of MOUs were concluded between the KDIC and Hanvit Bank (now Woori Bank) along with four other banks. In 2001, following the launch of Woori Financial Group and the inclusion of these five banks as subsidiaries, the Group signed a separate MOU with the KDIC. Apart from the MOU targets consummated with KDIC, we are not bound by any government actions.

Our MOU with the KDIC requires us to take all necessary actions 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.

In January 2003, the holding company, Woori Bank, Kwangju Bank, and Kyongnam Bank completed their 2003-2004 business normalization plans and entered new two-year plans with the KDIC, which includes restructuring measures and financial targets. These four entities are on course to meeting their two-year MOU targets set in 2003 with respect to business normalization, integration of subsidiaries' operations, and the return of public funds injected prior to 2001.

DISCLOSURE POLICY

We believe that transparent and timely disclosure is an important aspect of our investor relations function. Extensive efforts are made to provide essential information to the investment community in a prompt manner, and to ensure that dissemination of information is carried out in a fair and responsible manner.

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.

Our Disclosure Committee, headed by the CFO, ensures proper conformance with our Disclosure Policy. The Committee meets regularly to inspect and confirm key periodical disclosures, evaluate disclosure performance and seek improvements of our Disclosure Policy and related procedures.

Realizing Our Synergies



REVENUE CREATION

Owing to our holding company structure, with subsidiaries offering a diverse range of financial products and services, Woori Financial Group enjoys unique advantages over our competitors in generating synergies that drive revenues and reduce costs. Whether it is growing our “share of wallet” (SOW) by cross-selling insurance policies to retail banking customers, or cutting expenses through joint procurement, synergies can pay handsome dividends to those who achieve them.

One of the Group’s primary strengths is its sheer size. Our banking subsidiaries have one of the largest bases of retail and corporate clients in Korea, and we are being increasingly well represented in the non-banking sector with our brokerage, credit card, asset management, and insurance offerings readily available. However, we have yet to realize our full potential to harvest new revenues from our existing client bases. As an indication, our share of wallet (SOW) remains low compared to advanced financial markets such as Europe, where institutions boast higher average numbers of products per customer.

Recent changes in government regulations pertaining to holding companies allow greater freedom and flexibility in sharing customer information among subsidiaries. We have actively invested in customer relationship management (CRM) initiatives that will support robust group-wide cross-selling and customer management systems, while maximizing customer satisfaction. Our banking franchise already has an integrated CRM platform that will be extended group-wide by the end of 2005.

COST REDUCTION

Unlocking synergies on the cost side is also a key managerial objective, where efficiencies at individual branches are being enhanced to strengthen their marketing strategies and to raise productivity while reducing costs. Business process reengineering (BPR) programs have been conducted in the banking segment to standardize and centralize operations, cultivate a proactive marketing culture, and introduce process performance management approaches at the individual bank branch level.

Further operational efficiency has been achieved through the integration of Group IT systems, in terms of both hard-ware and soft-ware. As soon as we complete the integration process of our subsidiaries’ databases, we expect to realize maximum IT-related synergies. Joint procurement is another cost-reduction initiative currently under development with full implementation anticipated next year.



Measuring up to Global Standards



LISTED ON NYSE

Merely satisfying global standards is becoming less of a competitive advantage but instead a determinant of long-term survivability, especially in the financial services industry. On September 29, 2003, we passed a major milestone in this respect, as Woori Financial Holdings Co. became one of only 16 non-U.S. companies to be listed on the New York Stock Exchange (NYSE) during the year. Our shares, in the form of American Depository Receipts, now trade under the ticker symbol “WF.”

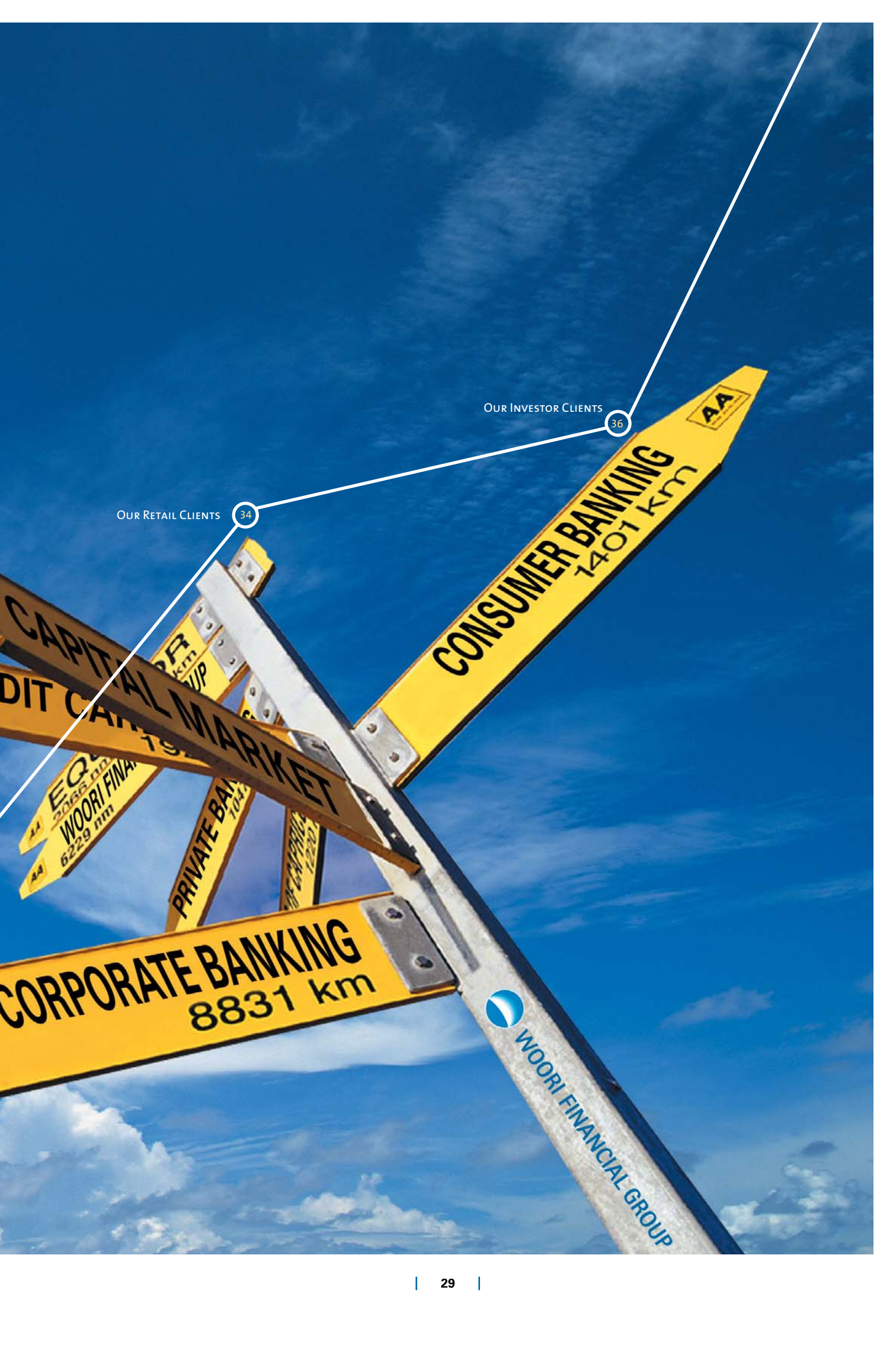
This was a highly meaningful achievement in many key respects. It capped three years of unceasing efforts to raise our privatization rate and balance our ownership structure in terms of domestic and foreign capital. In preparation for listing on the NYSE, we converted the past three years of financial statements to comply with U.S. standards (U.S. GAAP) and adopted a more conservative approach in provisioning against loan losses.

Going public on the world’s premiere bourse also clearly demonstrates the increased international recognition of our strong earnings power, enhanced management transparency of our banking franchise, and overall tighter internal controls throughout the Group.

The process of creating value – corporate, shareholder, and community – ultimately begins with the customer. Retaining customers is a key driver of revenue and profit, while losing them to competitors is becoming increasingly costly. In Korea's competitive financial services market, our customers have become more demanding, financially sophisticated, and less attached to one specific provider. In response, Woori Financial Group takes advantage of our size, synergies, and cross-selling opportunities to create the most rewarding customer experience possible.

OUR CORPORATE CLIENTS 30

PRIORITY ON CUSTOMER VALUE



OUR RETAIL CLIENTS 34

OUR INVESTOR CLIENTS 36

CAPITAL MARKET
CORPORATE BANKING
8831 km

CONSUMER BANKING
1401 km

WOORI FINANCIAL GROUP

Our Corporate Clients

LARGE CORPORATE BANKING

Our largest banking subsidiary, Woori Bank, is the main creditor bank for many industry-leading companies, some of them the largest and highest-quality borrowers in Korea. As the prime bank for 14 of Korea's 29 largest business conglomerates, Woori is also at the forefront of corporate restructuring, devising win-win strategies and serving as the "main bank" in key financial projects.

To enhance customer management with respect to our large corporate customers, Woori Bank currently has 112 Relationship Managers (RMs) nationwide. Key strategies for 2004 are to promote joint marketing of securities and investment banking services

through RMs, expand market share in foreign exchange with respective growth in fee income in that area, strengthen product development aimed at highly-valued corporate customers, and develop and market diverse high-profit products such as FX risk-hedging instruments. Other tasks include devising consulting services for customers according to their Credit Rating and marketing potentially high-profit private-equity funds to corporate customers.



Case 1: Hyundai Petrochemical

Woori Bank's handling of last year's sale of the then-distressed Hyundai Petrochemical to a consortium consisting of Honam Petrochemical and LG Chem was an opportunity to demonstrate our vast expertise in M&A deals and our ability to enhance asset quality through advanced corporate restructuring. This 1.76 trillion won deal – the largest of its kind seen in Asia – garnered kudos from industry experts for its high 77% receivables turnover rate and 39.4 billion won income effect.



Case 2: Jinro

Another prominent business restructuring project in 2003 was Woori Bank's role in assisting Hawkeyes Investment's acquisition of debentures to keep bankrupt Jinro Group afloat. Jinro, once a top 20 conglomerate, had been the

nation's leading distiller of the popular local spirit, soju, but went insolvent due to unbridled expansion into unrelated industries. Woori Bank supported the M&A transaction and also provided loans of 185 billion won.



Small & Medium-Sized Enterprise Banking

Small and medium-sized enterprises (SMEs) represent a significant and growing customer base for Woori Financial Group. SMEs constituted the Bank's largest borrower segment at the end of 2003, with 48.2% of all loans. Serving SME customers are Woori Bank's network of 544 SRPs (SME Relationship Professionals) at 442 branches nationwide (321 located in the Seoul metropolitan area), including 59 dedicated SME Support Branches and similar operations at Kyongnam Bank and Kwangju Bank in their respective regions.

Recent customer management initiatives include identifying promising industries such as IT, educational services, sports & leisure, and retail

distribution, and catering to the needs of our new and existing SME customers in those areas. Customer loyalty programs are another focus, in which we reward our most profitable SME customers with preferential rates, free seminars, workshops, and other benefits. In response to rising SME loan default rates, we will manage SME loan delinquencies by region and branch, while strengthening credit risk management and delinquency reduction programs on potential bad loans.

We will also initiate up-selling and cross-selling of products targeting SOHO customers, in addition to expanding our "SME Business Club" and launching the "Finance Business Club," to better address our clients' concerns.



Case 3: LCD & Semiconductor SMEs

The Group takes strategic advantage of its breadth of expertise to help promising companies in targeted industries launch and grow their businesses. In the IT field, Woori Bank utilizes its vast branch network and those of the other banking subsidiaries to attract producers of LCD panels and semiconductors with tailored loans and preferential services.

CAPITAL MARKET ACTIVITIES

INVESTMENT BANKING

Woori Financial Group's investment banking operations are handled by two subsidiaries, Woori Securities and Woori Bank. The securities arm acts as the lead manager or as a part of syndicates to underwrite equity and debt securities in domestic capital markets. The company also provides M&A and financial advisory services. Woori Bank performs project finance and financial advisory services for SOC projects, in addition to structured finance, LBO financing, equity and venture financing, and M&A advisory services. In 2004, we will focus on cross-selling investment banking services to our large and SME corporate banking customers to expand fee income streams, diversify revenue sources, and generate new group-based synergies.

ASSET SECURITIZATION SERVICES

Through Woori Bank and Woori Securities, we are a dominant force in Korea's asset-backed securities (ABS) market – the largest in Asia after Japan – acting as either an arranger, trustee, or liquidity provider. Despite a difficult market environment in 2003, we recorded an initial aggregate in the issuance amount of 1,109 billion won and generated total fee income of 14 billion won from ABS transactions.

DERIVATIVES TRADING

Selling and trading derivative products for our corporate customers looking to hedge foreign exchange rate risks represents a steadily growing business. These products include foreign exchange spot contracts, interest rate swaps linked to won interest rate risks, cross-currency swaps, FX forwards, swaps, and options.

Consistently ranked among Korea's top IPO managers, Woori Securities guided a large number of such clients from the early stage of the IPO process to the achievement of their external funding goals. Among our IPO clients in the IT sector are LF, Hicel, Osung LST, and Advanced Semiconductor Engineering.

Case 4: New Songdo City and SME IPOs

Woori Bank, together with ABN AMRO, attracted \$90 million last year in a syndicated loan for the construction of a new urban complex on Songdo Island, off the coast of Incheon. Earmarked for the purchase of land for an international business center within the planned new city, this \$90 million investment has helped to dispel concerns about the feasibility of the mammoth development project.



INTERNATIONAL SCOPE

Our international banking operations are conducted chiefly through Woori Bank and include FX services and dealing, import/export-related services, offshore lending, and foreign currency securities investment. Customers for these services are primarily our domestic corporate clients and their offshore subsidiaries and affiliates, for which we also raise foreign currency funding and commercial banking services in certain overseas markets through Woori Bank's branches overseas.

Woori Bank's international network of branches, subsidiaries and representative

offices totaled 15 units spanning three continents and ten nations at the end of 2003. This number includes our recent purchase of the New Jersey-based Panasia Bank in the United States. After conducting thorough internal studies, we have developed a market-focused, customer needs-driven specialization strategy for all overseas locations. Henceforth, our subsidiaries in Japan and U.S. will concentrate on retail banking; our New York, London, Hong Kong, Singapore, and Bahrain branches on corporate banking; and our Shanghai, Hanoi, and Dacca branches on assisting Korean companies with local operations in those markets.



Case 5: Partnering in China

In July 2003, in response to Korea's surging financial transactions with China, Woori Bank signed an MOU with Industrial & Commercial Bank of China (ICBC), the world's 16th largest bank by equity capital. Under this agreement, we will utilize ICBC's considerable resources to expand our corporate banking operations in Korea's giant neighbor to the west. This step follows the creation of the Bank's China Desk in 2001 and the opening of our first Beijing branch the following year.

Our Retail Clients

CONSUMER BANKING



Our consumer banking services are provided by Woori Bank on a nationwide basis, with Kyongnam Bank and Kwangju Bank each having extensive networks and longstanding relations with customers in their respective regions. Customer segmentation is a key CRM strategy in our retail banking segment for classifying individual customers by criteria including credit, net worth, contribution to our operations, among others, then customizing services, products, and marketing approaches to best meet the financial needs of each group. Our banks pursue “strategic migration” of certain customer segments to our low-cost service delivery channels, such as ATMs, Internet banking, mobile banking, and call centers. Retail lending activities take two basic forms, general-purpose household loans and home mortgage loans. While broader economic factors will always influence delinquency rates, we do our utmost to accurately evaluate our current and potential borrower’s creditworthiness and ability to repay, in order to ensure healthy asset quality.



Credit card products and services are now offered through a special unit within Woori Bank following former subsidiary Woori Credit Card’s merger with the Bank earlier this year. Considerable efforts have gone toward recapitalizing and normalizing its operations, while retaining the “Woori Card” brand. We look forward to leveraging the formidable strengths and extensive networks of both the bank and credit card unit to cross-sell card services to our massive retail banking customer base.

CREDIT CARD



Bancassurance, or the marketing and sale of general insurance products through commercial banking outlets, was introduced in Korea in September 2003. Thanks to more than a year's preparation, we achieved 337.6 billion won in bancassurance product sales in less than three months, earning 16.3 billion won in fee income alone. These products represent a new source of fee-based revenue that holds great promise for growth and cross-selling opportunities, exploiting our group synergies to full advantage. Presently, our three banking subsidiaries offer life insurance products of Samsung Life, Korea Life, and AIG, and non-life insurance products of Samsung Fire & Marine, Hyundai, and ACE.



BANCASSURANCE

Private banking operations were initiated in 2002 at Woori Bank, Kyongnam Bank and Kwangju Bank in response to the increasingly sophisticated financial requirements of high net-worth and mass-affluent retail customers who individually maintain combined deposit and loan balances of 200 million won or more.

Private Bankers are designated to provide these high-value customers with the utmost comprehensive financial and real estate-related services. Differentiated investment and banking offerings, such as beneficiary certificates, overseas mutual funds, specialized bank accounts, and credit cards are developed with this key client segment's wants and needs in mind. We have also created customer loyalty programs for our Private Banking clients, with a tiered system of preferential rates, services, and other benefits.

Woori Bank currently operates three designated Private Banking Centers in Seoul and 43 bank branches with separate PB facilities. Kyongnam Bank and Kwangju Bank operate one dedicated Private Banking Center each.



PRIVATE BANKING

Our Investor Clients

BROKERAGE

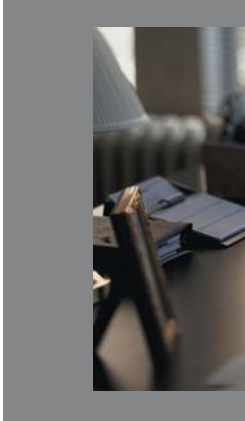
Woori Securities is a full-service provider of investment banking and stock brokerage services, including stocks, futures, options, derivatives, and debt instruments such as commercial papers. The firm recorded 56.3 billion won in total fees and commissions from brokerage, underwriting, and beneficiary certificate activities in 2003. A core subsidiary of Woori Financial Group, Woori Securities maintained a total of 73 branches throughout Korea, including 23 brokerage outlets located within Woori Bank branch offices, as of December 31, 2003. Due to a number of mounting factors, a shakeout in the domestic brokerage market seems inevitable. In preparation, Woori Securities is planning to expand manpower to realize economies-of-scale, utilize group-based synergies, and strengthen our asset management business, ultimately diversifying our revenue sources.

ASSET MANAGEMENT

Trust Management Services

Woori Bank, Kyongnam Bank, and Kwangju Bank offer money trust products and manage the funds invested therein on behalf of our customers. These include retirement trusts, pension trusts, specified money trusts, and other trust instruments with varying maturities along with tax treatment and other characteristics. Including basic management fees and performance fees, money trust management is currently the largest generator of fee income for the Group.

Woori Bank also offers property trust management services, whereby non-cash assets are managed in return for a fee. Non-cash assets are typically receivables, real property, and securities, but can also include movable property such as artwork. As of December 31, 2003, the balance of our property trusts totaled 1,186 billion won.





Investment Trust Management

Woori Investment Trust Management (WITM) offers customers an assortment of investment trust products, including equity, bond, hybrid, and money-market funds, which typically are offered in the form of beneficiary certificates indicating a client's ownership interest in a particular investment trust. They generally carry no fixed term and allow investors to share in the performance of a trust in proportion to the amount of their investment, which WITM exercises full investment discretion over. In response to market changes, WITM is shifting its focus toward more short-term capital instruments, including money-market funds and short-term bonds. Looking ahead, we will foster WITM as the Group's primary asset management unit, offering a broader variety of tailored products to both retail market clients and wholesale market clients, assisting in their life-long wealth management and strategic asset allocation needs.

CUSTODY

Through its subsidiaries Woori Bank and Kyongnam Bank, Woori Financial Group acts as a trustee for some 70 securities investment trusts, for which we earn fees. Trustee duties primarily consist of receiving payments in respect of such securities and executing trades on behalf of securities trusts. In certain instances, we authenticate beneficiary certificates issued by investment trust management companies and handle settlements in respect of such beneficiary certificates. Custody business generated 4.9 billion won in fee income for the year ended December 31, 2003.

INVESTMENT ADVISORY

Woori Securities registered with the Financial Supervisory Commission in November 2003 to deal in discretionary wrap accounts, which the company formally launched in February 2004. We recruited a team of experts and have strengthened internal research capabilities in order to devise and manage these sophisticated new asset-allocation products. Woori Securities was recently selected from among five brokerages by the Ministry of Construction & Transportation to serve as a manager for Korea's National Housing Fund. We will increase our focus on institutional investors in the initial phase of operations, later to expand to include individual investors.



CONTRIBUTION TO *COMMUNITY* VALUE

EMPOWERING OUR PEOPLE

40

Only a profitable institution can make a meaningful, sustaining contribution to the community at large without infringing on the interests of its shareholders or its customers. That is why, for Woori Financial Group, the idea of “community” begins at home, with our employees and their families.

WOORI FINANCIAL GROUP

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CORPORATE CITIZENSHIP



Empowering Our People





At Woori Financial Group, we believe that satisfied employees lead to satisfied customers, which in turn helps in realizing our maximum profit potentials. For this reason, we attach the highest importance to ensure that our subsidiaries continue to attract and retain the most qualified human resources available. Our success in this effort was recently demonstrated, when Woori Bank was selected in a poll of the nation's university students as the most sought-after prospective employer in the banking field.



Our top ranking in this late 2003 survey is a result of our commitment to luring the best and brightest jobseekers with the most compelling pay and benefit mix in the industry. Candidates are attracted by our result-oriented remuneration programs, which reflect performance evaluations and differentiated, cascading incentives to reward deserving employees.

Another key perk is comprehensive in-house education that begins on the employee's very first day. This includes web-based training in all the basics of the banking business, CRM and marketing concepts for new staff, with regular evaluations to monitor and reward their progress. The learning process never ends, as practical instruction at our "financial boot camp" and further online education nurture promising individuals for management positions with "cyber MBA" courses, situational leadership training, "Global CFO School" and other programs. We also offer opportunities for individuals to specialize and excel in foreign languages in order to foster overseas regional experts and strengthen our abilities to compete in strategic emerging markets abroad.

Other attractions range from subsidized housing loans to health insurance, along with medical and childcare benefits, equal job opportunity, paid maternity leave for female staff, and child educational support. To assist employees who leave us mid-career or upon retirement, the holding company and subsidiaries offer outplacement services as well as private pension plans.

Corporate Citizenship



As a part of our efforts to substantiate corporate social responsibility (CSR), Woori Bank became a signatory to the UN Environment Program's "Statement on the Environment and Sustainable Development." In doing so, we commit ourselves to integrating environmental considerations in all operations and services, and to fostering private-sector investment in environmentally sound technologies and services.

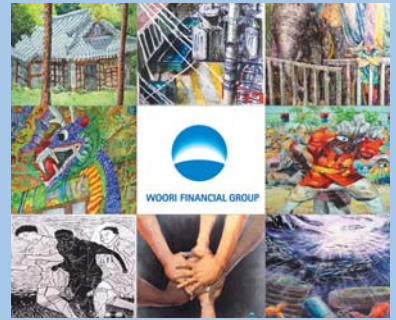
In our bid to become Korea's leading financial services institution, we strive to achieve ever-deepening customer satisfaction and loyalty. This includes tangible satisfaction, such as the value and convenience customers gain from our products and services, and also intangible ways, whereby customers derive a benefit from their association with an institution devoted to the good of the local, national, and global community.



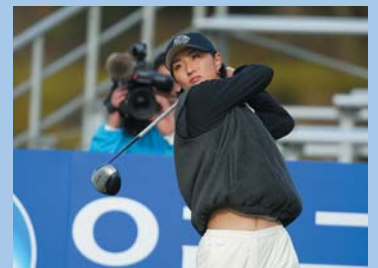
At Woori, all employees contribute a small portion of their monthly salaries to the Group-wide "Woori Love Fund," with matching grants from the Bank, to carry out charitable works in the community. Last year, a total of 342 million won went to a variety of good causes, supporting families of childhood cancer victims, donating food and shelter for the poor, and other campaigns to improve social welfare.



One measure of our commitment to CSR is how well we respond in times of national crises. Immediately after the devastation wrought by Typhoon Maemi in the summer of 2003, we were on the scene in flood-damaged regions of the country, helping fellow citizens in need and despair with monetary donations, material assistance, and moral support.



CSR means more than reacting when disasters occur. We are equally dedicated to bettering society through direct participation and support for ongoing charities. Among these are "Habitat for Humanity Korea," which builds affordable housing for the needy and, in the area of arts and culture, the Woori "Cultural Love Fund." The latter supports the National Theater Association of Korea, various musical and regional cultural festivities, literary contents, and the long-running "Woori Bank Children's Art Contest" which drew the participation of 40,000 young artists throughout the country last year.



Sports sponsorship represents another important and growing facet of our role as a good corporate citizen. Examples include the Woori Securities Classic Ladies' Championship, now in its fourth year, which features the participation of several top Korean members of the U.S. LPGA, commercial sponsorship for the 2003 Daegu Universiad athletic tournament, and our longstanding sponsorship of the Korean Woman's Professional Basketball League.

PART

IV

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FINANCIAL REPORT

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Management's Discussion & Analysis

ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS

1. EARNINGS ANALYSIS

According to the consolidated financial statements for fiscal year 2003, Woori Financial Group's operating revenue in 2003 rose 779 billion won, or 8.1%, to 10,403 billion won. Of this amount, interest income grew 1,100 billion won, or 17.0%, to 7,564 billion won, while other operating revenue saw a minor 0.9% loss of 16 billion won to 1,690 billion won. Fee income, however, contracted 21.0%, falling 305 billion won to 1,150 billion.

The growth rate of operating revenue, however, was exceeded by that of operating expenses, which rose 1,352 billion won, or 15.2%, to 10,261 billion won, due primarily to a 1,063 billion won or 36.9% jump in other operating expenses. The sizable increase in other operating expenses was mainly attributable to an increase in provisions for possible loan losses. In addition to other operating expenses, interest expense posted a slight 86 billion won, or 2.3%, increase to 3,842 billion won, while commission expense fell 36 billion won, or 12.6%, to 251 billion won. SG&A expense rose by 130 billion won, or 7.0%, to 1,974 billion won. As a result of the higher growth rate of operating expenses relative to that of operating revenue, operating income in 2003 recorded a sharp decline of 573 billion won, or 80.1%, to 142 billion won.

Net non-operating income had improved, showing a turnaround in 2003 at 89 billion won from a 260 billion won loss in 2002. This was attributable to a sizeable reduction in non-operating expenses, while non-operating income remained nearly unchanged. The reduction in non-operating expenses was mainly due to a 174 billion won decrease in loss on sale of loans and a 165 billion won reduction in loss on impairment of available-for-sale securities. Owing to this improvement, the reduction in ordinary income fell 224 billion won, or 49.2%, to 231 billion won.

In 2003, the Group recorded an income tax expense of 179 billion won, compared to an income tax benefit of 159 billion won in 2002. In 2002, Woori Bank posted a income tax benefit of 184 billion won, which was recorded as an income tax benefit for the Group on a consolidated basis. In 2003, however, the Bank's deferred income tax assets were reduced, resulting in income tax expense. Moreover, 121 billion won in deferred income tax assets were recorded due to continued deficit operations at Woori Credit Card in 2003, which were reflected in income tax expense.

As a result, income before minority interests showed a sharp reduction of 561 billion won to 52 billion won, while consolidated net income fell by a similar 535 billion won to 56 billion won, representing a 90.5% year-on-year contraction.

Management's Discussion & Analysis

* SUMMARIZED CONSOLIDATED INCOME STATEMENTS

(billion won, %)	2003	2002	Change(%)
Operating revenue	10,403.4	9,624.0	8.1
Interest income	7,564.0	6,463.6	17.0
Fee income	1,149.7	1,455.0	-21.0
Other operating revenue	1,689.8	1,705.4	-0.9
Operating expenses	10,261.1	8,908.7	15.2
Interest expense	3,842.4	3,756.3	2.3
Commission expense	250.8	287.0	-12.6
Other operating expenses	3,945.3	2,882.8	36.9
SG&A expense	1,973.9	1,844.3	7.0
Other expenses	248.7	138.4	79.7
Operating income	142.3	715.3	-80.1
Net non-operating income	88.8	-260.4	-134.1
Ordinary income	231.1	454.9	-49.2
Income tax	178.7	-158.7	-212.6
Income before minority interests	52.4	613.6	-91.5
Minority interests, net	3.9	-22.0	-117.8
Consolidated net income	56.3	591.6	-90.5

By subsidiary, Woori Bank earned net income of 1,332 billion won, while Kyongnam Bank and Kwangju Bank recorded net income figures of 85 billion won and 57 billion won, respectively. With the sum of these three banks, the Group's banking sector reached substantial net income of 1,475 billion won. Conversely, Woori Credit Card posted significant net losses of 1,321 billion won in 2003, as a result of credit delinquencies led to write-offs. Woori Securities also recorded a net loss of 13 billion won due to impaired loss on marketable securities, and Woori Investment Trust Management achieved a net income of 1.3 billion won for the year in review.

* SUMMARIZED INCOME STATEMENTS BY SUBSIDIARIES

(billion won)	Woori Bank	Kyongnam Bank	Kwangju Bank	Subtotal of Banking Sector	Woori Credit Card	Woori Securities	WITM	Group (consolidated)
Operating revenue (Net)	3,405.4	354.1	258.0	4,017.4	520.4	100.1	6.8	4,728.4
SG&A expenses	1,452.9	147.7	124.7	1,725.3	63.7	93.1	5.1	1,973.9
Non-operating income	165.8	-44.8	-8.2	112.8	33.9	-20.4	0.1	125.4
Income before provisions	2,118.3	161.6	125.1	2,404.9	490.6	-13.4	1.8	2,879.8
Allowance for possible loan losses	688.6	106.8	92.6	888.0	1,690.2	3.7	-0.1	2,644.6
Income tax	97.5	-30.5	-24.5	42.5	121.0	-4.0	0.6	178.7
Net income	1,332.2	85.2	57.1	1,474.5	-1,320.6	-13.1	1.3	56.5

LOANS

Total loans by the Group's three banks increased 20.0% over the previous year, or 13,010 billion won, to reach 78,012 billion won as of December 31, 2003. Loans to the corporate segment grew 22.9%, or 8,720 billion won, to 46,841 billion won, representing 60.0% of total loans for a 1.4%P increase compared to 58.6% as of the end of 2002. Loans to small and medium-sized enterprises (SMEs) grew 28.6%, totaling 37,594 billion won as of December 31, 2003, up 8,363 billion won year-on-year, taking up 48.2% of total loans, up 3.2%P from 45.0% of the end of the previous year. Loans to large corporations posted an increase of 4.0% to register 9,247 billion won, with a 357 billion won growth from the previous year. In terms of proportion of total loans, large corporations accounted for 11.9%, a 1.8%P year-on-year decline. Such readjustments in our loan portfolio reflect the Group's efforts to focus on profitability via a broader loan customer base. Loans to households grew 17.9%, or 4,592 billion won to 30,223 billion won year-on-year. The



Management's Discussion & Analysis

share of loans to households in total loans decreased slightly to 38.7% from the end of 2002. Loans to public sector borrowers and others fell 24.2%, or 302 billion won, to 948 billion won as of December 31, 2003.

* LOAN PORTFOLIO BY BORROWERS

<i>(billion won, %)</i>	2003		2002		Change	
	Amount	%	Amount	%	Amount	%
<i>Borrowers</i>						
Corporate	46,840.8	60.0%	38,120.8	58.6%	8,719.9	22.9%
SMEs	37,594.2	48.2%	29,231.5	45.0%	8,362.7	28.6%
Large Corp.	9,246.6	11.9%	8,889.3	13.7%	357.3	4.0%
Retail	30,223.2	38.7%	25,631.4	39.4%	4,591.8	17.9%
Public sector and other	947.6	1.2%	1,249.4	1.9%	-301.8	-24.2%
Total	78,011.6	100.0%	65,001.6	100.0%	13,010.0	20.0%

SECURITIES

As of the end of 2003, the balance of securities stood at 27,007 billion won, up a slight 554 billion won over the previous year. Trading securities decreased 7.3% year-on-year, or 216 billion won, to 2,728 billion won. Of trading securities, government bonds, finance debentures, and corporate bonds declined, while equity securities and beneficiary certificates rose from the previous year. Available-for-sale securities totaled 14,145 billion won, resulting in a relatively solid increase of 8.8% year-on-year. Among available-for-sale securities instruments, equity securities, government bonds, finance debentures, and beneficiary certificates all posted significant gains, though corporate bonds shrank 372 billion won to 4,004 billion won. Finance debentures, which constitute a large portion of such types of securities, saw an increase of 542 billion won to 4,627 billion won. Held-to-maturity securities recorded 9,992 billion won as of the end of 2003, registering a 4.0%, or 419 billion won, year-on-year decline. Among held-to-maturity securities, corporate bonds shed 790 billion won, or 10.4%, to stand at 6,830 billion won. On the other hand, government bonds jumped 29.6%, rising 395 billion won to 1,729 billion won, while finance debentures gained 312 billion won to record 1,067 billion won, up 41.3% year-on-year.

* SECURITIES

<i>(billion won, %)</i>	2003	2002	Change(%)
<i>Trading securities</i>	2,727.8	2,943.8	-7.3
Equity securities	108.1	64.8	66.8
Government bonds	684.4	691.5	-1.0
Finance debentures	626.8	845.4	-25.9
Corporate bonds	580.8	849.8	-31.7
Beneficiary certificates	600.5	305.6	96.5
Securities in foreign currencies	24.2	84.3	-71.3
Others	103.0	102.4	0.6
<i>Available-for-sale securities</i>	14,144.5	13,000.0	8.8
Equity securities	1,150.0	855.5	34.4
Capital contributions	58.9	59.2	-0.5
Government bonds	728.5	588.7	23.7
Finance debentures	4,626.5	4,084.8	13.3
Corporate bonds	4,004.4	4,376.5	-8.5
Beneficiary certificates	2,098.0	1,799.5	16.6
Securities in foreign currencies	1,337.9	1,155.1	15.8
Others	140.3	80.7	73.9
<i>Held-to-maturity securities</i>	9,991.9	10,410.6	-4.0
Government bonds	1,728.5	1,334.0	29.6
Finance debentures	1,067.0	755.2	41.3
Corporate bonds	6,830.1	7,620.0	-10.4
Securities in foreign currencies	263.1	317.7	-17.2
Others	103.2	383.7	-73.1
<i>Investment securities using equity method</i>	142.4	98.2	45.0
Total securities	27,006.6	26,452.6	2.1

Management's Discussion & Analysis

NET INTEREST INCOME

Net interest income in 2003 rose by 37.5% over the previous year, as interest income grew faster than interest expense.

Interest income for 2003 rose 1,100 billion won, or 17.0%, to 7,564 billion won, due primarily to a 19.9% increase in interest on loans. The rise in interest on loans came despite lower market interest rates and higher delinquency levels in 2003 than in 2002. This was mainly due to rising demand for credit from small and medium-sized enterprises and loans. Interest income from credit cards rose slightly, as average yields for these balances increased following industry-wide rate hikes amid increasing delinquencies. Interest earned on securities also grew by 371 billion won, or 19.9%, to 2,235 billion won, consisting primarily of debt securities issued by government-owned enterprises and financial institutions (including the KDIC, the Bank of Korea and the Korea Development Bank). Despite declining average yields amid lower prevailing interest rates, interest on securities rose through an increase in the average volume of securities. Meanwhile, interest due from banks fell by 5.5 billion won to 50 billion won.

On the other hand, interest expense saw a 2.3% year-on-year increase, rising 86 billion won to 3,842 billion won. Interest on deposits, which account for the largest portion of income expense, rose by 42 billion won, or 1.6%, to 2,745 billion won. Interest on debentures recorded an increase of 135 billion won, or 26.6%, to 642 billion won, representing the largest growth rate among interest expense items. On the other hand, interest on borrowings fell by 119 billion won to 387 billion won, marking a 23.4% reduction over the previous year.

* NET INTEREST INCOME

(billion won, %)	2003	2002	Change(%)
<i>Interest income</i>	7,564.0	6,463.6	17.0
<i>Interest due from banks</i>	49.6	55.1	-10.0
<i>Interest on securities</i>	2,234.6	1,863.7	19.9
<i>Interest on loans</i>	5,190.7	4,330.4	19.9
<i>Other</i>	89.1	214.4	-58.4
<i>Interest expense</i>	3,842.4	3,756.3	2.3
<i>Interest on deposits</i>	2,744.8	2,702.5	1.6
<i>Interest on borrowings</i>	387.1	505.6	-23.4
<i>Interest on debentures</i>	642.0	507.3	26.6
<i>Other</i>	68.6	40.9	67.7
<i>Net interest income</i>	3,721.6	2,707.3	37.5

NET INTEREST MARGIN AND NET INTEREST SPREAD

In 2003, net interest margin (NIM) improved by 0.03%P from 3.13% to 3.16%, as a result of higher net interest income. By banking subsidiary, Woori Bank and Kyongnam Bank saw their NIMs improve by 0.07%P and 0.09%P, respectively, to 3.20% and 3.03%, though Kwangju Bank's NIM weakened by 0.34%P from 2002 to 2.89%.

Meanwhile, net interest spread in won currency fell 0.31%P to 3.41%. Interest on won-currency loans contracted by 0.67%P to 7.03%, while interest on deposits declined 0.36%P to 3.62%. The steeper drop in interest rates on loans than that on deposits led to a decrease in net interest spread. Excluding credit card operations, net interest spread declined 0.22%P to 3.39%.



Management's Discussion & Analysis

* NET INTEREST MARGIN AND NET INTEREST SPREAD

(%)	2003	2002	%P	Change(%)
Net interest margin	3.16	3.13	0.03	0.8
Net Interest spread	3.41	3.72	-0.31	-8.4
Interest on loans	7.03	7.70	-0.67	-8.8
Interest on deposits	3.62	3.98	-0.36	-9.1
Net interest spread*	3.39	3.61	-0.23	-6.3

* excluding credit card operations

* NET INTEREST MARGINS & NET INTEREST SPREAD BY BANK SUBSIDIARY

(%)	2003				2002			
	Woori	Kyongnam	Kwangju	Average	Woori	Kyongnam	Kwangju	Average
Net interest margin	3.20	3.03	2.89	3.16	3.13	2.94	3.23	3.13
Net interest spread	3.36	3.91	3.39	3.41	3.72	4.17	4.20	3.72
Interest on loans	6.96	7.51	7.17	7.03	7.70	8.18	8.32	7.70
Interest on deposits	3.60	3.60	3.79	3.62	3.98	4.01	4.12	3.98
Net interest spread*	3.36	3.72	3.35	3.39	3.61	3.85	3.96	3.61

* excluding credit card operations

NON-INTEREST INCOME

Non-interest income in 2003 recorded a slight decrease over the previous year, due mainly to a decline in commissions received on credit cards and a decrease in reversal of allowance for possible loan losses.

Group non-interest income primarily consists of fee income and other operating revenue. Fee income during the year fell by 305 billion won, or 21.0%, to 1,150 billion won. By item, commissions, mostly from the banking sector, increased by 90 billion won, or 16.6% year-on-year, to 632 billion won. Woori Bank was primarily responsible for the growth in commissions, with fees and commissions accounting for a significant portion of operating revenue. Conversely, commissions received on credit card transactions recorded a sharp contraction of 395 billion won, or 45.9%, to 466 billion won, which was attributable principally to a decrease in credit card assets.

Other operating revenue decreased 16 billion won, or a negligible 0.9%, over the previous year. Gain on securities, mainly representing gains on trading securities and redemption of available-for-sale securities, posted a 12.0% increase to 231 billion won, as a result of favorable market conditions in mid-2003 as well as the banks' efficient asset management endeavors. Gain on foreign exchange and derivatives, were also up 183 billion won and 208 billion won, respectively, to 470 billion won and 826 billion won. However, owing to a notable decrease in reversal of allowance for possible loan losses, other types of "other operating revenue" decreased by 431 billion won to 162 billion won.

As a result of these performances, non-interest income in 2003 registered a 10.2% decrease year-on-year, falling 321 billion won to 2,840 billion won.

Management's Discussion & Analysis

* NON-INTEREST INCOME

(billion won, %)	2003	2002	Change(%)
<i>Fee income</i>	1,149.7	1,455.0	-21.0
<i>Commissions</i>	631.6	541.8	16.6
<i>Commissions received on credit cards</i>	466.3	861.7	-45.9
<i>Other fee income</i>	51.8	51.5	0.6
<i>Other operating revenue</i>	1,689.8	1,705.4	-0.9
<i>Gain on securities</i>	231.3	206.6	12.0
<i>Gain on foreign exchange</i>	469.9	287.2	63.6
<i>Gain on derivatives</i>	826.4	618.1	33.7
<i>Others</i>	162.2	593.5	-72.7
Total non-interest income	2,839.5	3,160.4	-10.2

NON-INTEREST EXPENSES

In 2003, the Group recorded a 22.4% increase to 6,419 billion won in its non-interest expense, due mainly to a sizable increase in provision for possible loan losses and loss on derivatives.

Commissions were down 12.6% to 251 billion won mainly due to a decrease in credit card commission expenses, which fell by 12.3% to 159 billion won.

Other operating expenses were up 33.7% to 3,945 billion won, due mainly to a 27.8% increase to 2,679 billion won in provision for possible loan losses, and a 53.9% increase to 877 billion won in loss on derivatives. In addition, loss on foreign exchange surged 76.6 billion won to 260 billion won, rising 41.9% over 2002, while SG&A expense rose 7.0% to 1,974 billion won, mainly due to increased salary and bonus levels for Woori Bank employees.

* NON-INTEREST EXPENSES

(billion won, %)	2003	2002	Change(%)
<i>Commissions</i>	250.8	287.0	-12.6
<i>Credit card commission expenses</i>	159.3	181.6	-12.3
<i>Other commission</i>	91.4	105.4	-13.3
<i>Other operating expenses</i>	3,945.3	2,974.8	33.7
<i>Loss on securities</i>	128.3	123.2	4.1
<i>Loss on foreign exchange</i>	259.6	183.0	41.9
<i>Loss on derivatives</i>	876.8	569.6	53.9
<i>Provision for possible losses</i>	2,679.1	2,096.2	27.8
<i>Others</i>	1.5	2.8	-46.4
<i>SG&A expense</i>	1,973.9	1,844.3	7.0
<i>Other non-interest expenses</i>	248.7	138.4	79.7
Total non-interest expenses	6,418.7	5,244.5	22.4

PROVISION FOR POSSIBLE LOAN LOSSES

Provision for possible loan losses increased 569 billion won, or 28.3%, to 2,572 billion won, primarily due to an increase in provisions for credit card receivables, small and medium-sized enterprises loans, and SK Networks and LG Card exposure. Additionally, our provisioning in respect to retail loans also increased, primarily due to growth in the volume of general-purpose household loans. The year-end balance of our allowance for possible loan losses fell by 377 billion won to 2,263 billion won, 14.3% lower than the previous year.



Management's Discussion & Analysis

* PROVISION FOR POSSIBLE LOAN LOSSES

(billion won, %)	2003	2002	Change(%)
Provision for possible loan losses	2,572.2	2,004.2	28.3
Provision for guarantees & acceptance	6.5	0.0	N/M*
Provision for severance benefits	100.4	92.0	9.1
Total Provision for possible losses	2,679.1	2,096.2	27.8

* not meaningful

SG&A EXPENSE

SG&A expense in 2003 saw a 130 billion won increase to 1,974 billion won, representing a 7.0% increase year-on-year. Items with year-on-year increases included personnel expenses, depreciation & amortization, and IT operating expenses, while other items, including service fees, taxes & dues, and advertising, saw a decrease.

Personnel expenses, consisting of salaries, employee benefits, and provision for severance benefits, increased 120 billion won to 1,176 billion won, up 11.3% over the previous year, mainly due to increased salary and benefits. Depreciation & amortization increased 75 billion won, or 55.0%, to record 212 billion won. IT operating expenses increased by 138.6% to 76 billion won, primarily due to the upgrading of Woori Bank's core banking system. Recording the largest decline rate among SG&A expense items, service fees in 2003 fell 66.5% to 69 billion won. Advertising expenses also decreased by 22.8% to 52 billion won. The decrease in consumption-oriented expenses, including but not limited to advertising expenses, was primarily a result of cost-cutting efforts which helped to keep the increase in overall SG&A expense to a modest level.

* SG&A EXPENSES

(billion won, %)	2003	2002	Change(%)
Personnel expenses*	1,176.2	1,056.6	11.3
Depreciation & Amortization	212.4	137.0	55.0
Rent	83.5	58.7	42.2
Taxes & dues	92.5	117.8	-21.5
Service fees	68.8	205.3	-66.5
IT operating expenses	76.1	31.9	138.6
Advertising	52.0	67.4	-22.8
Telecommunications	41.9	27.7	51.3
Other SG&A expenses	170.5	141.9	20.2
Total SG&A expenses	1,973.9	1,844.3	7.0

* Including salaries, employee benefits, and provision for severance benefits

2. FINANCIAL POSITION

ASSETS

The Group's total assets as of the end of 2003 totaled 128,768 billion won, a 13,924 billion won increase from the previous year. Contributing most to this gain was an expansion in total loans, which recorded 86,077 billion won, up 12,473 billion won. Securities saw a slight rise in 2003, as available-for-sale securities posted a rise of 761 billion won to 14,145 billion won with trading securities and held-to-maturity securities both decreasing from a year earlier. Fixed assets saw a modest 2.0% contraction to 2,741 billion won, and other assets climbed 1,049 billion won to 6,471 billion won due mainly to an increase in receivables.

Management's Discussion & Analysis

LIABILITIES AND SHAREHOLDERS' EQUITY

Total liabilities amounted to 123,069 billion won as of December 31, 2003, reflecting a 12.4% or 13,541 billion won increase over a year earlier. Deposits represented the largest portion of total liabilities, with 89,050 billion won, up 10,132 billion won, or 12.8%, from 2002. This growth rate is considered high in view of a continuous trend of low interest rates. Group-wide borrowings fell 7.4% last year from 2002, down 1,027 billion won to 12,813 billion won, whereas debentures rose 13.0%, or 1,402 billion won, to 12,195 billion won. Other liabilities recorded 9,012 billion won, up 50.7% or 3,033 billion won, due to increased borrowings from trust accounts and increase in accounts payables.

Total shareholders' equity rose 7.2%, or 384 billion won, in 2003, at 5,698 won. Common stock, capital surplus, and retained earnings saw modest increases, but strong gains in capital adjustments were the main cause of the expansion in shareholders' equity. Capital adjustments soared by an impressive 361 billion won to 415 billion won, due largely to increased gains on valuation of available-for-sale securities. Meanwhile, minority interests amounted to 196 billion won, a reduction of 49 billion won from 2002.

* SUMMARIZED CONSOLIDATED BALANCE SHEET

(billion won, %)	2003	2002	Change(%)
Cash & due from banks	6,471.9	6,568.9	-1.5
Trading Securities	2,727.8	2,943.8	-7.3
Available-for-sale securities	14,144.5	13,383.6	5.7
Held-to-maturity securities	9,991.9	10,026.9	-0.3
Investment securities using equity method	142.4	98.2	45.0
Loans	86,077.3	73,604.1	16.9
Fixed assets	2,740.8	2,796.1	-2.0
Other assets	6,471.1	5,421.9	19.4
Total assets	128,767.7	114,843.5	12.1
Deposits	89,049.6	78,917.4	12.8
Borrowings	12,813.1	13,839.6	-7.4
Debentures	12,195.2	10,792.9	13.0
Other liabilities	9,011.5	5,978.8	50.7
Total liabilities	123,069.4	109,528.7	12.4
Common stock	3,877.5	3,839.1	1.0
Capital surplus	57.8	25.0	131.1
Retained earnings	1,152.0	1,151.1	0.1
Capital adjustments	415.0	54.5	661.4
Minority interests	195.9	245.0	-20.1
Total shareholders' equity	5,698.3	5,314.8	7.2
Total liabilities and shareholders' equity	128,767.7	114,843.5	12.1

DEPOSITS

As of December 31, 2003, combined deposits of all banking subsidiaries totaled 83,756 billion won, an increase of 14.9%, or 10,841 billion won from the previous year. Low-interest deposits including demand deposits were up 14.8% or 4,419 billion won to 34,201 billion won, accounting for 40.8% of total deposits, similar to 2002. Savings deposits grew 6.9% or 2,851 billion won to 43,920 billion won. However, their proportion to total deposits slid 3.9% to 52.4%. Money-market deposits showed a strong increase of 173.0%, rising 3,571 billion won, to record 5,635 billion won.

By bank, Woori Bank and Kyongnam Bank both achieved solid growth in volume of low-interest deposit products, whereas Kwangju Bank registered a level similar to the previous year with low-interest deposits totaling 2,132 billion won. All three banks have



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seen major increases in overall savings deposits. Money-market deposits of Kyongnam Bank decreased while those of Kwangju Bank rose, and Woori Bank recorded a significant combined gain of 272.4%, or 3,560 billion won, to 4,867 billion won.

* DEPOSITS (billion won, %)	2003		2002		Change	
	Amount	%	Amount	%	Amount	%
Low-interest deposits*	34,200.9	40.8%	29,781.6	40.8%	4,419.3	14.8%
Savings deposits	43,920.3	52.4%	41,069.3	56.3%	2,851.1	6.9%
Money-market deposits**	5,634.8	6.7%	2,064.1	2.8%	3,570.7	173.0%
Total deposits	83,756.0	100.0%	72,915.0	100.0%	10,841.0	14.9%

* including Demand deposits, household/enterprise time deposits

** Certificates of deposits + repurchase agreements + cover bills

* DEPOSITS BY BANK SUBSIDIARY

(billion won, %)	2003				
	Woori	Kyongnam	Kwangju	Total	%
Low-interest deposits	28,937.0	3,131.7	2,132.3	34,200.9	40.8%
Savings deposits	34,527.3	4,855.1	4,537.9	43,920.3	52.4%
Money-market deposits	4,867.0	331.4	436.3	5,634.8	6.7%
Total deposits	68,331.3	8,318.2	7,106.5	83,756.0	100.0%

(billion won, %)	2002				
	Woori	Kyongnam	Kwangju	Total	%
Low-interest deposits	24,987.6	2,692.6	2,101.5	29,781.6	40.8%
Savings deposits	32,946.5	4,256.2	3,866.6	41,069.3	56.3%
Money-market deposits	1,306.9	448.6	308.6	2,064.1	2.8%
Total deposits	59,240.9	7,397.4	6,276.7	72,915.0	100.0%

ASSET QUALITY

Total credits of the Group increased 13.7%, or 10,650 billion won, to 88,546 billion won from year-end 2002 with 2,484 billion won classified as “substandard or below”, thus reducing the Group’s NPL ratio by 0.5%P to 2.8%. Loan loss reserves reached 2,263 billion won as of December 31, 2003, down 377 billion won from the end of 2002. The Group’s loan loss coverage ratio, or the ratio of loan loss reserves to NPL, fell to 91.1% from 103.3% last year, still maintaining a relatively high level by industry standards.

* ASSET QUALITY CLASSIFICATION

(billion won, %)	2003	2002	Change(%)
Total credit	88,546.4	77,896.7	13.7
Substandard & below loans	2,484.3	2,556.3	-2.8
Substandard & below loans / Total credit ratio	2.81%	3.28%	-14.3
Loan loss reserves (LLR)	2,263.4	2,640.2	-14.3
LLR/Substandard & below loans	91.1%	103.3%	-11.8

3. FINANCIAL RESULTS BY SUBSIDIARY

WOORI BANK

EARNINGS ANALYSIS

Woori Bank turned in a substantially improved performance during 2003 over the previous year. Net operating revenue rose 18.3% year-on-year, up 526 billion won, to 3,405 billion won, owing primarily to a 23.5% improvement in net interest income, which surged 498 billion won to 2,616 billion won. A sharp year-on-year increase in interest income offset a smaller rise in interest expense, resulting in a gain in net interest income for 2003. Interest income rose despite lower market interest rates, led by a steep increase in interest-earning assets and expanding shares of the household and small and medium-sized enterprise (SME) loan markets. SG&A expense posted a moderate increase, while non-operating income in 2002 saw a turnaround from last year's loss of 7 billion to a 166 billion won gain at year-end 2003, due mainly to a marked reduction in loss on impairment of securities. Owing to the growth in net operating revenue and the vastly improved non-operating performance, income before provisions tallied an increase of 555 billion won, or 35.5%, over the previous year to 2,118 billion won.

Due to active provisioning of allowances for possible loan losses in 2002, the Bank was able to reduce its provision for possible loan losses by 279 billion won, or 28.8% year-on-year, to 689 billion won as of the end of 2003. Because of tax loss carryforwards incurred in 2000, the Bank (excluding overseas branches) did not record any current income tax expense in 2003. However, deferred income tax assets were down from the previous year as a result of decreases in cumulative temporary differences and in tax loss carryforwards. Therefore, although an income tax benefit of 184 billion won was provided in 2002, 2003 saw an income tax expense of 98 billion won. As a result, net income as of the end of 2003 stood at 1,332 billion won, reflecting a 70.9%, or 553 billion won, increase year-on-year.

FINANCIAL POSITION

The Bank's total assets rose 18.1% year-on-year in 2003, up 15,832 billion won to 103,310 billion won. The largest increase was in loan assets, which grew by 12,231 billion won over 2002 to 71,198 billion won in 2003, a gain of 20.7%. This expanded the portion of loans as a percentage of total assets from 67.4% to 68.9%, a 1.5%P year-on-year increase, mainly as a result of increased household and SME lending.

Total liabilities as of the end of 2003 stood at 97,653 billion won, reflecting a 17.4% increase of 14,457 billion won. This was primarily attributable to a 13.9% rise in deposits of 8,626 billion won to 70,811 billion won. The increase in deposits was led by sharp gains over the previous year in corporate savings accounts and negotiable certificates of deposit. The steepest year-on-year gain was posted by debentures, which grew 30.9% or 1,838 billion won to 7,780 billion won. Total shareholders' equity rose 1,376 billion won to 5,657 billion won. Assets and shareholders' equity increased following the consolidation of Woori Investment Bank, and retained earnings also grew as net income was recorded. In addition, due to a gain on valuation of available-for-sale securities, capital adjustments expanded by 334 billion won.



Management's Discussion & Analysis

* OPERATING RESULTS AND FINANCIAL POSITION

(billion won, %)	2003	2002	Change(%)
Total assets	103,309.7	87,477.4	18.1
Loans*	71,198.2	58,967.7	20.7
Total liabilities	97,653.0	83,196.2	17.4
Deposits	70,811.0	62,184.9	13.9
Total shareholders' equity	5,656.7	4,281.2	32.1
Operating revenue (net)	3,405.4	2,879.6	18.3
Net interest income	2,616.3	2,118.7	23.5
Non-interest income	789.0	760.8	3.7
SG&A expense	1,452.9	1,309.3	11.0
Non-operating income	165.8	-6.9	-2,518.4
Gain on sale of loans	-16.9	-13.8	22.0
Loss on impairment of securities	-38.0	-246.1	-84.6
Others	220.7	253.1	-12.8
Income before provisions	2,118.3	1,563.4	35.5
Provision for possible loan losses	688.6	967.3	-28.8
Income tax expense	97.5	-183.6	-153.1
Net income	1,332.2	779.7	70.9

* net of allowance and present value discount

ASSET QUALITY

Total credits as of the end of 2003 were up 15.2% or 9,800 billion won year-on-year to 74,247 billion won. Of this figure, 1,677 billion won was classified as substandard and below, up 17.9% or 255 billion won from year-end 2002. Meanwhile, loan loss reserves contracted moderately 1,562 billion won. As a result, credits rated substandard and below were maintained at 2.26% of the total, roughly the same level as in 2002, while the loan loss coverage ratio fell 17.0%P from 2002 to 93.1%.

CAPITAL ADEQUACY

The BIS capital ratio slipped incrementally from the level recorded at year-end 2002, falling 0.36%P from 11.59% to 11.23% in 2003. This was due to a 22.2% increase in risk-weighted assets, up 12,705 billion won to 69,918 billion won, amid rapid expansion of business operations. In terms of capital adequacy by component, higher retained earnings lifted the Tier I ratio by 0.24%P to 6.82%, while the Tier II ratio fell by 0.54%P to 4.47%.

* KEY FINANCIAL DATA

(%)	2003	2002	Change(%P)
Profitability			
Return on Average Assets	1.4%	1.0%	0.4%P
Return on Average Equity	25.5%	20.6%	4.9%P
Cost-to-income ratio	42.1%	45.9%	-3.8%P
Capital adequacy			
BIS Capital ratio	11.23%	11.59%	-0.36%P
Tier 1 ratio	6.82%	6.58%	0.24%P
Asset Quality			
Substandard & below loans / Total credit ratio	2.26%	2.21%	0.05%P
LLR/Substandard & below loans	93.1%	110.1%	-17.00%P

Management's Discussion & Analysis

KYONGNAM BANK

EARNINGS ANALYSIS

The performance of Kyongnam Bank in 2003 was a moderate improvement over the previous year. Net operating revenue was up 45 billion won, or 14.5%, to 354 billion won. Net interest income rose 20.7%, or 50 billion won, to 292 billion won, with an expansion in loans boosting interest income, while active inducement of low-interest funds kept interest expense at a level similar to last year. Non-interest income contracted by 5 billion won to 62 billion won amid lower commissions received and higher bad debt expense rose. Increased salary and other administrative costs drove up SG&A expense by 16 billion won year-on-year to 148 billion won. Non-operating loss swelled 19 billion won to 45 billion won, due mainly to a 19 billion won or 78.5% surge in loss on impairment of securities to 44 billion won. As growth in net operating revenue was largely offset by the increase in non-operating expenses, Kyongnam Bank achieved only a modest increase of 6.4% in income before provisions for 2003, up 10 billion won to 162 billion won.

The Bank's allowance for loan loss reserves increased by 37 billion won, or 53.9% year-on-year, to 107 billion won as of the end of 2003. Kyongnam Bank incurred an income tax benefit of 31 billion won in 2003, due mainly to steady income generation for three consecutive years. This followed no income tax benefit in 2002 due to the Bank's questionable profit outlook at that time. As a result, net income registered a modest 3.3% rise of 3 billion won year-on-year to 85 billion won.

FINANCIAL POSITION

Total assets grew 10.1% year-on-year rise for a 1,010 billion won gain to record 10,986 billion won. Of this figure, loans rose 10.6% or 616 billion won to 6,436 billion won. This hike in lending reflected expanded corporate and household loans to activate the regional economy. Total liabilities in 2003 increased 9.7% or 929 billion won to register 10,490 billion won. Leading this was a 12.2% rise in deposits, which were up 918 billion won to 8,462 billion at year-end, amid ongoing efforts to increase deposit accounts and strengthen localized marketing efforts. Total shareholders' equity saw an 81 billion won year-on-year gain to register 497 billion won. Paid-in-capital and capital surplus showed no meaningful change, while the realization of net income boosted retained earnings.

* OPERATING RESULTS AND FINANCIAL POSITION

(billion won, %)	2003	2002	Change(%)
Total assets	10,986.1	9,975.8	10.1
Loans*	6,435.5	5,819.4	10.6
Total liabilities	10,489.0	9,559.6	9.7
Deposits	8,462.3	7,544.3	12.2
Shareholders' equity	497.2	416.2	19
Operating revenue (Net)	354.1	309.2	14.5
Net interest income	292.0	241.9	20.7
Non-interest income	62.1	67.3	-7.7
SG&A expense	147.7	131.6	12.2
Non-operating income	-44.8	-25.7	74.5
Gain or loss on sale of loans	-5.6	-8.2	-31.1
Loss on impairment of securities	-44.1	-24.7	78.5
Others	5.0	7.2	-31.5
Income before provision	161.6	151.9	6.4
Provision for possible losses	106.8	69.4	53.9
Income tax expense	-30.5	0.0	0.0
Net income	85.2	82.5	3.3

* net of allowance and present value discount



Management's Discussion & Analysis

ASSET QUALITY

As of the end of 2003, the Bank's total credits were 6,586 billion won, up 10.1% or 603 billion won year-on-year. Of this figure, loans classified as substandard and below amounted to 114 billion won, down 4.3% or 5 billion won from the end of 2002. As a result, the ratio of substandard and below loans to total credits contracted by 0.26%P to 1.73%, maintaining an extremely low level by industry standards. Loan loss reserves edged up a slight 600 million won over the previous year to 94 billion won, while the reduction in substandard and below loans led to a 4.1%P increase in loan loss coverage ratio from 2002 to 82.3%.

CAPITAL ADEQUACY

The BIS capital ratio at year-end 2003 was 11.69%, up 0.35%P year-on-year. Despite an increase in risk-weighted assets owing to expanded business operations, BIS capital rose 58 billion won to 687 billion won or 9.2% over a year earlier. However, risk-weighted assets registered a 330 billion won gain or 5.9% over year-end 2002 to 5,879 billion won. As the level of increase of BIS capital surpassed that of risk-weighted assets, the Bank's BIS capital adequacy ratio was higher year-on-year. The Tier I ratio was up 0.31%P to 7.73%, while Tier II ratio rose 0.03%P to 4.00%.

* KEY FINANCIAL DATA

(%)	2003	2002	Change(%P)
<i>Profitability</i>			
Return on Average Assets	0.8%	0.9%	-0.1%P
Return on Average Equity	17.9%	22.3%	-4.4%P
Cost-to-income ratio	41.8%	42.7%	-0.9%
<i>Capital adequacy</i>			
BIS Capital ratio	11.69%	11.34%	0.35%P
Tier 1 ratio	7.73%	7.42%	0.31%P
<i>Asset Quality</i>			
Substandard & below loans / Total credit ratio	1.73%	1.99%	-0.26%P
LLR/Substandard & below loans	82.3%	78.2%	4.1%P

KWANGJU BANK

EARNINGS ANALYSIS

Kwangju Bank saw a significant deterioration in its net income in 2003 compared to the previous year. Net operating revenue grew 2 billion won to 258 billion won, essentially maintaining the level of 2002. Net interest income for the year rose 8 billion won to 220 billion won, up 8.2% year-on-year. Interest income grew on an increase in loans, while interest expenses posted only a slight rise owing to lower funding costs. However, non-interest income fell 6 billion won from the previous year to 38 billion won, owing primarily to a steep decline in commission income and higher net provisions, which led to an overall deterioration in operating performance. SG&A expenses were 16 billion won higher year-on-year at 125 billion won, while non-operating losses were cut by 3 billion won to 8 billion won. Although net operating revenue and non-operating losses were in line with the previous year's figures, higher SG&A expense led to an 8.1% decline in income before provisions, which fell 11 billion won to 125 billion won.

Loan loss reserves increased sharply by 50.9% in 2003 over a year earlier, climbing 31 billion won to 93 billion won. This was due to an increase in provisioning for loan losses, which rose by 75 billion won from 36 billion won to 111 billion won. There was no income tax benefit recorded in 2002 due to uncertainty of the Bank's long-term profit generation.

Management's Discussion & Analysis

Conversely, the Bank incurred an income tax benefit of 25 billion won in 2003, following improved net income generation for the third consecutive year. Amid higher SG&A expenses and an increase in allowance for possible loan losses, Kwangju Bank ended the year with net income of 57 billion won, a level 23.8%, or 18 billion won, less than year-end 2002.

FINANCIAL POSITION

Kwangju Bank's total assets in 2003 recorded 8,778 billion won, reflecting a 9.1% year-on-year increase of 731 billion won. Among total assets, loans grew by 441 billion won, or 9.0%, to 5,334 billion won, a large portion of which went to SMEs followed by households. Total liabilities in 2003 rose 8.4% over the previous year, or 652 billion won, to 8,429 billion won. Of this amount, deposits made up 6,738 billion won, up 661 billion won, or 10.9%, over 2002. Most of this increase was due to significant increases in savings-type accounts and corporate deposit accounts. Total shareholders' equity increased by 29.4%, or 79 billion won, to 348 billion won for the year. This includes a capital surplus of 24 billion won from the transfer of Woori Credit Card assets, as well as increased retained earnings amid higher net income.

* OPERATING RESULTS AND FINANCIAL POSITION

(billion won,%)	2003	2002	Change(%)
Total assets	8,777.6	8,046.9	9.1
Loans*	5,336.8	4,896.3	9.0
Total liabilities	8,429.3	7,777.7	8.4
Deposits	6,738.0	6,077.3	10.9
Total shareholders' equity	348.3	269.2	29.4
Operating revenue (Net)	258.0	256.1	0.8
Net interest income	219.9	211.6	3.9
Non-interest income	38.1	44.4	-14.2
SG&A expenses	124.7	108.8	14.7
Non-operating income	-8.2	-11.1	-26.3
Gain or loss on sale of loans	-2.3	0.0	0.0
Loss on impairment of securities	-11.7	-3.6	229.9
Others	5.9	-7.6	-177.8
Income before provisions	125.1	136.2	-8.1
Provision for possible losses	92.6	61.3	50.9
Income tax expense	-24.5	0.0	0.0
Net income	57.1	74.8	-23.8

* net of allowance and present value discount

ASSET QUALITY

Total credits at year-end 2003 recorded 5,219 billion won, up 6.9% or 337 billion won over a year earlier. Of this figure, credits classified as substandard and below stood at 89 billion won, down 15.1%, or 16 billion won, from year-end 2002. As a result, substandard and below loans accounted for an extremely low 1.70% of total loans, a year-on-year reduction of 0.44%P. On the other hand, loan loss reserves fell by 20 billion won to 72 billion won, a 21.6% decline from the previous year, due to write-offs and non-performing loan sales carried out during the year. As a result, substandard and below loans were reduced compared to 2002 but write-offs led to lower level of loan loss reserves, which in turn induced a 6.7% decrease of the banks' loan loss coverage ratio to 81.0%.



Management's Discussion & Analysis

CAPITAL ADEQUACY

Kwangju Bank's BIS capital ratio as of year-end 2003 slipped 0.31%P from year-end 2002, falling from 11.03% to 10.72%. This decline reflected higher risk-weighted assets following an expansion in business operations, as well as a contraction in Tier II capital. Risk-weighted assets rose 364 billion won to 5,090 billion won for a 7.7% year-on-year increase, with BIS capital gaining 24 billion won to 546 billion won. Tier I capital expanded 47 billion won to 316 billion won, lifting the Tier I capital ratio by 0.52% to 6.20%. Tier II capital fell 23 billion won to 230 billion won, with the corresponding ratio sliding 0.83%P to 4.52% year-on-year.

* KEY FINANCIAL DATA

(%)	2003	2002	Change(%P)
<i>Profitability</i>			
Return on Average Assets	0.7%	1.0%	-0.3%
Return on Average Equity	17.0%	30.6%	-13.6%
Cost-to-income ratio	48.4%	42.6%	5.8%
<i>Capital adequacy</i>			
BIS Capital ratio	10.72%	11.03%	-0.31%P
Tier I ratio	6.20%	5.68%	0.52%P
<i>Asset Quality</i>			
Substandard & below loans / Total credit ratio	1.70%	2.14%	-0.44%P
LLR/Substandard & below loans	81.0%	87.7%	-6.70%P

WOORI CREDIT CARD

Woori Credit Card was merged with Woori Bank on March 31, 2004, and is henceforth expected to offer a more diverse range of services through the Bank. A surge in the number of delinquent credit customers led to an expansion in non-performing assets, which caused serious deterioration in business results for 2003. As a result, tighter credit policies have reduced the scale of business operations. As of the end of 2003, total cardholders stood at 5.412 million, up 1.42 million from 2002. Nevertheless, card transaction volume plunged by 17.4% year-on-year, falling 5,760 billion won to 27,266 billion won. This prompted a sharp 35.8% decline in credit card asset of 2,070 billion won to 3,715 billion won at year-end 2003.

* KEY BUSINESS INFORMATION *

(billion won, %)	2003	2002	Amount	Change(%)
Credit card assets	3,714.9	5,785.2	-2,070.3	-35.8
Credit purchases	1,452.6	2,306.7	-854.1	-37.0
Cash advances	1,440.4	2,983.1	-1,542.7	-51.7
Call loans	821.9	495.4	326.5	65.9
Cardholders (1,000)	5,412	5,270	142	2.7
Transaction volume	27,265.6	33,026.2	-5,760.6	-17.4
Lump Sum	6,850.7	6,066.0	784.7	12.9
Installment payment	2,952.5	4,672.7	-1,720.2	-36.8
Cash advance	17,462.3	22,287.5	-4,825.2	-21.6

* managed basis

Management's Discussion & Analysis

EARNINGS ANALYSIS

While other subsidiaries achieved relatively favorable results, the performance of Woori Credit Card (WCC) for 2003 can be summarized as a major increase in current net losses, which impaired the performance of the Group as a whole. An increase in bad debts led to a steep rise in WCC's loan loss provisioning burden, although the subsidiary was able to maintain net operating income at a level similar to the previous year. Operating revenue for 2003 posted a 7.5% year-on-year gain, rising 69 billion won to 984 billion won. Commission income witnessed a substantial 33.5% decline, falling 205 billion won to 407 billion won. This contraction was due to the company adopting stricter standards governing credit card usages to avoid additional bad debts in the wake of a rapid increase in credit card delinquencies. By type of commission income, commissions on credit purchases in 2003 fell by 98 billion won, or 36.7%, to 169 billion won, while cash-advance service fees contracted by 50.9%, falling 141 billion won, to 136 billion won. Due to significant loan refinancing, card loan commissions soared 49.8% to 102 billion won, up 34 billion won, from 2002. The overall decline in commission income notwithstanding, financial income showed a hefty 92.7% surge last year over 2002, up 277 billion won, to 576 billion won, buoyed by an expansion in call-loans and other loan products.

Commission expense rose 42 billion won to 246 billion won in 2003 over the year earlier, signifying a 20.7% increase. Likewise, interest expense grew 15.2%, or 29 billion won, to record 218 billion won.

With operating revenue and operating expense each posting increases similar to 2002, net operating revenue of 519 billion won for 2003 was in line with the previous year. In 2002, a net non-operating loss of 172 billion won was incurred due to impairment losses from available-for-sale securities, but a turnaround was realized in 2003 as a net non-operating profit of 35 billion won was recorded.

Although operating and non-operating results last year were relatively good, the expansion in bad debts created a serious loan loss provisioning burden for the credit card unit, with loan loss reserves rising 273.7% year-on-year, or 1,238 billion won, to 1,690 billion won. As a result, net losses registered 1,321 billion won, reflecting a staggering 1,169 billion won in additional losses over 2002.

* OPERATING RESULTS

(billion won, %)	2003	2002	Change(%)
Commission income	406.8	611.8	-33.5
Credit purchases	169.4	267.6	-36.7
Cash advances	135.8	276.4	-50.9
Card loans	101.5	67.8	49.8
Other	1.4	4.4	-67.7
Financial income	575.7	298.8	92.7
Operating revenue	983.9	915.0	7.5
Commission expense	246.2	204.1	20.7
Interest expense	217.8	189.0	15.2
Other	1.0	2.2	-55.1
Net operating revenue	518.9	519.7	-0.2
General administrative expense	63.5	47.2	34.6
Net non-operating income/loss	35.2	-171.7	-120.5
Income before provisions	490.6	300.9	63.1
Provision for possible loan losses	1,690.2	452.3	273.7
Net income	-1,320.6	-151.4	772.2



Management's Discussion & Analysis

ASSET QUALITY & DELINQUENCY

Asset quality deteriorated sharply in 2003 over 2002 amid a surge in delinquencies. Total credit card assets tumbled 35.8%, or 2,070 billion won, to 3,715 billion won at year-end 2003. The delinquency ratio in 2003 doubled to 35.4% including restructured facilities. Compared to figures for 2002, delinquencies over one month increased to a substantial 17.8% with restructuring facilities rising by 7.5% to 17.6% as of year-end 2003.

Assets classified as substandard and below saw a staggering three-fold increase over a year earlier, rising 437 billion won to 621 billion won and sending the substandard & below loan ratio to a record high of 16.70%. Allowance for possible loan losses soared 294 billion won to 531 billion won, while the increase in substandard and below loans pulled down the loan loss coverage ratio by 43.8%P to 85.7%. In order to clean up the bad assets we had taken substantial write-offs amounting to 1,186 billion won in 2003.

* ASSET QUALITY & DELINQUENCY

(billion won, %)

	2003	2002	Change(%P)
Total card assets	3,714.9	5,785.2	-35.8 %
Substandard & below loans	620.5	183.9	237.4 %
Substandard & below loan ratio	16.70%	3.18%	13.5 %P
Loan loss reserves	531.4	238.0	123.3 %
Loan loss coverage ratio	85.7%	129.4%	-43.8 %P
Delinquency ratio (A+B)	35.4%	10.2%	25.2 %P
Over 1 month (A)	17.8%	0.1%	17.7 %P
Restructuring (B)	17.7%	10.1%	7.5 %P
Write-offs	1,186	143	730.0 %
Under 1 month	4.7%	5.1%	-0.4 %P

Management's Discussion & Analysis

WOORI SECURITIES

Woori Securities provides investment banking, brokerage, securities trading, investment advisory, and other related services. As of the end of 2003, it had capital of 165 billion won. The brokerage segment posted a net loss in 2003 following a modest profit recorded the year earlier. This was due to an increase in operating revenue being offset by a greater increase in operating expenses during the year. Operating revenue of 154 billion won reflected a 10.5% year-on-year improvement, rising 15 billion won. Commission income declined by 10.0%, or 7 billion won, to 64 billion won, though interest income turned in a solid 107.5% gain, up 12 billion won to end the year with 24 billion won. Commission income fell because, despite improved stock market sentiments which boosted brokerage and related fee income, stricter regulations on corporate listings led to a sharp decrease in the number of companies going public and, consequently, lower underwriting and agency commissions.

Operating expenses grew by 53 billion won to 151 billion won, while operating income contracted by 92.0%, plunging 38 billion won to a meager 3,400 million won. Non-operating income also suffered a sharp decline, as losses mounted from 700 million won at year-end 2002 to 20 billion won as of the end of 2003. As a consequence, Woori Securities' net income of 29 billion won at the end of 2002 was replaced by a net loss of 13 billion won for 2003. The capital adequacy ratio improved by 135.6%P to 756.29%, exceeding the 150% level recommended by the Financial Supervisory Service.

* OPERATING RESULTS & FINANCIAL POSITION

(billion won,%)	2003	2002	Change(%)
<i>Operating revenue</i>	154.2	139.6	10.5
<i>Commission income</i>	63.8	70.9	-10.0
<i>Interest income</i>	23.5	11.3	107.5
<i>Others</i>	67.0	57.4	16.6
<i>Operating expense</i>	150.9	97.8	54.3
<i>Operating income</i>	3.4	41.8	-92.0
<i>Non-operating income</i>	-20.4	-0.7	2,816.4
<i>Income tax</i>	-4.0	11.8	-133.9
<i>Net income</i>	-13.1	29.3	-144.6
<i>Total assets (avg. balance)</i>	603.7	627.1	-3.7
<i>Total shareholders' equity (avg. balance)</i>	368.4	390.0	-5.5
<i>Capital adequacy ratio</i>	756.29%	620.69%	135.6%P
ROAA	-2.2%	4.7%	-6.9%P
ROAE	-3.5%	7.5%	-11.0%P



Management's Discussion & Analysis

WOORI INVESTMENT TRUST MANAGEMENT

Woori Investment Trust Management (WITM) engages in the investment trust business under the Investment Trust Business Law with approval from the MOFE. At year-end 2003, WITM had capital of 30 billion won. Business results for 2003 had deteriorated from the previous year, with operating revenue falling significantly from 10,543 million won to 6,797 million won amid declining sales of beneficiary certificates and reduced assets under management. As of the end of 2003, total assets under management stood at 2,439 billion won, reflecting a steep 37.8% contraction of 1,480 billion won from the previous year. In 2002, an extraordinary loss was recorded due to expenses related to the lawsuit with BC Card, increasing operating expense. However, operating expense fell by 33.8% in 2003, despite slight increase in SG&A expense, as extraordinary losses were not incurred during the year. Due to these factors, income before tax fell 905 million won to 1,939 million won. The corporate income tax burden for 2003 fell 224 million won to 607 million won, leaving a total net income of 1,332 million won, down 681 million won from the previous year's figure.

* OPERATING RESULTS & FINANCIAL POSITION

(million won, %)	2003	2002	Change(%)
<i>Operating revenue</i>	6.8	10.5	-35.2
<i>Funds management income</i>	5.0	8.9	-43.8
<i>Other</i>	1.8	1.6	12.5
<i>Operating expense</i>	5.1	7.7	-33.8
<i>SG&A expense</i>	5.1	4.7	8.5
<i>Other</i>	0.0	3.0	-100.0
<i>Operating income</i>	1.7	2.8	-39.3
<i>Non-operating income</i>	0.2	0.0	0.0
<i>Income before tax</i>	1.9	2.8	-32.1
<i>Income tax</i>	0.6	0.8	-25.0
<i>Net income</i>	1.3	2.0	-35.0
<i>Total assets (avg. basis)</i>	39.0	40.8	-4.4
<i>Total shareholders' equity (avg. basis)</i>	36.0	38.4	-6.3
<i>Risk-to-equity ratio</i>	719.26%	524.37%	194.89%P
<i>ROAA</i>	3.5%	4.9%	-1.4%P
<i>ROAE</i>	3.7%	5.2%	-1.5%P

Management's Discussion & Analysis

WOORI F&I

Woori F&I is the designated vehicle for the management, operations, and disposition of distressed assets through Special Purpose Companies (SPCs). At the end of 2003, Woori F&I had 10 billion won in capital, with total assets amounting to 172 billion won, a considerable increase of 117 billion won from the previous year. Total liabilities also rose significantly, soaring 257.5%, or 98 billion won, to 134 billion won. Assets increased primarily due to the underwriting of equity and subordinated debt of asset securitization specialty companies while liabilities rose due to increased borrowings from Woori Finance Holdings. While there was no change in capital, the realizing of net income boosted shareholders' equity by 114.8% year-on-year, up 19 billion won to 36 billion won.

Operating revenue in 2003 rose 67.2% to record 32 billion won. This was due to a significant increase in gains on valuation using equity method and interest income on held-to-maturity securities, as investment in asset securitization specialty companies increased. Meanwhile, the separation of the asset-management business led to a decrease in operating expense to 300 million won. As a result, operating income soared 202.9% year-on-year, rising 21 billion won to 32 billion won. Non-operating income remained near the previous year's level, though non-operating expenses grew 7,500 million won to 7,800 million won due to the previously discussed increase in long-term debt and higher interest expense. Ordinary Income rose 134.0% for an increase of 14 billion won to 24 billion won, while net income grew 10 billion won or 131.5% to 17 billion won.

* OPERATING RESULTS & FINANCIAL POSITION

(billion won, %)	2003	2002	Change(%)
Total assets	171.8	54.8	213.5
Current asset	24.2	2.3	952.2
Fixed assets	147.5	52.5	181.0
Total liabilities	135.5	37.9	257.5
Current liabilities	4.7	0.8	487.5
Long-term liabilities	130.8	37.0	253.5
Shareholders' equity	36.3	16.9	114.8
Operating revenue	31.6	18.9	67.2
Operating expense	0.3	8.7	-96.6
Operating income	31.2	10.3	202.9
Non-operating income	0.7	0.4	75.0
Non-operating expenses	7.8	0.3	2,500.0
Ordinary Income	24.1	10.3	134.0
Income tax expense	7.2	3.0	140.0
Net income	16.9	7.3	131.5



Management's Discussion & Analysis

WOORI FINANCE INFORMATION SYSTEM

The role of Woori Finance Information System (WFIS) is to manage and develop IT systems, software, and maintain telecommunications network used by the holding company and subsidiaries. As of the end of 2003, WFIS had capital of 4,500 million won. Total assets stood at 280,219 million won, up 15.8% or 38,236 million won from the end of 2002, primarily due to an increase in both tangible fixed assets such as IT equipment and facilities, as well as intangible fixed assets such as software. At year-end 2003, total liabilities were 272,516 million won, reflecting a rise of 14.4% or 34,225 million won, mainly due to increased long-term debt utilized to purchase required facilities. Shareholders' equity rose 4,012 million won to 7,703 million won, while a net income of 4,005 million won was realized following a modest net loss in 2002.

Business results for 2003 represented a solid improvement over 2002. Operating revenue posted a 113.8% increase to 281,787 million won, while operating income surged by a staggering 375.0% year-on-year, rising 16,466 million won to 20,870 million won. Non-operating income was minimally changed from 2002 in absolute terms, though non-operating expenses doubled by 7,974 million won to 15,974 million won. Owing to the significant increase in operating income, ordinary income recovered from a 3,190 million won loss in 2002 to an impressive 5,871 million won profit last year. Similarly, net income of 4,005 million won was recorded following a net loss of 2,182 million won the previous year.

* OPERATING RESULTS & FINANCIAL POSITION

(billion won, %)	2003	2002	Change(%)
Total assets	280.2	242.0	15.8
Current assets	66.1	76.5	-13.6
Fixed assets	214.2	165.5	29.4
Total liabilities	272.5	238.3	14.4
Current liabilities	49.8	53.9	-7.6
Long-term liabilities	222.8	184.3	20.9
Shareholders' equity	7.7	3.7	108
Operating revenue	281.8	131.8	113.8
COGS	247.5	115.2	114.8
Gross income	34.3	16.7	105.4
SG&A expense	13.4	12.2	9.8
Operating income	20.9	4.4	375.0
Non-operating income	1.0	0.4	150.0
Non-operating expenses	16.0	8.0	100.0
Ordinary Income	5.9	-3.2	-284.4
Income tax expense	1.9	-1.0	-290.0
Net income	4.0	-2.2	-281.8

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying non-consolidated balance sheets of Woori Finance Holdings Co., Ltd. (the "Company") as of December 31, 2003 and 2002, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the years then ended (all expressed in Korean won). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2003 and 2002, and the results of its operations, the appropriations of its retained earnings and its cash flows for the years then ended, in conformity with financial accounting standards generally accepted in the Republic of Korea.

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

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

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

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

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

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



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is currently undergoing a corporate restructuring and depending on the result of this restructuring, the Company's bank subsidiaries' actual losses on LG Card credit may differ from the current estimate.

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

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

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

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

Deloitte & Touche LLC

February 17, 2004

Notice to Readers

This report is effective as of February 17, 2004, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

NON-CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2003 AND 2002

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

See accompanying notes to non-consolidated financial statements.



NON-CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2003 AND 2002

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

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

YEARS ENDED DECEMBER 31, 2003 AND 2002

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



NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2003 AND 2002

	Korean won		US dollars (Note 2)	
	2003	2002	2003	2002
	(In millions)		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	₩ 202,565	₩ 589,214	US\$ 169,114	US\$ 491,914
Adjustments to reconcile net income to net cash used in operating activities:				
Interest expense (amortization of discounts on debentures)	11,196	7,274	9,347	6,073
Loss on valuation of swap contracts	3,410	20,121	2,847	16,798
Loss on foreign currency translation	16,026	1,400	13,380	1,169
Provision for severance benefits	626	1,047	523	874
Depreciation	153	253	128	211
Amortization on intangible assets	14	11	12	9
Stock compensation	468	39	391	33
Provision for possible loan losses	-	144,123	-	120,323
Loss on sales of tangible assets	-	22	-	18
Other non-operating expenses	1,131	-	944	-
Gain on valuation using the equity method of accounting	(295,187)	(804,406)	(246,441)	(671,570)
Interest on loans	(26,397)	(3,835)	(22,038)	(3,202)
Gain on valuation of swap contracts	(17,078)	(440)	(14,258)	(367)
Gain on foreign currency translation	(2,454)	(18,800)	(2,049)	(15,695)
Reversal of allowance for doubtful accounts	(15,656)	-	(13,071)	-
Gain on sales of tangible assets	(12)	-	(10)	-
Other non-operating revenue	(970)	-	(810)	-
	(324,730)	(653,191)	(271,105)	(545,326)
Changes in operating assets and liabilities:				
Decrease (increase) in other receivable	(128)	11	(107)	9
Decrease (increase) in accrued income	3,859	(4,303)	3,222	(3,592)
Increase in prepaid money	(1)	-	(1)	-
Decrease in prepaid expenses	1,093	1,638	913	1,368
Decrease (increase) in prepaid income tax	411	(6,272)	343	(5,236)
Increase (decrease) in other payables	364	(241)	304	(201)
Increase (decrease) in accrued expenses	(1,211)	4,383	(1,011)	3,659
Increase (decrease) in withholdings	86	(47)	71	(40)
Retirement benefits payment	(11)	(79)	(9)	(66)
Increase in retirement insurance	(373)	(581)	(311)	(485)
Decrease in deferred income tax liabilities	-	(1,783)	-	(1,489)
	4,089	(7,274)	3,414	(6,073)
Net cash used in operating activities	₩ (118,076)	₩ (71,251)	US\$ (98,577)	US\$ (59,485)

(Continued)

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED DECEMBER 31, 2003 AND 2002

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

See accompanying notes to non-consolidated financial statements.



NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2003 AND 2002

1. GENERAL

(1) Woori Finance Holdings Co., Ltd.

Woori Finance Holdings Co., Ltd. (the "Company") was incorporated on March 27, 2001, to engage in the business of managing the five financial institutions, Woori Bank (formerly Hanvit Bank), Kyongnam Bank, Kwangju Bank, Woori Credit Card Co., Ltd. (formerly Peace Bank of Korea) and Woori Investment Bank (hereafter collectively referred to as the "Five Subsidiaries"), whose shares were contributed to the Company by the Korea Deposit Insurance Corporation (the "KDIC") in accordance with the provisions of the Financial Holding Company Act. In accordance with its functional restructuring, the Company established or acquired seven more subsidiaries, and has four 2nd -tier subsidiaries. Upon incorporation, the Company's common stock amounted to ₩3,637,293 million (US\$3,036,645 thousand), consisting of 727,458,609 common shares (₩5,000 per share) issued and outstanding. As a result of several capital increases and exercise of warrants since incorporation, the Company's common stock amounted to ₩3,877,525 million (US\$3,237,206 thousand), consisting of 775,504,910 common shares issued and outstanding as of December 31, 2003.

On June 24, 2002, the Company listed its common shares on the Korea Stock Exchange through a public offering at a price of ₩6,800 per share with 36,000,000 new shares and 54,000,000 issued shares. The KDIC owned 673,458,609 (86.8%) shares of the Company's common shares as of December 31, 2003.

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

(2) Subsidiaries

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

a. Woori Bank

Woori Bank (formerly Hanvit Bank) was established in 1899 and is engaged in the commercial banking business under the Korean Banking Law, trust business under the Trust Business Law, merchant bank services under the Merchant Bank Act, and foreign exchange business with approval from the Bank of Korea (the "BOK") and the Ministry of Finance and Economy (the "MOFE"). In connection with the infusion of public funds, Woori Bank and the KDIC have entered into the Agreement on the Implementation of the Business Plan. Woori Bank changed its name from Hanvit Bank to Woori Bank on May 20, 2002. Its common stock amounted to ₩2,852,838 million (US\$2,381,732 thousand) consisting of 570,567,520 common shares issued and outstanding as of December 31, 2003. Woori Bank is wholly owned by the Company. The head office of Woori Bank is located in Seoul, Korea. Woori Bank has 685 branches and offices in Korea and 11 branches and offices in overseas.

b. Kyongnam Bank

Kyongnam Bank was incorporated on April 18, 1970 and is engaged in the commercial banking business under the Korean Banking Law, trust business under the Trust Business Law, and foreign exchange business with approval from the BOK and the MOFE. In connection with the infusion of public funds, Kyongnam Bank and the KDIC have entered into the Agreement on the Implementation of the Business Plan. As of December 30, 2003, Kyongnam Bank's common stock amounted to ₩259,000 million (US\$216,230 thousand) consisting of 51,800,043 shares of common stock issued and outstanding of which the Company owns 99.99%. The head office of Kyongnam Bank is located in Masan, Korea. Kyongnam Bank has 128 branches and offices in Korea.

c. Kwangju Bank

Kwangju Bank was established on October 7, 1968 and is engaged in the commercial banking business under the Korean Banking Law, trust business under the Trust Business Law, and foreign exchange business with approval from the BOK and the MOFE. In connection with the infusion of public funds, Kwangju Bank and the KDIC have entered into the Agreement on the Implementation of the Business Plan. As of December 31, 2003, its common stock amounted to ₩170,403 million (US\$142,263 thousand) consisting of 34,080,517 common shares issued and outstanding of which the Company owns 99.99%. Kwangju Bank's head office is located in Kwangju City, Korea and has 113 domestic branches and offices in Korea.

d. Woori Credit Card Co., Ltd.

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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

e. *Woori Finance Information System Co., Ltd.*

Woori Finance Information System Co., Ltd. (“WFIS”, formerly *Hanviteun System*) was established on April 17, 1989 and is engaged in the business of installing computerized financial systems. On September 29, 2001, the Company purchased all of the common stock of WFIS from Woori Bank in accordance with the group’s functional restructuring, making WFIS a subsidiary of the Company. On October 15, 2001, WFIS changed its name from *Hanviteun System Co., Ltd.* to *Woori Finance Information System Co., Ltd.* As of December 31, 2003, its common stock amounted to ₩4,500 million (US\$3,757 thousand) consisting of 900,000 shares issued and outstanding all of which are owned by the Company. The office of WFIS is located in Seoul, Korea.

f. *Woori F&I Co., Ltd.*

Woori F&I Co., Ltd. (“WF&I”, formerly *Woori Asset Management Co., Ltd.* (“WAMC”)) was established on November 16, 2001 to engage in the business of management, operation, and disposition of securitization assets. On September 13, 2002, WF&I split off the asset management business segment and established *Woori CA Asset Management Co., Ltd.* (“WCAAMC”). As a result, WF&I is engaged in the business of acquisition and disposition of securities issued by asset securitization specialty corporations, established based on the Act on Asset-Backed Securitization for the purpose of non-performing assets securitization, and in the business of acquisition and disposition of equity of asset management corporations, which are established for the purpose of non-performing assets management. On September 16, 2002, WF&I changed its name from *Woori Asset Management Co., Ltd.* to *Woori F&I Co., Ltd.* As of December 31, 2003, its common stock amounted to ₩10,000 million (US\$8,349 thousand) consisting of 2,000,000 shares issued and outstanding all of which are owned by the Company. The office of WF&I is located in Seoul, Korea.

g. *Woori Second Asset Securitization Specialty Co., Ltd.*

Woori Second Asset Securitization Specialty Co., Ltd. (“WASS2”) was established on December 22, 2001 under the Act on Asset-Backed Securitization of the Republic of Korea as a special purpose company. WASS2 is engaged in the business of management, operation, and disposition of the securitization assets and issuance of asset-backed securities based on the securitization assets acquired from WCC. WASS2 changed its contractor in connection with the asset management and other activities from WF&I to WCAAMC as of September 14, 2002 due to the split off of WCAAMC from WAMC as explained above. As of December 31, 2003, its common stock amounted to ₩10 million (US\$8 thousand) consisting of 2,000 shares issued and outstanding of which the Company owns 95%.

h. *Woori Third Asset Securitization Specialty Co., Ltd.*

Woori Third Asset Securitization Specialty Co., Ltd. (“WASS3”) was established on March 15, 2002 under the Act on Asset-Backed Securitization of the Republic of Korea as a special purpose company. WASS3 is engaged in the business of

management, operation, and disposition of the securitization assets and issuance of asset-backed securities based on the securitization assets acquired from Woori Bank, Kyongnam Bank and WCC. WASS3 changed its contractor in connection with the asset management and other activities from WF&I to WCAAMC as of September 14, 2002 due to the split off of WCAAMC from WAMC as explained above. As of December 31, 2003, its common stock amounted to ₩10 million (US\$8 thousand) consisting of 2,000 shares issued and outstanding, all of which are owned by the Company.

i. *Woori Investment Trust Management Co., Ltd.*

Woori Investment Trust Management Co., Ltd. (“WITM”, formerly *Hanvit Investment Trust Management Co., Ltd.*) was established on June 24, 1988 and is engaged in the investment trust business under the Investment Trust Business Law with approval from the MOFE. In connection with the functional restructuring, on March 29, 2002, the Company purchased the entire common stock of WITM from Woori Bank, making WITM a subsidiary of the Company. On May 17, 2002, WITM changed its name from *Hanvit Investment Trust Management Co., Ltd.* to *Woori Investment Trust Management Co., Ltd.* As of December 31, 2003, its common stock amounted to ₩30,000 million (US\$25,046 thousand) consisting of 6,000,000 shares issued and outstanding all of which are owned by the Company. The office of WITM is located in Seoul, Korea.

j. *Woori Securities Co., Ltd.*

Woori Securities Co., Ltd. (“Woori Securities”, formerly *Hanvit Securities Co., Ltd.*) was established on August 26, 1954 to engage mainly in trading, agency, brokerage, and underwriting of securities and listed its shares on the Korea Stock Exchange on July 26, 1988. In connection with the functional restructuring, as of July 29, 2002, the Company acquired 40.2% (13,250,570 shares) of common stock of *Woori Securities* from Woori Bank, making *Woori Securities* a subsidiary of the Company. On June 1, 2002, *Woori Securities* changed its name from *Hanvit Securities Co., Ltd.* to *Woori Securities Co., Ltd.* As of December 31, 2003, its common stock amounted to ₩164,782 million (US\$137,571 thousand) consisting of 32,956,413 shares issued and outstanding of which the Company owns 52.71%. The head office of *Woori Securities* is located in Seoul, Korea. *Woori Securities* has 41 branches and 21 offices in Korea.

(3) 2nd -tier Subsidiaries

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

a. *Woori Credit Information Co., Ltd.*

Woori Credit Information Co., Ltd. (“WCI”, formerly *Hanvit Credit Information Co., Ltd.*) was established on March 15, 1991 and is engaged in the credit investigation business and credit collection business under the Act on Use and Protection of Credit Information of the Republic of Korea. On June 1, 2002, WCI changed its name from *Hanvit Credit Information Co., Ltd.* to *Woori Credit Information Co., Ltd.* As of December 31, 2003, the common stock of WCI amounted to ₩5,040 million (US\$4,208 thousand) consisting of 1,008,000 shares issued and



NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

outstanding, and is wholly owned by Woori Bank. The head office of WCI is located in Seoul, Korea. WCI has 6 branches and offices in Korea.

b. Woori America Bank

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

c. PT. Bank Woori Indonesia

PT. Bank Woori Indonesia ("BWI", formerly PT. Bank Hanvit Indonesia) was established on June 18, 1992 and is engaged in the banking business in Indonesia. BWI changed its name from P.T. Bank Hanvit Indonesia to PT. Bank Woori Indonesia on May 20, 2002. As of December 31, 2003, its common stock amounted to IDR 170,000 million consisting of 1,700 shares

issued and outstanding of which Woori Bank owns 81.6%.

d. Woori CA Asset Management Co., Ltd.

Woori CA Asset Management Co., Ltd. ("WCAAMC") was established on September 14, 2002 as an asset management company for asset securitization specialty companies established based on the Act on Asset-Backed Securitization and is engaged in the business of management, operation, and disposition of securitization assets. WCAAMC was established through split-off from WF&I in accordance with the Joint Venture Agreement entered into by the Company and Lehman Brothers Luxembourg Investment S.a.r.l. ("LB Luxembourg"). In addition, it took over the asset management and operation contracts from WAMC and therefore, is engaged in managing and operating the assets of WASS2, WASS3, and Woori LB First · Second · Third · Fourth Fifth · Sixth · Seventh · Eighth and WooriF&I First Second Fourth Asset Securitization Specialty Co., Ltds. As of December 31, 2003, WCAAMC's common stock amounted to ₩ 4,000 million (US\$3,339 thousand) consisting of 800,000 shares issued and outstanding of which WF&I and LB Luxembourg own 51% and 49%, respectively. The office of WCAAMC is located in Seoul, Korea.

(4) The summary of subsidiaries as of December 31, 2003 is as follows:

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

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- (*1) The number of outstanding shares of Woori Bank increased by 17,687,520 shares as a result of Woori Bank's merger with Woori Investment Bank on July 31, 2003.
- (*2) On March 27, 2003 and September 30, 2003, the Company purchased 40,000,000 new shares of WCC for ₩200,000 million (US\$166,973 thousand) and 128,000,000 new shares of WCC for ₩ 640,000 million (US\$534,313 thousand). However, WCC curtailed 380,000,000 shares amounting to ₩ 1,900,000 million (US\$1,586,000 thousand) in a capital reduction without compensation on December 22, 2003.
- (*3) The Company purchased 4,121,730 shares of Woori Securities for ₩ 16,899 million (US\$14,108 thousand) on November 28, 2003.
- (*4) Woori Bank purchased 1,500,000 new shares of WAB for US\$ 15 million on September 3, 2003.

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

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

- (*1) WIB was merged into Woori Bank on July 31, 2003.
- (*2) WFIS changed its fiscal year end from March 31 to December 31 in 2002.
- (*3) WASS1 registered the completion of liquidation on December 11, 2003.



NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

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

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

The US dollar amounts presented in these financial statements were computed by translating Korean won into US dollars at the rate of ₩ 1,197.8 to US\$1.00 the Base Rate announced by Seoul Money Brokerage Service, Ltd at December 31, 2003, solely for the convenience of the reader. This convenience translation into US dollars should not be construed as representations that the Korean won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

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

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

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

b. Valuation of Investment Equity Securities

If the Company owns 20% or more of voting shares of its investees, either directly or indirectly, the Company is presumed to have significant influence on the investees' management, and accordingly, the investment equity securities in those investees are accounted for by using the equity method of accounting.

Investment equity securities are initially stated at their acquisition costs including incidental cost incurred in connection with acquisition of the related securities using the moving average method. The Company's share

in net income or net loss of investees is reflected in current operations. Changes in the capital adjustment accounts of the investees resulting from changes in value of their investments are recorded as valuation gain or loss on investments in the capital adjustment account of the investor. Changes in retained earnings of the investees are reflected in the retained earnings account and changes in capital surplus or other capital accounts of the investees are reflected in the capital adjustment account.

c. Allowance for Possible Loan Losses

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

d. Tangible Assets and Depreciation

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

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

e. Intangible Assets

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

f. Amortization of Discount (Premium) on Debentures

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

g. Accrued Severance Benefits

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

h. Accounting for Derivative Instruments

The Company accounts for derivative instruments pursuant to the Interpretations on Financial Accounting

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

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

i. Stock Options

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

j. Accounting for Foreign Currency Transactions and Translation

The Company maintains its accounts in Korean won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rate of exchange on the transaction date. The Korean won equivalent of monetary assets and liabilities denominated in foreign currencies are translated in these financial statements based on the Base Rate announced by Seoul Money Brokerage Services, Ltd. (₩1,197.8 and ₩ 1,200.4 to \$1.00 at December 31, 2003 and 2002, respectively) or cross rates as of the balance sheet dates. Translation gains and losses on foreign currency denominated assets and liabilities are credited or charged to current operations.

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

Income tax expense consists of the amount currently payable and changes during the year in deferred income tax assets and liabilities. However, deferred income tax assets are recognized only if the future tax benefits from deductible temporary differences and tax loss carry forwards are reasonably expected to be realizable. The difference between the amount currently payable for the year and income tax expense is accounted for as deferred income tax assets or liabilities and is to be offset against deferred income tax liabilities or assets in future periods.

l. Earnings Per Common Share

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

Diluted ordinary income per common share and diluted net income per common share are computed by dividing the diluted ordinary income and diluted net income by the sum of the weighted average number of common shares and the number of dilutive potential common shares from dilutive securities. Diluted securities were assumed to be exercised or converted at the start of this fiscal year except for the securities, which were issued during this fiscal year.

m. SKAS No. 9 - "Convertible Securities"

KASB issued SKAS No. 9 - "Convertible Securities", which revised the accounting and reporting for convertible securities. The statement requires recognizing the value of conversion rights when convertible bonds are issued. SKAS No. 9 is effective for the fiscal year beginning after December 31, 2002. Accordingly, the Company recognized the consideration for conversion rights by computing issuance price of the convertible bonds less the market price of straight bonds as of the issuance date of the convertible bonds. The consideration for conversion rights is recorded on other capital surplus when the bonds are issued and it will be credited to additional paid-in capital if the right is exercised. Reconciliation for conversion rights is presented as a deduction from the bonds and the redemption premium, if any, is added to the debentures. However, in accordance with SKAS No. 9, the convertible bonds issued before December 31, 2002 are reported in accordance with the previous accounting standards for convertible bonds.

n. Reclassification of the prior year balance sheet

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



NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

3. INVESTMENT SECURITIES OF SUBSIDIARIES

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

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

(*1) During the year ended December 31, 2003, the equity method of accounting was discontinued for the valuation of investment securities in WCC as the investment balance was reduced to zero during the year. The loss on valuation of the equity securities in WCC using the equity method of accounting, which was not recorded in the statement of operations due to discontinuance of the equity method of accounting, was ₩ 105,581 million (US\$ 88,146 thousand) as of December 31, 2003.

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

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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

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

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

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

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

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



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

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

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

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

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

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

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

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4. LOANS

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

	Issuance date	Maturity date	Interest rate (%)	Korean won		USDollars (Note 2)	
				Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
				(In millions)		(In thousands)	
Woori Finance Information System (*1)	Apr. 25, 2002	Apr. 25, 2006	7.8	₩ -	₩ 30,000	US\$ -	US\$ 25,046
"	Oct. 31, 2002	Oct. 31, 2006	7.3	30,000	150,000	25,046	125,230
				30,000	180,000	25,046	150,276
Woori F&I (*2)	Sep. 27, 2002	Sep. 27, 2006	7.6	-	400	-	334
"	Dec. 20, 2002	Dec. 20, 2006	7.6	5,000	34,200	4,174	28,552
"	Mar. 25, 2003	Mar. 25, 2007	7.3	90,000	-	75,138	-
"	Jul. 7, 2003	Jul. 7, 2007	7.3	23,000	-	19,202	-
"	Jul. 29, 2003	Jul. 29, 2007	7.3	8,850	-	7,388	-
				126,850	34,600	105,902	28,886
WASS1:							
1-1 non-guaranteed privately placed bond	Dec. 21, 2001	Dec. 21, 2010	6.24	-	4,360	-	3,640
1-2 non-guaranteed privately placed bond	Dec. 21, 2001	Dec. 21, 2010	7.5	-	184,487	-	154,022
				-	188,847	-	157,662
WASS2:							
2-1 non-guaranteed privately placed bond (*3)	Jan. 8, 2002	Jan. 8, 2012	7.5	100	59,936	83	50,038
WASS3:							
3-1 non-guaranteed privately placed bond (*3)	Apr. 15, 2002	Apr. 15, 2012	7.8	27,790	65,204	23,201	54,436
Woori Bank:							
1st non-guaranteed subordinated convertible bonds (*4)	Sep. 27, 2002	Sep. 27, 2012	-	150,000	150,000	125,230	125,230
2nd non-guaranteed subordinated convertible bonds (*4)	Oct. 30, 2002	Oct. 30, 2012	-	₩ 200,000	₩ 200,000	US\$ 166,973	US\$ 166,973
3rd non-guaranteed subordinated convertible bonds (*4)	Nov. 28, 2002	Nov. 28, 2012	-	250,000	250,000	208,715	208,715
				600,000	600,000	500,918	500,918
Woori Credit Card:							
Non-guaranteed subordinated privately placed bond	Dec. 27, 2002	Dec. 27, 2008	6.62%	-	200,000	-	166,973
Kwangju Bank:							
Non-guaranteed subordinated convertible bonds (*5)	Dec. 31, 2002	Dec. 31, 2012		-	50,000	41,744	41,743
Total				834,740	1,378,587	696,894	1,150,932
Allowance for possible loan losses				4,174	147,381	3,484	123,043
Net				₩ 830,566	₩ 1,231,206	US\$ 693,410	US\$ 1,027,889



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- (*1) Loans to finance the transaction among Woori Bank, WCC and WFIS, in which Woori Bank and WCC transferred their IT equipment to WFIS.
- (*2) Loans granted to finance the acquisitions of the securitization debentures and the investment equity securities related to the joint venture special entities of WF&I.
- (*3) The principal of the non-guaranteed privately placed bonds listed above shall be fully repaid on the maturity date, however, the trustees may exercise early redemption rights to pay in part or in whole the principal in accordance with the business trust contract pursuant to the asset securitization plan.
- (*4) The coupon rate on the bonds is zero and the guaranteed return is 148.02%. The conversion price is ₩ 5,000 and conversion rights are valid from one year after the issuance date to one month before the maturity date. The common shares of Woori Bank will be issued upon conversion.
- (*5) The coupon rate on the bonds is zero and guaranteed return is 155.29%. The conversion price is ₩ 5,000 and conversion rights are valid from one year after the issuance date to one month before the maturity date. The common shares of Kwangju Bank will be issued upon conversion.

5. ALLOWANCE FOR POSSIBLE LOAN LOSSES

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

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

6. FIXED ASSETS

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

	Jan. 1, 2003	Acquisition	Disposition	Depreciation	Dec. 31, 2003
Vehicles	₩ 31	₩ 58	₩ 5	₩ 27	₩ 57
Furniture and equipment	208	18	-	102	124
Structures in leased offices	85	-	-	24	61
	₩ 324	₩ 76	₩ 5	₩ 153	₩ 242

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

	Jan. 1, 2003		Acquisition		Amortization		Dec. 31, 2003	
Software	₩	18	₩	6	₩	4	₩	20
Industrial property right		32		8		9		131
	₩	50	₩	14	₩	13	₩	51

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

7. OTHER ASSETS

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

	Korean won		US dollars (Note 2)					
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002				
	(In millions)		(In thousands)					
Guarantee deposits	₩	3,871	₩	3,871	US\$	3,232	US\$	3,232
Other receivables		1,146		100		957		83
Accrued income		31,471		8,933		26,274		7,458
Currency swaps (Notes 9 and 10)		16,463		440		13,744		367
Advance payment		1		-		1		-
Prepaid expenses		794		1,887		663		1,575
Prepaid income tax		6,554		6,966		5,470		5,818
Total		60,300		22,197		50,341		18,533
Allowance for losses for accrued interest		(151)		-		(126)		-
Net	₩	60,149	₩	22,197	US\$	50,215	US\$	18,533

8. BORROWINGS

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

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

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

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

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

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



NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

9. DEBENTURES

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

1) Bonds

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

2) Bonds with warrants

	Issuing date	Interest rate (%)	Maturity	Dec. 31, 2003	Korean won		US dollars (Note 2)	
					Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2002
				(In millions)		(In thousands)		
The 1 st bonds, with warrants	Jul. 16, 2001	5.00	Jul. 16, 2003	₩ -	₩ 66,680	US\$ -	US\$ 55,669	
Less: discounts				-	(220)	-	(184)	
				₩ -	₩ 66,460	US\$ -	US\$ 55,485	

3) Convertible bonds

	Issuing date	Interest rate (%)	Maturity	Dec. 31, 2003	Korean won		US dollars (Note 2)	
					Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2002
				(In millions)		(In thousands)		
The convertible bonds	Mar. 26, 2003	-	Mar. 26, 2006	₩ 20,000	₩ -	US\$ 16,697	US\$ -	
Add: redemption premium				2,314	-	1,932	-	
Less: reconciliation for conversion rights				(2,509)	-	(2,095)	-	
				₩ 19,805	₩ -	US\$ 16,534	US\$ -	

The unguaranteed privately placed convertible bonds were issued to Lehman Brothers HY Opportunities Korea Inc. The coupon rate is zero whereas yield to maturity of 3.683 % was guaranteed if the bonds would not be converted. The conversion price is ₩5,380 (US\$ 4.49) per share which might be adjusted due to additional stock issuances, stock dividends, and split or reverse split of shares. The number of the shares to be issued upon conversion is 3,717,472. The conversion rights are valid from one year after the issuance date to one month before the maturity date. The Company is obligated to issue new common shares upon the requests of the bondholders while the purchaser is obligated to hold the bonds or converted shares, if converted, until September 26, 2004.

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

1) Bonds in foreign currency

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

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

2) Convertible bonds in foreign currency

	Issuing date	Annual interest rate (%)	Maturity	Foreign currency	
				Dec. 31, 2003	Dec. 31, 2002
Convertible bonds (*1)	Sep. 27, 2002	-	Sep. 27, 2005	US\$ 36,000	US\$ 36,000
Long-term accrued interest				1,345	276
				US\$ 37,345	US\$ 36,276
Korean won equivalent				₩ 44,732	₩ 44,474
Convertible bonds (*2)	Dec. 12, 2002	-	Dec. 12, 2005	US\$ 16,000	US\$ 16,000
Long-term accrued interest				454	13
				US\$ 16,454	US\$ 16,013
Korean won equivalent				₩ 19,709	₩ 19,264
Convertible bonds (*3)	Mar. 26, 2003	-	Mar. 26, 2006	US\$ 39,000	US\$ -
Add: redemption premium				2,664	-
Less: reconciliation for conversion rights				(3,407)	-
				US\$ 38,257	US\$ -
Korean won equivalent				₩ 45,818	₩ -
Convertible bonds (*4)	Jul. 10, 2003	-	Jul. 10, 2006	US\$ 1,000	US\$ -
Add: redemption premium				63	-
Less: reconciliation for conversion rights				(82)	-
				US\$ 981	US\$ -
				₩ 1,173	₩ -
Total				₩ 111,432	₩ 63,738

(*1) The unguaranteed privately placed bonds of US\$36 million were issued to Lehman Brothers International Europe ("LBIE") on September 27, 2002. The coupon rate on the bonds is zero whereas yield to maturity of 2.9245% was guaranteed if the bonds would not be converted. The conversion price is ₩7,313 per share (conversion-exchange rate applied was ₩1,201.4:US\$ 1), which might be adjusted due to additional stock issuances, stock dividends, and split or reverse split of

shares. The number of shares available for conversion is 5,914,180 shares. The conversion rights are valid from one year after the issuance date to one month before the maturity date. The Company is obligated to issue new common shares upon the requests of the bondholders while the purchaser is obligated to hold the bonds or converted shares, if converted, until one and half year after the issuance date.



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FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

(*2) The unguaranteed privately placed bonds of US\$16 million were issued to LBIE on December 20, 2002. The coupon rate on the bonds is zero whereas yield to maturity of 2.7335% was guaranteed if the bonds would not be converted. The conversion price is ₩5,588 per share (conversion-exchange rate applied was ₩1,215.8:US\$ 1), which might be adjusted due to additional stock issuances, stock dividends, and split or reverse split of shares. The number of shares available for conversion is 3,481,173 shares. The conversion rights are valid from one year after the issuance date to one month before the maturity date. The Company is obligated to issue new common shares upon the requests of the bondholders while the purchaser is obligated to hold the bonds or converted shares, if converted, until one and a half year after the issuance date.

(*3) The unguaranteed privately placed bonds of US\$ 39 million were issued to LBIE on March 26, 2003. The coupon rate on the bonds is zero whereas yield to maturity of 2.215% was guaranteed if the bonds would not be converted. The conversion price is ₩5,380 per share (conversion-exchange rate applied was ₩1,194.9:US\$ 1), which might be adjusted due to additional stock issuances, stock dividends, and split or reverse split of shares. The number of shares available

for conversion is 8,661,914 shares. The conversion rights are valid from one year after the issuance date to one month before the maturity date. The Company is obligated to issue new common shares upon the requests of the bondholders while the purchaser is obligated to hold the bonds or converted shares, if converted, until September 26, 2004.

(*4) The unguaranteed privately placed bonds of US\$ 1 million were issued to LBIE on July 10, 2003. The coupon rate on the bonds is zero whereas yield to maturity of 2.034% was guaranteed if the bonds would not be converted. The conversion price is ₩7,228 per share (conversion-exchange rate applied was ₩1,185.5:US\$ 1), which might be adjusted due to additional stock issuances, stock dividends, and split or reverse split of shares. The number of shares available for conversion is 164,429 shares. The conversion rights are valid from one year after the issuance date to one month before the maturity date. The Company is obligated to issue new common shares upon the requests of the bondholders while the purchaser is obligated to hold the bonds or converted shares, if converted, until January 10, 2005.

(3) In connection with the debentures in foreign currencies listed above, the Company has entered into cross currency interest rate swaps with Woori Bank in order to prevent any risks involved with fluctuations in exchange rates and interest rates. As of December 31, 2003 and 2002, cross currency interest rate swap contracts were as follows (Unit: Korean won in millions, U.S. dollars in thousands, and Japanese yen in thousands):

	Contract date	Maturity date	Contracted amount		Foreign currency
			Dec. 31, 2003	Dec. 31, 2002	
Swap 1	Nov. 7, 2001	Nov. 2, 2004	US\$ 50,000	US\$ 50,000	Receipt: LIBOR (6 months) + 1.6% Payment: annual rate of 6.90% in every 3 months
			64,650	64,650	
Swap 2	Nov. 18, 2001	Nov. 2, 2004	US\$ 99,496	US\$ 99,496	Receipt: LIBOR (6 months) + 1.6% Payment: CD interest rate (3 months) + 1.5%
			128,888	128,888	
Swap 3	Jan. 28, 2002	Jan. 16, 2004	JPY 14,924,633	JPY 14,924,633	Receipt: annual rate of 1.74% in every 6 months Payment: CD interest rate (91 days) + 1.59%
			147,754	147,754	
Swap 4	Sep. 27, 2002	Sep. 27, 2005	US\$ 36,000	US\$ 36,000	Receipt: compound interest rate of 2.9245%(6 months) Payment: annual rate of 5%
			44,136	44,136	
Swap 5	Dec. 20, 2002	Dec. 20, 2005	US\$ 16,000	US\$ 16,000	Receipt: compound interest rate of 2.7335%(6 months) Payment: annual rate of 4.84%
			19,248	19,248	
Swap 6	Mar. 26, 2003	Mar. 26, 2006	US\$ 39,000	-	Receipt: compound interest rate of 2.215%(6 months) Payment: annual rate of 3.04%
			48,633	-	
Swap 7	Jul. 9, 2003	Jul. 10, 2006	US\$ 1,000	-	Receipt: compound interest rate of 2.034%(6 months) Payment: annual rate of 3.93%
			1,179	-	

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FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

For the year ended December 31, 2003, gains on valuation of swaps of ₩17,078 million (US\$14,258 thousand) and losses on valuation of ₩3,410 million (US\$2,847 thousand) were recorded in connection with the above swap contracts. For the year ended December 31, 2002, gains on valuation of ₩440 million (US\$367 thousand) and losses on valuation of ₩20,121 million (US\$16,798 thousand) were recorded in connection with the above swap contracts.

10. ACCRUED SEVERANCE BENEFITS

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company. The accrued severance benefits that would be payable assuming all eligible employees and directors were to terminate as of December 31, 2003 and 2002 amounted to ₩1,583 million (US\$1,322 thousand) and ₩968 million (US\$ 808 thousand).

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

	Korean won		US dollars (Note 2)	
	2003	2002	2003	2002
	(In millions)		(In thousands)	
Beginning balance	₩ 968	₩ -	US\$ 808	US\$ -
Provision for severance benefits	626	1,047	523	874
Payment for severance benefits	(11)	(79)	(9)	(66)
Ending balance	₩ 1,583	₩ 968	US\$ 1,322	US\$ 808

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

11. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

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

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



NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

12. OTHER LIABILITIES

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

	Korean won		US dollars (Note 2)	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
	(In millions)		(In thousands)	
Accrued severance benefits	₩ 1,583	₩ 968	US\$ 1,322	US\$ 808
Deposits with employee retirement trust (Note 10)	(954)	(581)	(796)	(485)
Accrued expenses	9,016	10,228	7,527	8,539
Other payables	507	143	422	119
Withholdings	188	103	157	86
Currency swaps (Notes 9 and 11)	18,398	14,911	15,360	12,449
	₩ 28,738	₩ 25,772	US\$ 23,992	US\$ 21,516

13. SHAREHOLDERS' EQUITY

(1) The Company has 2,400,000,000 authorized shares of common stock with ₩5,000 par value, of which 775,504,910 common shares [₩3,877,525 million (US\$3,237,206 thousand)] and 767,814,797 common shares [₩ 3,839,074 million (US\$3,205,104 thousand)] were issued and outstanding as of December 31, 2003 and 2002, respectively.

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

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	₩ -
June 12, 2002	Issue of new shares	36,000,000	180,000	58,645
In 2002	Exercise of warrants	4,356,188	21,781	-
		767,814,797	3,839,074	58,645
In 2003	Exercise of warrants	7,690,113	38,451	(574)
		775,504,910	₩ 3,877,525	₩ 58,071

(3) Other capital surplus is consideration for conversion rights in the total amount of ₩ 3,253 million (US\$ 2,716 thousand), consisting of ₩2,215 million (US\$1,849 thousand), ₩ 997 million (US\$ 832 thousand), and ₩ 41 million (US\$ 34 thousand) for convertible bonds, the first two among which were issued on March 26, 2003 and the third among which was issued on July 10, 2003.

(4) Pursuant to the Financial Holding Company Act Article 53, legal reserves are appropriated at no less than one tenth of the net income until reaching to an amount equal to the Company's contributed capital, whenever dividends are declared.

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

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

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FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

14. STOCK OPTIONS

- (1) On December 4, 2002, the Company granted stock options to 62 directors of the Company and its subsidiaries. The exercise price of 60 percent of the total number of stock options granted will be determined depending on the Korean banking industry stock index (at minimum ₩6,800 per share). In addition, for the remaining 40 percent of the total number of stock options granted, of which the exercise price is ₩6,800 per share, the number of stock options to be vested will be dependent on the Company's management performance target levels; non-performing loans ratio, capital adequacy ratio and net income to total asset ratio by 15%, 15%, and 10%, respectively. The stock options are exercisable during a three-year period beginning after three years from the grant date. If the stock options are exercised, the Company has the option either to issue new shares or shares held as treasury stock, or to pay the difference between the market price and the exercise price in cash or with treasury stock.
- (2) The stock options (210,000 shares) given to 8 directors of its subsidiaries, who subsequently retired, were cancelled by the decision of the Company's committee on December 11, 2003.
- (3) The summary of stock options granted as of December 31, 2003 is summarized as follows:

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

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

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 the continuous compounded method
Exercise price	₩6,800 per share
Fair value	₩2,081 per share

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

Description	The Company	Subsidiaries	Total
Total stock option costs	₩ 936	₩ 1,873	₩ 2,809
Recorded in 2002 and 2003	507	1,015	1,522
To be recorded thereafter	429	858	1,287

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



NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

15. INCOME TAX EXPENSE

(1) Differences between financial accounting income and taxable income (loss) for the year ended December 31, 2003 are as follows:

	Korean won	US dollars (Note 2)
	(In millions)	(In thousands)
Net income	₩ 202,565	US\$ 169,114
Permanent differences		
Additions:		
Gain on valuation of investment securities	353,902	295,460
Deemed interest income	42,432	35,425
Reconciliation for conversion rights	3,253	2,716
Other	2,569	2,145
	<u>402,156</u>	<u>335,746</u>
Deductions:		
Dividend	(497,321)	(415,195)
Investment securities	(7,955)	(6,641)
	<u>(505,276)</u>	<u>(421,836)</u>
	<u>(103,120)</u>	<u>(86,090)</u>
Temporary differences:		
Additions:		
Investment securities	1,338,480	1,117,449
Other	39,466	32,948
	<u>1,377,946</u>	<u>1,150,397</u>
Deductions:		
Investment securities	(1,426,634)	(1,191,045)
Other	(212,903)	(177,745)
	<u>(1,639,537)</u>	<u>(1,368,790)</u>
	<u>(261,591)</u>	<u>(218,393)</u>
Taxable loss	₩ (162,146)	US\$ (135,369)

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FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

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

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

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

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

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

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

16. STATEMENTS OF CASH FLOWS

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

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



NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

17. GENERAL AND ADMINISTRATIVE EXPENSES:

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

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

18. FINANCIAL INFORMATION OF SUBSIDIARIES

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

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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

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

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

(3) Major debt and assets of the Company and its subsidiaries as of December 31, 2003 are summarized as follows
(Unit: Korean won in millions):

1) Major debt

Company	Deposits	Borrowings	Debentures	Total
Woori Finance Holdings	₩ -	₩ -	₩ 2,621,182	₩ 2,621,182
Woori Bank	74,163,791	9,589,517	7,780,156	91,533,464
Kyongnam Bank	8,528,645	1,278,626	310,238	10,117,509
Kwangju Bank	6,764,019	1,165,133	200,556	8,129,708
Woori Credit Card	-	583,005	1,942,765	2,525,770
Woori Finance Information System	-	210,000	-	210,000
Woori F&I	-	126,850	-	126,850
Woori Second Asset Securitization Specialty	-	-	100	100
Woori Third Asset Securitization Specialty	-	-	27,790	27,790
Woori Investment Trust Management	45	-	-	45
Woori Securities	145,492	102,327	-	247,819
	₩ 89,601,992	₩ 13,055,458	₩ 12,882,787	₩ 115,540,237

2) Major assets

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



NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

Company	Loans subject to allowance for possible loan losses		Allowance	% of allowance to loans	
Woori Bank	₩	74,343,819	₩	1,550,988	2.09
Kyongnam Bank		6,550,115		103,556	1.58
Kwangju Bank		5,409,972		72,042	1.33
Woori Credit Card		1,809,395		379,651	20.98
Woori F&I		115,237		501	0.43
Woori Second Asset Securitization Specialty		17,980		11,675	64.93
Woori Third Asset Securitization Specialty		445		19	4.27
Woori Securities		59,582		21,034	35.30
Total	₩	88,306,545	₩	2,139,466	2.42

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

Company	Loans subject to 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
Woori First Asset Securitization Specialty		100,056		49,008	48.98
Woori Second Asset Securitization Specialty		40,889		4,955	12.12
Woori Third Asset Securitization Specialty		57,544		20,510	35.64
Woori Securities		60,252		20,652	34.28
Total	₩	75,798,935	₩	2,155,580	2.84

19. CONTRIBUTIONS TO NET INCOME BY SUBSIDIARIES:

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

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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

20. TRANSACTIONS AND ACCOUNT BALANCES WITH RELATED PARTIES:

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

	Korean won			US dollars (Note 2)		Account			
	2003	2002	2003	2002					
	(In millions)		(In thousands)						
Woori Bank	₩	322,145	₩	51,757	US\$	268,947	US\$	43,210	Cash and bank deposits
"		600,000		603,829		500,918		504,115	Loans
"		3,846		3,846		3,211		3,211	Guarantee deposits
"		652		43		544		36	Other receivables
"		28,379		76		23,693		63	Accrued income
"		16,463		440		13,744		367	Currency swaps (assets)
"		18,398		14,911		15,360		12,449	Currency swaps (liabilities)
Kyongnam Bank		16,204		10,595		13,528		8,845	Cash and bank deposits
"		14		12		12		10	Accrued income
Kwangju Bank		11,236		10,898		9,381		9,098	Cash and bank deposits
"		50,000		50,006		41,743		41,748	Loans
"		2,253		3		1,881		3	Accrued income
Woori Credit Card		-		200,000		-		166,973	Loans
"		8		12		7		10	Other receivables
"		-		147		-		123	Accrued income
"		93		92		78		77	Other payables
Woori Investment Bank		-		7		-		6	Other receivables
Woori Finance Information System		30,000		180,000		25,046		150,276	Loans
"		101		12		84		10	Other receivables
"		363		2,235		303		1,866	Accrued income
Woori F&I		126,850		34,600		105,902		28,886	Loans
"		-		78		-		65	Accrued income
"		-		221		-		185	Accrued expenses
Woori First Asset Securitization Specialty		-		188,847		-		157,662	Loans
"		-		431		-		360	Accrued income
Woori Second Asset Securitization Specialty		100		59,936		83		50,038	Loans
"		2		1,038		2		867	Accrued income
Woori Third Asset Securitization Specialty		27,790		65,204		23,201		54,436	Loans
"		459		1,078		383		900	Accrued income
Woori Investment Trust Management		39		6		33		5	Other receivables
Woori Credit Information		90		7		75		6	Other receivables
Woori CA Asset Management		124		-		104		-	Other receivables
Principal guaranteed trust accounts of Woori Bank		954		581		796		485	Deposits with employee retirement trust



NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

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

(3) Transfer of credit card subscriber base

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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

21. EARNINGS PER COMMON SHARE:

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

	Korean won		US dollars (Note 2)	
	2003	2002	2003	2002
	(In millions, except for earning per share data)		(In thousands, except for earning per share data)	
Net income on common shares	₩ 202,565	₩ 589,214	US\$ 169,114	US\$ 491,914
Extraordinary gain	-	-	-	-
Income tax effect on extraordinary gain	-	-	-	-
Ordinary income on common shares	₩ 202,565	₩ 589,214	US\$ 169,114	US\$ 491,914
Weighted average number of common shares outstanding	771,723,994	749,383,489	771,723,994	749,383,489
Basic ordinary income per common shares	₩ 262	₩ 786	US\$ 0.219	US\$ 0.656
Basic net income per common shares	₩ 262	₩ 786	US\$ 0.219	US\$ 0.656

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

	Korean won		US dollars (Note 2)	
	2003	2002	2003	2002
	(In millions, except for earning per share data)		(In thousands, except for earning per share data)	
Diluted net income on common shares	₩ 204,230	₩ 589,214	US\$ 170,504	US\$ 491,914
Extraordinary gain	-	-	-	-
Income tax effect on extraordinary gain	-	-	-	-
Diluted ordinary income on common shares	₩ 204,230	₩ 589,214	US\$ 170,504	US\$ 491,914
Weighted average number of common and dilutive common shares outstanding	783,760,412	749,383,489	783,760,412	749,383,489
Diluted ordinary income per common shares	₩ 261	₩ 786	US\$ 0.218	US\$ 0.656
Diluted net income per common shares	₩ 261	₩ 786	US\$ 0.218	US\$ 0.656

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



NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

All common stock equivalents as of December 31, 2003 are as follows (Unit: Korean won in millions and US dollar in thousands):

Item	Face value		Exercise period	Common stock to be issued(shares)	Remarks
Convertible bonds	US\$	36,000	Sep. 28, 2003 ~ Aug 27, 2005	5,914,180	Using exchange rate of ₩ 1,201.4, convert 1 share at ₩ 7,313
Convertible bonds	US\$	16,000	Dec. 21, 2003 ~ Nov. 20, 2005	3,481,173	Using exchange rate of ₩ 1,215.8, convert 1 share at ₩ 5,588
Convertible bonds	₩	20,000	Mar. 27, 2004 ~ Feb. 26, 2006	3,717,472	Convert 1share at ₩ 5,380
Convertible bonds	US\$	39,000	Mar. 27, 2004 ~ Feb. 26, 2006	8,661,914	Using exchange rate of ₩ 1,194.9, concert 1 shares at ₩ 5,380
Convertible bonds	US\$	1,000	Jul. 10, 2004 ~ Jun. 10, 2006	164,429	Using exchange rate of ₩ 1,185.5, concert 1 shares at ₩ 7,228
Stock options	-	-	Dec. 5, 2005 ~ Dec. 4, 2008	1,350,000	(Note 14)

22. INSURANCE

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

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

	Korean won		US dollars (Note 2)	
	Three months ended Dec. 31, 2003	Three months ended Dec. 31, 2002	Three months ended Dec. 31, 2003	Three months ended Dec. 31, 2002
		(Unaudited)		(Unaudited)
Operating revenue	₩ 12,028	₩ 469,676	US\$ 10,042	US\$ 392,116
Operating expenses	179,387	97,939	149,764	81,766
Operating income (loss)	(167,359)	371,737	(139,722)	310,350
Net income (loss)	₩ (167,526)	₩ 371,736	US\$ (139,861)	US\$ 310,349
Basic net income (loss) per common share	₩ (216)	₩ 484	(180)	404

24. CREDITS TO SK NETWORKS CO., LTD.

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

25. CREDITS TO LG CARD CO., LTD

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

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

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

27. WOORI BANK’S MERGER WITH WOORI INVESTMENT BANK

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



NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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28. LITIGATION

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

29. SUBSEQUENT EVENT

a. WCC's merger into Woori Bank

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

b. Plan of WCC's capital increase

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

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

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

30. ECONOMIC UNCERTAINTIES

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of Woori Finance Holdings Co., Ltd. (the "Company") and its subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended (all expressed in Korean won). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended, in conformity with financial accounting standards generally accepted in the Republic of Korea.

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

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

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

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

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

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



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

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

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

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

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

Deloitte & Touche LLC

February 17, 2004

Notice to Readers

This report is effective as of February 17, 2004, the auditors’ report date. Certain subsequent events or circumstances may have occurred between the auditors’ report date and the time the auditors’ report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors’ report.

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2003 AND 2002

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

See accompanying notes to consolidated financial statements.



CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2003 AND 2002

	Korean won		US dollars (Note 2)	
	2003	2002	2003	2002
	(In thousands, except for income per common share data)		(In thousands, except for income per common share data)	
OPERATING REVENUE INTEREST INCOME (Note 26):				
Interest on due from banks	₩ 49,573	₩ 55,090	US\$ 41,387	US\$ 45,993
Interest and dividends on trading securities	139,429	188,089	116,404	157,029
Interest and dividends on available-for-sale securities	1,288,420	797,613	1,075,655	665,898
Interest and dividends on held-to-maturity securities	806,734	877,982	673,513	732,995
Interest on loans	5,190,680	4,330,436	4,333,511	3,615,325
Other	89,115	214,366	74,400	178,966
	7,563,951	6,463,576	6,314,870	5,396,206
FEE INCOME (Note 26):				
Commissions	631,608	541,822	527,307	452,348
Commissions received on credit cards	466,281	861,722	389,281	719,421
Guarantee fees	26,286	24,446	21,945	20,409
Other	25,512	27,040	21,299	22,574
	1,149,687	1,455,030	959,832	1,214,752
OTHER OPERATING REVENUE (Note 26):				
Gain on trading securities	154,185	168,568	128,723	140,731
Gain on redemption of available-for-sales securities	77,151	37,991	64,411	31,717
Gain on securitized assets	19,227	32,464	16,052	27,103
Gain on foreign exchange	469,900	287,212	392,303	239,783
Gain on derivatives (Note 29)	826,405	618,127	689,936	516,052
Trust management fees	50,359	70,558	42,043	58,906
Reversal of allowance for possible losses	66,950	298,784	55,894	249,444
Other	25,630	191,680	21,397	160,028
	1,689,807	1,705,384	1,410,759	1,423,764
	10,403,445	9,623,990	8,685,461	8,034,722
OPERATING EXPENSES INTEREST EXPENSE (Note 26):				
Interest on deposits	(2,744,776)	(2,702,504)	(2,291,514)	(2,256,223)
Interest on borrowings	(387,098)	(505,631)	(323,174)	(422,133)
Interest on debentures	(641,968)	(507,275)	(535,956)	(423,506)
Interest on others	(68,560)	(40,904)	(57,239)	(34,149)
	(3,842,402)	(3,756,314)	(3,207,883)	(3,136,011)
OTHER OPERATING EXPENSES (Note 26)				
Commissions	(250,750)	(286,991)	(209,342)	(239,598)
Loss on trading securities	(96,406)	(122,181)	(80,486)	(102,005)
Loss on redemption of available-for-sales securities	(31,866)	(992)	(26,604)	(828)
Loss on foreign exchange	(259,573)	(183,034)	(216,708)	(152,808)
Loss on derivatives (Note 29)	(876,823)	(569,627)	(732,028)	(475,561)
Subsidy for trust accounts adjustment	(17)	(2,719)	(14)	(2,270)
Loss on securitized assets	(1,515)	-	(1,265)	-
Provision for possible losses	(2,679,111)	(2,004,231)	(2,236,693)	(1,673,260)

(continued)

CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Korean won		US dollars (Note 2)	
	2003	2002	2003	2002
	(In millions, except for income per common share data)		(In thousands, except for income per common share data)	
Salaries, employee benefits and provision for severance benefits	₩ (1,176,158)	₩ (1,056,614)	US\$ (981,932)	US\$ (882,129)
Rent	(83,471)	(58,742)	(69,687)	(49,042)
Entertainment	(11,957)	(13,073)	(9,982)	(10,914)
Depreciation and amortization	(212,408)	(136,969)	(177,332)	(114,350)
Taxes and dues	(92,465)	(117,800)	(77,196)	(98,347)
Advertising	(52,046)	(67,381)	(43,451)	(56,254)
Telecommunications	(41,868)	(27,682)	(34,954)	(23,111)
Service fees	(68,783)	(205,279)	(57,424)	(171,380)
IT operating expenses	(76,080)	(31,889)	(63,516)	(26,623)
Stock compensation (Note 19)	(1,460)	-	(1,219)	-
Other administrative expenses	(405,952)	(267,214)	(338,915)	(223,088)
	(6,418,709)	(5,152,418)	(5,358,748)	(4,301,568)
	(10,261,111)	(8,908,732)	(8,566,631)	(7,437,579)
OPERATING INCOME	142,334	715,258	118,830	597,143
NON-OPERATING INCOME (Note 21)	586,267	540,113	489,452	450,921
NON-OPERATING EXPENSES (Note 21)	(497,539)	(800,487)	(415,377)	(668,298)
ORDINARY INCOME	231,062	454,884	192,905	379,766
EXTRAORDINARY GAINS	-	-	-	-
INCOME BEFORE INCOME TAX EXPENSE AND MINORITY INTERESTS	231,062	454,884	192,905	379,766
INCOME TAX BENEFIT (EXPENSE) (Note 22)	(178,688)	158,692	(149,180)	132,486
INCOME BEFORE MINORITY INTERESTS	52,374	613,576	43,725	512,252
MINORITY INTERESTS, NET	3,905	(21,988)	3,260	(18,357)
NET INCOME	₩ 56,279	591,588	US\$ 46,985	US\$ 493,895
BASIC ORDINARY INCOME PER COMMON SHARE (Note 23)	₩ 73	789	US\$ 0.061	US\$ 0.660
BASIC NET INCOME PER COMMON SHARE (Note 23)	₩ 73	789	US\$ 0.061	US\$ 0.660
DILUTED ORDINARY INCOME PER COMMON SHARE (Note 23)	₩ 72	789	US\$ 0.060	US\$ 0.660
DILUTED NET INCOME PER COMMON SHARE (Note 23)	₩ 72	789	US\$ 0.060	US\$ 0.660

See accompanying notes to consolidated financial statements.



CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	Total
	(In millions)					
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)
Acquisition of subsidiaries' treasury stocks	-	-	-	(9,282)	-	(9,282)
Gain on valuation of investment securities	-	-	-	184,208	-	184,208
Gain on valuation using the equity method on subsidiaries	-	-	1,430	-	-	1,430
Stock option	-	-	-	135	-	135
Valuation on derivative instruments	-	-	-	(6,296)	-	(6,296)
Amortization of discount on stock issuance	-	-	(836)	836	-	-
Changes in minority interests	-	(211)	-	6,981	(114,537)	(107,767)
Others	-	(1,415)	2,475	(143)	(13)	904
December 31, 2002	3,839,074	25,029	1,151,113	54,506	245,045	5,314,767
January 1, 2003	3,839,074	25,029	1,151,113	54,506	245,045	5,314,767
Net income	-	-	56,279	-	-	56,279
Dividend	-	-	(57,262)	-	-	(57,262)
Issuance of new shares	38,451	(574)	-	-	-	37,877
Reconciliation of convertible rights	-	3,253	-	-	-	3,253
Additional acquisition of subsidiaries' stocks	-	30,223	-	-	-	30,223
Disposal of subsidiaries' treasury stocks	-	-	-	9,673	-	9,673
Gain on valuation of available-for-sale securities	-	-	-	351,479	-	351,479
Gain on valuation using equity method on subsidiaries	-	-	(1,517)	9,642	-	8,125
Stock option	-	-	-	1,460	-	1,460
Valuation on derivative instruments	-	-	-	3,495	-	3,495
Discounts on stock issuance	-	-	-	(4,050)	-	(4,050)
Changes in minority interests	-	211	-	(10,884)	(49,136)	(59,809)
Others	-	(298)	3,440	(352)	-	2,790
December 31, 2003	₩ 3,877,525	₩ 57,844	₩ 1,152,053	₩ 414,969	₩ 195,909	₩ 5,698,300

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

(continued)



CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

(continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	Korean won		US dollars (Note 2)	
	2003	2002	2003	2002
	(In millions)		(In thousands)	
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net decrease in trading securities	₩ 273,736	₩ 301,040	US\$ 228,532	US\$ 251,327
Net increase in available-for-sale securities	(756,668)	-	(631,715)	-
Net decrease (increase) in held-to-maturity securities	357,485	(1,693,864)	298,451	(1,414,146)
Net decrease in equity method investments	982	-	820	-
Net increase in loans	(15,089,082)	(16,029,402)	(12,597,330)	(13,382,369)
Net increase in tangible assets	(58,006)	(124,490)	(48,427)	(103,932)
Net increase in intangible assets	(110,383)	(30,845)	(92,155)	(25,751)
Net decrease in non-operating assets	805	6,997	672	5,842
Net decrease in operating lease assets	5,219	5,853	4,357	4,886
Net increase in leased assets	(4,252)	(6,497)	(3,550)	(5,425)
Net decrease in derivative instruments assets	629,029	82,044	525,154	68,496
Net decrease in derivative instruments liabilities	(719,235)	-	(600,463)	-
Net cash used in investing activities	(15,470,370)	(17,489,164)	(12,915,654)	(14,601,072)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net increase in deposits	10,113,271	9,585,171	8,443,205	8,002,313
Net increase (decrease) in borrowings	(1,026,510)	326,481	(856,996)	272,567
Net increase in debentures in local currency	35,792	5,254,842	29,881	4,387,078
Net increase in debentures in foreign currencies	1,365,751	377,149	1,140,216	314,868
Issuance of new shares	37,877	260,430	31,622	217,424
Disposal of treasury stocks by subsidiaries	16,788	-	14,016	-
Payment of dividends	(57,262)	-	(47,806)	-
Increase in discount on stock issuance	(4,050)	-	(3,381)	-
Acquisition of treasury stocks by a subsidiary	(7,468)	(9,282)	(6,235)	(7,749)
Net decrease in minority interests	(25,681)	(45,046)	(21,440)	(37,607)
Net cash provided by financing activities	10,448,508	15,749,745	8,723,082	13,148,894
DECREASE IN CASH DUE TO CHANGE IN THE SCOPE OF CONSOLIDATION	(14)	(95,247)	(12)	(79,518)
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	(96,997)	135,962	(80,980)	113,510
CASH AND DUE FROM BANKS, BEGINNING OF THE YEAR	6,568,852	6,432,890	5,484,098	5,370,588
CASH AND DUE FROM BANKS, END OF THE YEAR	₩ 6,471,855	₩ 6,568,852	US\$ 5,403,118	US\$ 5,484,098

See accompanying notes to consolidated financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

1. GENERAL

(1) Woori Finance Holdings Co., Ltd.

Woori Finance Holdings Co., Ltd. (the "Company") was incorporated on March 27, 2001, to engage in the business of managing the five financial institutions, Woori Bank (formerly Hanvit Bank), Kyongnam Bank, Kwangju Bank, Woori Credit Card Co., Ltd. (formerly Peace Bank of Korea) and Woori Investment Bank (merged into Woori Bank on July 31, 2003) (hereafter collectively referred to as the "Five Subsidiaries"), whose shares were contributed to the Company by the Korea Deposit Insurance Corporation (the "KDIC") in accordance with the provisions of the Financial Holding Company Act. In accordance with its functional restructuring, the Company established or acquired seven more subsidiaries, and has four 2nd -tier subsidiaries. Upon incorporation, the Company's common stock amounted to ₩3,637,293 million (US\$3,036,645 thousand), consisting of 727,458,609 common shares (₩5,000 per share) issued and outstanding. As a result of several capital increases and exercise of warrants since incorporation, the Company's common stock amounts to ₩3,877,525 million (US\$3,237,206 thousand), consisting of 775,504,910 common shares issued and outstanding as of December 31, 2003.

On June 24, 2002, the Company listed its common shares on the Korea Stock Exchange through a public offering at a price of ₩6,800 per share with 36,000,000 new shares and 54,000,000 issued shares. The KDIC owned 673,458,609 (86.8%) shares of the Company's common shares as of December 31, 2003.

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

(2) Consolidated subsidiaries

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

a. Woori Bank

Woori Bank (formerly Hanvit Bank) was established in 1899 and is engaged in the commercial banking business under the Korean Banking Law, trust business under the Trust Business Law, merchant bank services under the Merchant Bank Act, and foreign exchange business with approval from the Bank of Korea (the "BOK") and the Ministry of Finance and Economy (the "MOFE"). In connection with the infusion of public funds, Woori Bank and the KDIC have entered into the Agreement on the Implementation of the Business Plan. Woori Bank changed its name from Hanvit Bank to Woori Bank on May 20, 2002. Its common stock amounts to ₩2,852,838 million (US\$2,381,732 thousand) consisting of 570,567,520 common shares issued and outstanding as of December 31, 2003. Woori

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

b. Kyongnam Bank

Kyongnam Bank was incorporated on April 18, 1970 and is engaged in the commercial banking business under the Korean Banking Law, trust business under the Trust Business Law, and foreign exchange business with approval from the BOK and the MOFE. In connection with the infusion of public funds, Kyongnam Bank and the KDIC have entered into the Agreement on the Implementation of the Business Plan. As of September 30, 2003, Kyongnam Bank's common stock amounts to ₩259,000 million (US\$216,230 thousand) consisting of 51,800,043 shares of common stock issued and outstanding of which the Company owns 99.99%. The head office of Kyongnam Bank is located in Masan, Korea. Kyongnam Bank has 130 branches and offices in Korea.

c. Kwangju Bank

Kwangju Bank was established on October 7, 1968 and is engaged in the commercial banking business under the Korean Banking Law, trust business under the Trust Business Law, and foreign exchange business with approval from the BOK and the MOFE. In connection with the infusion of public funds, Kwangju Bank and the KDIC have entered into the Agreement on the Implementation of the Business Plan. As of December 31, 2003, its common stock amounts to ₩170,403 million (US\$142,263 thousand) consisting of 34,080,517 common shares issued and outstanding of which the Company owns 99.99%. Kwangju Bank's head office is located in Kwangju City, Korea and has 115 domestic branches and offices in Korea.

d. Woori Credit Card Co., Ltd.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

e. Woori Finance Information System Co., Ltd.

Woori Finance Information System Co., Ltd. (“WFIS”, formerly Hanviteun System) was established on April 17, 1989 and is engaged in the business of installing computerized financial systems. On September 29, 2001, the Company purchased all of the common stock of WFIS from Woori Bank in accordance with the group’s functional restructuring, making WFIS a subsidiary of the Company. On October 15, 2001, WFIS changed its name from Hanviteun System Co., Ltd. to Woori Finance Information System Co., Ltd. As of December 31, 2003, its common stock amounts to ₩4,500 million (US\$3,757 thousand) consisting of 900,000 shares issued and outstanding all of which are owned by the Company. The office of WFIS is located in Seoul, Korea.

f. Woori F&I Co., Ltd.

Woori F&I Co., Ltd. (“WF&I”, formerly Woori Asset Management Co., Ltd. (“WAMC”)) was established on November 16, 2001 to engage in the business of management, operation, and disposition of securitization assets. On September 13, 2002, WF&I split off the asset management business segment and established Woori CA Asset Management Co., Ltd. (“WCAAMC”). As a result, WF&I is engaged in the business of acquisition and disposition of securities issued by asset securitization specialty corporations, established based on the Act on Asset-Backed Securitization for the purpose of non-performing assets securitization, and in the business of acquisition and disposition of equity of asset management corporations, which are established for the purpose of non-performing assets management. On September 16, 2002, WF&I changed its name from Woori Asset Management Co., Ltd. to Woori F&I Co., Ltd. As of December 31, 2003, its common stock amounts to ₩10,000 million (US\$8,349 thousand) consisting of 2,000,000 shares issued and outstanding all of which are owned by the Company. The office of WF&I is located in Seoul, Korea.

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

Woori Second Asset Securitization Specialty Co., Ltd. (“WASS2”) was established on December 22, 2001 under the Act on Asset-Backed Securitization of the Republic of Korea as a special purpose company. WASS2 is engaged in the business of management, operation, and disposition of the securitization assets and issuance of asset-backed securities based on the securitization assets acquired from WCC. WASS2 changed its contractor in connection with the asset management and other activities from WF&I to WCAAMC as of September 14, 2002 due to the split off of WCAAMC from WAMC as explained above. As of December 31, 2003, its common stock amounts to ₩10 million (US\$8 thousand) consisting of 2,000 shares issued and outstanding of which the Company owns 95%.

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

Woori Third Asset Securitization Specialty Co., Ltd. (“WASS3”) was established on March 15, 2002 under the Act on Asset-Backed Securitization of the Republic of Korea as a special purpose company. WASS3 is engaged in the business of management, operation, and disposition of the securitization assets and issuance of asset-backed securities based on the

securitization assets acquired from Woori Bank, Kyongnam Bank and WCC. WASS3 changed its contractor in connection with the asset management and other activities from WF&I to WCAAMC as of September 14, 2002 due to the split off of WCAAMC from WAMC as explained above. As of December 31, 2003, its common stock amounts to ₩10 million (US\$8 thousand) consisting of 2,000 shares issued and outstanding, all of which are owned by the Company.

i. Woori Investment Trust Management Co., Ltd.

Woori Investment Trust Management Co., Ltd. (“WITM”, formerly Hanvit Investment Trust Management Co., Ltd.) was established on June 24, 1988 and is engaged in the investment trust business under the Investment Trust Business Law with approval from the MOFE. In connection with the functional restructuring, on March 29, 2002, the Company purchased the entire common stock of WITM from Woori Bank, making WITM a subsidiary of the Company. On May 17, 2002, WITM changed its name from Hanvit Investment Trust Management Co., Ltd. to Woori Investment Trust Management Co., Ltd. As of December 31, 2003, its common stock amounts to ₩30,000 million (US\$25,046 thousand) consisting of 6,000,000 shares issued and outstanding all of which are owned by the Company. The office of WITM is located in Seoul, Korea.

j. Woori Securities Co., Ltd.

Woori Securities Co., Ltd. (“Woori Securities”, formerly Hanvit Securities Co., Ltd.) was established on August 26, 1954 to engage mainly in trading, agency, brokerage, and underwriting of securities and listed its shares on the Korea Stock Exchange on July 26, 1988. In connection with the functional restructuring, as of July 29, 2002, the Company acquired 40.2% (13,250,570 shares) of common stock of Woori Securities from Woori Bank, making Woori Securities a subsidiary of the Company. On June 1, 2002, Woori Securities changed its name from Hanvit Securities Co., Ltd. to Woori Securities Co., Ltd. As of December 31, 2003, its common stock amounts to ₩164,782 million (US\$137,571 thousand) consisting of 32,956,413 shares issued and outstanding of which the Company owns 52.71%. The head office of Woori Securities is located in Seoul, Korea. Woori Securities has 41 branches and 21 offices in Korea.

k. Woori Credit Information Co., Ltd.

Woori Credit Information Co., Ltd. (“WCI”, formerly Hanvit Credit Information Co., Ltd.) was established on March 15, 1991 and is engaged in the credit investigation business and credit collection business under the Act on Use and Protection of Credit Information of the Republic of Korea. On June 1, 2002, WCI changed its name from Hanvit Credit Information Co., Ltd. to Woori Credit Information Co., Ltd. As of December 31, 2003, the common stock of WCI amounts to ₩5,040 million (US\$ 4,208 thousand) consisting of 1,008,000 shares issued and outstanding and is wholly owned by Woori Bank. The head office of WCI is located in Seoul, Korea. WCI has 6 branches or offices in Korea.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

l. Woori America Bank

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

m. P.T. Bank Woori Indonesia

PT. Bank Woori Indonesia ("BWI", formerly P.T. Bank Hanvit Indonesia) was established on June 18, 1992 and is engaged in the banking business in Indonesia. BWI changed its name from P.T. Bank Hanvit Indonesia to PT. Bank Woori Indonesia on May 20, 2002. As of December 31, 2003, its common stock amounts to IDR 170,000 million consisting of 1,700 shares issued and outstanding of which Woori Bank owns 81.6%.

n. Woori CA Asset Management Co., Ltd.

Woori CA Asset Management Co., Ltd. ("WCAAMC") was established on September 14, 2002 as an asset management company for asset securitization specialty companies established based on the Act on Asset-Backed Securitization and is engaged in the business of management, operation, and disposition of securitization assets. WCAAMC was established through split-off from WF&I in accordance with the Joint Venture Agreement entered into by the Company and Lehman Brothers Luxembourg Investment S.a.r.l. ("LB Luxembourg"). In addition, it took over the asset management and operation contracts from WAMC and therefore, is engaged in managing and operating the assets of WASS2, WASS3, and Woori LB First · Second · Third · Fourth · Fifth · Sixth · Seventh · Eighth and Woori F&I First · Second · Fourth Asset Securitization Specialty Co., Ltd. As of December 31, 2003, WCAAMC's common stock amounts to ₩4,000 million (US\$3,339 thousand) consisting of 800,000 shares issued and outstanding of which WF&I and LB Luxembourg own 51% and 49%, respectively. The office of WCAAMC is located in Seoul, Korea.

The Company's consolidated subsidiaries as of December 31, 2003 are summarized as follows:

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

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

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

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

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

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FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

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

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

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

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

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

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

a. BC Card Co., Ltd.

BC Card Co., Ltd. ("BC Card") was established on September 7, 1983 to engage in the agency business such as managing card members for BC Card member banks, credit card business, and other related businesses. As of December 31, 2003, its common stock amounts to ₩44,000 million (\$36,734 thousand) consisting of 4,400,000 shares issued and outstanding. Woori Bank and Kyongnam Bank own 27.7% and 2.0%, respectively, of the common stock of BC Card. The head office of BC Card is located in Seoul, Korea, and BC Card has 21 branches or offices in Korea.

b. Byucksan E&C Co., Ltd.

Byucksan E&C Co., Ltd. ("Byucksan") was established in September 1958 to engage in construction and has listed its shares on the Korea Stock Exchange since June 1975. Byucksan entered into a Memorandum Of Understanding (MOU) with its

committee of creditors on the implementation of the management improvement plan including reduction of capital to curtail, debt-equity swap, and issuance of convertible bonds on December 24, 1998. The committee of creditors approved the finalization of such MOU on October 11, 2002. Woori Bank and Kyongnam Bank, subsidiaries of the Company, purchased shares of Byucksan by debt-equity swap in connection with the MOU. As of December 31, 2003, Byucksan's stock amounts to ₩190,671 million (US\$ 159,184 thousand) consisting of 37,895,093 of common shares and 239,130 of preferred shares issued and outstanding. Woori Bank and Kyongnam Bank own 30.03% and 0.53%, respectively, of the common stock of Byucksan.

c. Korea Finance Security Co., Ltd.

Korea Finance Security Co., Ltd. ("KFS") was established on December 7, 1990 to engage in the business of protecting the cash, securities, and important documents entrusted by financial institutions. As of December 31, 2003, its common stock amounts to ₩7,000 million (\$5,844 thousand) consisting of 1,400,000 shares issued and outstanding. Woori Bank owns 16.7% of KFS. The head office of KFS is located in Seoul, Korea



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

Woori LB Eighth Asset Securitization Specialty Co., Ltd. (“WLBASS8”) was established on July 1, 2003 as an asset securitization specialty company in accordance with the Act on Asset-Backed Securitization, and is engaged in the asset-backed securitization business of issuing asset-backed securities based on the securitization assets acquired from WCC, and collection, management, operation, and disposition of the securitization assets. As of December 31, 2003, common stock of WLBASS8 amounts to ₩2,000 million (\$1,670 thousand) consisting of 400,000 shares issued and outstanding. WF&I and HY Investment (Ireland) Ltd. own 30% and 70%, respectively, of WLBASS8.

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

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

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

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

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

Woori F&I Fourth Asset Securitization Specialty Co., Ltd. ("WF&IASS4") was established on July 15, 2003 as an asset securitization specialty company in accordance with the Act on Asset-Backed Securitization, and is engaged in the asset-backed securitization business of issuing asset-backed securities based on the securitization assets acquired from WIB, and collection, management, operation, and disposition of the securitization assets. As of December 31, 2003, common stock of WF&IASS4 amounts to ₩69 million (US\$ 58 thousand) consisting of 6,900 shares issued and outstanding. WF&I and GB Synerworks Co., Ltd. own 30% and 70%, respectively, of WF&IASS4. The office of WF&IASS4 is located in Seoul, Korea.

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

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

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

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



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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidated Financial Statement Presentation

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

The US dollar amounts presented in these financial statements were computed by translating Korean won into US dollars at the rate of ₩1,197.80 to US\$1.00, the Base Rate announced by Seoul Money Brokerage Service, Ltd at December 31, 2003, solely for the convenience of the reader. This convenience translation into US dollars should not be construed as representations that the Korean won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

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

(1) Accounting for consolidation

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

The Company's investments in subsidiaries and equity accounts

of subsidiaries were eliminated as of the date the Company obtained control of the subsidiaries. The differences between acquisition costs and net assets acquired are recorded either in goodwill or negative goodwill amortized using the straight-line method over its estimated economic useful life. If additional shares are purchased after control of the subsidiaries having been obtained, the differences between acquisition costs and net assets acquired are credited or charged to consolidated capital surplus. If the acquisition date is not the year-end balance sheet date of subsidiaries, the nearest accounting closing date to the actual acquisition date is regarded as the acquisition date. All significant inter-company transactions are eliminated in the consolidated financial statements.

b. Overseas consolidated subsidiaries' financial statements' conversion rate

The Korean won amounts presented in the financial statements of the overseas consolidated subsidiaries were computed by translating US dollar into Korean won based on the Base rate (\$1.00 to 1,197.80 and ₩1,200.40 at December 31, 2003 and 2002, respectively) published by Seoul Money Brokerage Service, Ltd. and cross rates.

c. The equity method of accounting

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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investments resulting from changes in net income of the affiliates are added to or deducted from consolidated net income, changes in retained earnings of the affiliates are reflected in the consolidated retained earnings and the increases or decreases resulting from changes in capital surplus or capital adjustment of the affiliates are added to or deducted from consolidated capital surplus or consolidated capital adjustment, respectively.

d. Date of the consolidated financial statements

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

e. Minority interests

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

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

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

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

a. Trading securities

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

b. Available-for-sale securities

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

The declines in the fair value (or recoverable value) of individual available-for-sale securities below their acquisition or amortized

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

c. Held-to-maturity securities

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

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

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

e. Reclassification of securities

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

When held-to-maturity securities are reclassified to available-for-sale securities, those securities are stated at the fair value on



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

SKAS No. 8 - “Securities” that revised the accounting and reporting for securities, is effective for the fiscal year beginning after December 31, 2002. The Company and its subsidiaries adopted SKAS No. 8 on January 1, 2003 and applied it retroactively, reclassifying the accounts relating to securities in the consolidated financial statements as of December 31, 2002, which are presented for comparative purposes in the accompanying consolidated financial statements. Such reclassification did not have an effect on the total assets, retained earnings, or net income in the consolidated financial statements as of and for the year ended December 31, 2002.

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

(3) Convertible securities

SKAS No. 9 - “Convertible Securities” revises the accounting

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

(4) Interest income recognition

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

(5) Allowance for possible losses on credits

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

(6) Restructuring of loans

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

(7) Disposition of loans

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

(8) Valuation of receivables and payables at present value

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

(9) Tangible assets and depreciation

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

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

(10) Intangible assets and amortization

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

(11) Valuation allowance for non-business use property

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

(12) Amortization of discount (premium) on debentures

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

(13) Recognition of asset impairment

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

(14) Accrued severance benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company and its subsidiaries. The accrued severance benefits that would be payable assuming all eligible employees and directors were to terminate as of December 31, 2003 and 2002 amount to ₩219,672 million (US\$183,396 thousand) and ₩133,996 million (US\$111,868 thousand), respectively.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(15) Bonds under resale or repurchase agreements

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

(16) Accounting for derivative instruments

Derivative instruments are classified as either trading or hedging depending on their transaction purpose. Derivative instruments are accounted for at fair value with the valuation gain or loss recorded as assets or liabilities. The accounting for derivative transactions that are part of a qualified hedge, which is determined based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting, differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustment is added to or deducted from the asset or the liability.

(17) Income tax expense

Income tax expense is the amount currently payable and changes during for the year in deferred income tax assets and liabilities. However, deferred income tax assets are recognized only if the future tax benefits from accumulated temporary differences and tax loss carry forwards are realizable. The difference between the amount currently payable for the period and income tax expense is accounted for as deferred income tax assets or liabilities and offset against income tax assets and liabilities in future periods. The deferred income tax assets and liabilities from the individual financial statements of consolidated subsidiaries are not netted against each other in the accompanying consolidated balance sheets.

(18) Accounting for foreign currency translation

The Korean won equivalent of assets and liabilities denominated in foreign currencies are translated in these consolidated financial statements based on Base Rate announced by Seoul Money Brokerage Service Ltd. (₩1,197.80 and ₩1,200.40 to \$1.00 at December 31, 2003 and 2002, respectively) or cross rates as of the balance sheets date. Translation gains and losses on foreign currencies denominated assets and liabilities are credited or charged to operations.

(19) Stock options

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

(20) Earnings per common share

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

Diluted ordinary income per common share and diluted net income per common share are computed by dividing the diluted ordinary income and diluted net income by the sum of the weighted average number of common shares and the number of dilutive potential common shares from dilutive securities. Diluted securities were assumed to exercise or converted at the start of this fiscal year except for the securities, which were issued during this fiscal year.

(21) Adoption of SKAS

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

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3. RESTRICTED DUE FROM BANKS

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

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

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

<i>Financial institution</i>	<i>Dec. 31, 2002</i>	<i>Reason of restriction</i>
<i>Due from banks in local currency</i>		
<i>Bank of Korea</i>	₩ 2,016,060	<i>Banking law</i>
<i>Korea Stock Exchange and others</i>	7,392	<i>Indemnity fund and other</i>
<i>Korea Securities Finance Corporation and others</i>	118,234	<i>Regulation of securities supervisory</i>
<i>Korea Life Insurance and others</i>	75,076	<i>Guarantee for employee benefits.</i>
<i>Hanareum Merchant Bank and others</i>	8,987	<i>Restructuring of merchant banks</i>
<i>Others</i>	373	
<i>Sub total</i>	<u>2,226,122</u>	
<i>Due from banks in foreign currencies</i>		
<i>Bank of Korea</i>	282,897	<i>Banking law</i>
<i>Bank of Japan and others</i>	1,086	<i>Reserve deposits on oversea banks</i>
<i>Lehman Brothers</i>	88,881	<i>Collateral for credit derivatives</i>
<i>Bangladesh Bank and others</i>	17,406	<i>Reserve deposits on overseas banks</i>
<i>Bank of Indonesia and others</i>	4,785	<i>Reserve deposits</i>
<i>Sub total</i>	<u>395,055</u>	
<i>Total</i>	<u>2,621,177</u>	



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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4. TRADING SECURITIES

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

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

5. AVAILABLE-FOR-SALE SECURITIES

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

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

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

	Shares	Percentage of ownership (%)	Acquisition Cost	Net asset Value	Book value
<i>Marketable equity securities:</i>					
KP Chemical Corporation (*1)	15,819	16.72	₩ 25,412	₩ 32,350	₩ 32,350
Ssangyong Engineering & Construction Co., Ltd.	74	0.25	202	176	176
Nam-Kwang Engineering & Construction Co., Ltd.	642	2.53	3,212	1,522	1,522
Ssangyong Motor Company	3,433	3.10	9,512	35,355	35,355
Kocref -Reit 1	4,100	15.40	20,500	21,197	21,197
Woobang Housing & Construction Co., Ltd.	515	3.96	2,474	598	598
Hyundai Eng & Const Co., Ltd.	14,235	9.56	130,943	52,572	52,572
Daewoo Precision Industries Co., Ltd.	736	7.60	3,057	11,410	11,410
Hynix Semiconductor Inc.	64,529	13.60	248,060	361,360	361,360

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	Shares	Percentage of ownership (%)	Acquisition Cost	Net asset Value	Book value
Ssangyong cement Industrial Co., Ltd.	886	0.41	₩ 1,084	₩ 1,302	₩ 1,302
Kia Steel Co., Ltd	16	0.04	209	158	158
Daewoo Engineering & Construction Co., Ltd.	19,022	5.80	73,371	105,953	105,953
SK Networks Co., Ltd.	13,691	4.10	27,383	46,784	46,784
Daewoo International Corporation	1,875	2.00	4,602	13,685	13,685
Daewoo Securities Co. Ltd.	3,130	1.50	55,215	13,303	13,303
Hyundai Corporation (*1)	3,923	17.10	10,015	11,847	11,847
Ssangyong Corporation (*1)	2,831	16.30	38,821	11,040	11,040
Daerim Corporation (*1)	2,669	23.20	6,981	10,675	10,675
Kocref – Cr- Reit 3	2,000	14.70	10,000	10,200	10,200
HanKang Restructuring Fund	4,160	3.30	7,392	7,571	7,571
Kocref – Cr- Reit 2	1,400	12.50	7,000	6,958	6,958
YTN	3,190	7.60	15,950	4,594	4,594
INI Steel Co., Ltd.	175	0.20	628	1,839	1,839
Kia Motors Corporation	201	0.05	2,852	2,194	2,194
Myasset Genhiskhan Growth[2] Fund	2,999,970	56.71	3,000	3,143	3,143
Others	-	-	41,188	15,198	15,198
Sub total			₩ 749,063	₩ 782,984	₩ 782,984
<i>Non-marketable equity securities:</i>					
CJ Investment Trust & Securities Co., Ltd.	318	0.61	1,189	407	407
The Kyongnam Shinmun	200	14.07	970	1,072	970
Renault Samsung Motors Co., Ltd.	142	0.16	524	792	524
Samsung Life Insurance Co., Ltd.	555	2.80	159,262	216,688	159,262
Korea Securities Corporation	5,908	8.68	30,356	39,833	30,356
Korea Housing Guarantee Co., Ltd.	5,007	0.86	5,053	8,782	3,504
Korea Aerospace Industries, Ltd. (Preferred stocks)	4,468	4.80	22,338	14,842	14,842
Seoul Debt Restructuring Fund	9,800	8.23	15,248	13,974	13,974
Arirang Restructuring Fund	5,400	8.13	17,372	15,216	15,216
Moogoonghwa Restructuring Fund	5,400	8.13	17,156	13,443	13,443
SK Networks Co., Ltd. (Preferred stocks)	1,433	0.40	28,663	42,575	42,575
K-WON	200	2.00	1,000	1,298	1,298
DongWon Capital Co., Ltd.	1,200	9.23	6,000	4,687	4,687
Kiwoon.com Securities Co., Ltd.	180	1.80	900	1,000	900
My Asset Investment Management Advisory co., Ltd.	230	7.45	1,150	689	1,150
MVP capital	200	10.00	1,000	1,078	1,000
Realty Advisors	200	14.28	1,000	798	1,000
Korea ECN Securities Co., Ltd.	160	3.12	800	603	800
Capital Partner	100	7.10	500	456	900
NexBITec Co. (*2)	102	50.50	510	1,158	510
Others	-	-	105,013	68,214	59,673
Sub total			416,004	447,605	366,991
Total			₩ 1,165,067	₩ 1,230,589	₩ 1,149,975

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

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

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

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

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

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

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

6. HELD-TO-MATURITY SECURITIES

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

	Face Value	Acquisition cost	Amortized cost	Fair Value
Government bonds	₩ 1,823,300	₩ 1,707,436	₩ 1,728,484	₩ 1,794,580
Financial debentures	1,094,500	1,065,463	1,067,045	1,068,320
Corporate bonds	6,899,162	6,900,729	6,830,143	7,085,274
Held-to-maturity securities in foreign currencies	291,153	290,522	263,061	263,061
Other	103,181	103,181	103,181	108,353
Total	₩ 10,211,296	₩ 10,067,331	₩ 9,991,914	₩ 10,319,588

7. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD:

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

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

(2) Details of other increases or decreases for the year ended December 31, 2003 are as follows (unit: Korean won in millions):

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

	Acquisition cost		Balance of Jan. 1, 2003		Gain (loss) on Valuation		Other increase (decrease)		Balance of Dec. 31, 2003	
BC Card	₩	12,472	₩	39,395	₩	7,942	₩	(4,724)	₩	42,613
Korea Finance Security		1,452		1,878		550		172		2,600
Byucksan E&C		39,078		35,919		7,983		(5,700)		38,202
Woori LB First Asset Securitization Specialty		2,400		2,400		7,653		(34)		10,019
Woori LB Second Asset Securitization Specialty		690		690		(32)		-		658
Woori LB Third Asset Securitization Specialty		2,070		2,070		(67)		-		2,003
Woori LB Fourth Asset Securitization Specialty		2,160		2,160		(79)		-		2,081
Total	₩	60,322	₩	84,512	₩	23,950	₩	(10,286)	₩	98,176

8. LOSS ON IMPAIRMENT OF SECURITIES AND REVERSAL OF THE IMPAIRMENT

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

	Woori Bank	Kyongnam Bank	Kwangju Bank	Woori Securities	WASS2&3	WCC	WIB	Total
<Available-for-sale securities>								
Equity securities	₩ 89,053	₩ 10,997	₩ 2,240	₩ 19,056	₩ 481	₩ 6,697	₩ 4,003	₩ 132,527
Debt securities	44,546	156	7,606	-	-	-	22,610	74,918
Security in foreign currencies	39,686	1,658	-	-	-	-	-	41,344
Beneficiary Certificate	8,199	-	-	-	-	-	-	8,199
Other	12,043	-	-	-	-	-	-	13,420
Sub-total	193,527	12,811	9,846	20,415	481	6,697	26,613	270,390
<Held-to-maturity securities>								
Security in local currency	-	34,313	1,900	-	-	-	-	36,213
Security in foreign currencies	27,549	-	-	-	-	-	-	27,549
Sub-total	27,549	34,313	1,900	-	-	-	-	63,762
Total	₩221,076	₩ 47,124	₩ 11,746	₩ 20,415	₩ 481	₩ 6,697	₩ 26,613	₩334,152

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

9. LOANS AND ALLOWANCE FOR POSSIBLE LOAN LOSSES

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

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

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

Accounts	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 years	More than 3 years	Total
Loans in local currency (*1)	₩ 14,688	₩ 11,142	₩ 20,725	₩ 20,117	₩ 5,784	₩ 72,456
Loans in foreign currency	2,323	1,114	1,112	1,495	1,085	7,129
Bills bought in local currency	488	-	1	-	1	490
Bills bought in foreign currency	3,069	533	70	1	125	3,798
Advances for customers	26	-	-	-	73	99
Credit card accounts (*2)	1,742	2	3	-	176	1,923
Purchased bonds under resold agreements	154	-	-	-	-	154
Call loans	898	-	-	-	-	898
Private placed bonds (*3)	-	-	78	458	728	1,264
Loans to be converted to equity securities	-	-	-	-	31	31
Total	₩ 23,388	₩ 12,791	₩ 21,989	₩ 22,071	₩ 8,003	₩ 88,242

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

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

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

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

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

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

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

10. FIXED ASSETS

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

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

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

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

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

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

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

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

11. OTHER ASSETS

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

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

12. THE ASSETS COVERED BY INSURANCE

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

13. COLLATERALIZED ASSETS

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

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

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

Financial institution	Collateralized assets	Dec. 31, 2002	Reason of collateral
Bank of Korea	Securities and loans	₩ 4,529,497	Collateral borrowings, settlement risk and repurchase transactions
Deutsche Bank H.K. and others	Securities	1,009,800	Borrowings in foreign currency
Korea Industrial Bank and others	Securities and leased assets	32,718	RP transactions, Borrowings
Lehman Brothers and others	Due from banks and securities	562,304	Trading credit derivatives
KAMCO	Securities	238,955	Non-performing management fund
Samsung Futures Trading Co. and others	Securities	38,355	Futures maintenance margin
Peace First Securitization Specialty Co., Ltd.	Securities	15,797	Credit maintenance
Korea Stock Exchange and others	Securities	25,335	Index futures
Federal Reserve Bank and other	Securities	6,282	Guarantee for FRB Discount Window and others
Dongwon Securities Co., Ltd.	Securities	35,800	Futures maintenance margin
KB	Other guarantees	358,338	ABS issuance
Goldman Sachs	Due form bank	71,027	Trading credit derivatives
Nova Scotia Bank	Securities	45,000	Borrowings in foreign currency
Sumitomo Mitsui Banking Co.	Securities	53,000	Borrowings in foreign currency
Express Bank	Securities	15,000	Borrowings in foreign currency
Trust accounts of Kwangju Bank	Securities	260,000	Guarantee for RP
		₩ 7,297,208	



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

14. DEPOSITS

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

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

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

Accounts	Less than 3 months		Less than 6 months		Less than 1 year		Less than 3 years		More than 3 years		Total	
Deposits in local currency (*1)	₩	28,800	₩	9,994	₩	15,317	₩	4,378	₩	22,315	₩	80,804
Deposits in foreign currencies		2,512		117		672		49		506		3,856
Negotiable certificates of deposits (*2)		1,303		2,203		370		4		-		3,880
Total	₩	32,612	₩	12,314	₩	16,359	₩	4,431	₩	22,821	₩	88,540

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

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

15. BORROWINGS

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

Accounts	Details	Korean won		US dollars (Note 2)	
		(In millions)		(In thousands)	
Borrowings in local currency	Bank of Korea	₩	1,239,424	US\$	1,034,750
	Borrowings from Government Funds		1,730,773		1,444,960
	Others		2,689,152		2,245,076
	Sub total		5,659,349		4,724,786
Borrowings in foreign currencies	Borrowings in foreign currencies		4,926,626		4,113,062
	Off-shore borrowings in foreign currencies		19,405		16,201
	Sub total		4,946,031		4,129,263
Bonds sold under repurchase agreements	In local currency		680,188		567,864
	In foreign currencies		976,752		815,455
	Sub total		1,656,940		1,383,319
Bills sold		115,678		96,576	
Due to the Bank of Korea in foreign currencies		4,801		4,008	
Call money	Local currencies		69,500		58,023
	Foreign currencies		342,299		285,773
	Inter-Banks reconciliation funds		18,506		15,450
	Sub total		430,305		359,246
Total		₩	12,813,104	US\$	10,697,198

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

Accounts	Bank of Korea		Other Banks		Other financial institutions		Total
Borrowings in local currency	₩	1,239,424	₩	989,131	₩	2,831,022	₩ 5,059,577
Borrowings in foreign currencies		-		1,872,566		3,040,475	4,913,041
Bonds sold under repurchase agreements		-		-		110,450	110,450
Due to BOK in foreign currencies		4,715		-		86	4,801
Call money		-		191,461		238,844	430,305
Total	₩	1,244,139	₩	3,053,158	₩	6,220,877	₩ 10,518,174

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

Accounts	Less than 3 months		Less than 6 months		Less than 1 year		Less than 3 years		More than 3 years		Total
Borrowings in local currency (*1)	₩	1,664	₩	270	₩	392	₩	1,377	₩	2,159	₩ 5,862
Borrowings in foreign currencies		2,618		1,176		602		477		74	4,947
Bonds sold under repurchase agreements (*2)		853		701		117		1		-	1,672
Bills sold		92		17		6		-		-	115
Due to BOK in foreign currencies		2		-		2		-		-	4
Call money		430		-		-		-		-	430
Total	₩	5,659	₩	2,164	₩	1,119	₩	1,855	₩	2,233	₩ 13,030

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

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

16. DEBENTURES

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

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

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

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

Accounts	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 years	More than 3 years	Total
Debentures in local currency (*1)	1,110	640	2,245	3,178	3,097	10,270
Debentures in foreign currencies	168	-	180	549	2,366	3,263
Total	1,278	640	2,425	3,727	5,463	13,533

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

17. OTHER LIABILITIES

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

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

18. SHAREHOLDERS' EQUITY

(1) Common stock

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

	Dec. 31, 2003	Dec. 31, 2002
Authorized	2,400,000,000 shares	2,400,000,000 shares
Par value	₩ 5,000	₩ 5,000
Issued	775,504,910 shares	767,814,797 shares

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

<i>Issuance date</i>	<i>Description</i>	<i>Number of shares issued</i>	<i>Capital stock</i>
March 27, 2001	Establishment	727,458,609	₩ 3,637,293
June 12, 2002	Issue of new shares	36,000,000	180,000
In 2002	Exercise of warrants	4,356,188	21,781
Dec. 31, 2002		767,814,797	3,839,074
In 2003	Exercise of warrants	7,690,113	38,451
Dec. 31, 2003		775,504,910	₩ 3,877,525

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

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

19. STOCK OPTIONS

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

(2) The stock options (210,000 shares) given to 8 directors of its subsidiaries, who subsequently retired, were cancelled by the decision of the board of directors of the Company on December 11, 2003.

(3) The summary of stock options granted as of December 31, 2003 is summarized as follows:

<i>Description</i>	<i>The Company</i>	<i>Subsidiaries</i>	<i>Total</i>
<i>Exercisable number of shares</i>	450,000 shares	890,000 shares	1,350,000 shares
<i>Type</i>	Share issue or balance compensation	Share issue or balance compensation	
<i>Valuation method</i>	Fair value approach	Fair value approach	



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

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

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

Description	The Company		Subsidiaries		Total
Recorded in 2002 and 2003	₩	507	₩	1,015	₩ 1,522
To be recorded thereafter		429		858	1,287
Total stock option costs	₩	936	₩	1,873	₩ 2,809

20. LOSS OF SUBSIDIARIES IN EXCESS OF MINORITY INTERESTS

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

21. NON-OPERATING INCOME AND EXPENSES

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

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

22. INCOME TAX EXPENSES

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

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

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

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

23. EARNINGS PER COMMON SHARE

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

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

	Korean won		US dollars (Note 2)	
	2003	2002	2003	2002
	(In millions, except for earning per share data)		(In millions, except for earning per share data)	
Diluted consolidated net income on common shares	₩ 56,279	₩ 591,588	US\$ 46,985	US\$ 493,895
Extraordinary gain	-	-	-	-
Income tax effect on extraordinary gain	-	-	-	-
Diluted consolidated ordinary income on common shares	₩ 56,279	₩ 591,588	US\$ 46,985	US\$ 493,895
Weighted average number of common shares equivalents	776,091,925	749,383,489	776,091,925	749,383,489
Diluted consolidated ordinary income per common share	₩ 72	₩ 789	US\$ 0.060	US\$ 0.660
Diluted consolidated net income per common share	₩ 72	₩ 789	US\$ 0.060	US\$ 0.660

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

(3) Common stock equivalents as of December 31, 2003 are as follows
(unit: Korean won in millions and US dollars in thousands).

Item	Face value	Exercise period	Common stock to be issued	Remarks
Convertible bonds	US\$ 36,000	Sep. 28, 2003 ~ Aug. 27, 2005	5,914,180 shares	Using exchange rate of ₩1,201.4, convert 1 share at ₩7,313
Convertible bonds	US\$ 16,000	Dec. 21, 2003 ~ Nov. 20, 2005	3,481,173 shares	Using exchange rate of ₩1,215.8, convert 1 share at ₩5,588
Convertible bonds	₩ 20,000	Mar. 27, 2004 ~ Feb. 26, 2006	3,717,472 shares	Convert 1 share at ₩5,380
Convertible bonds	US\$ 39,000	Mar. 27, 2004 ~ Feb. 26, 2006	8,661,914 shares	Using exchange rate of ₩1,194.9, convert 1 shares at ₩5,380
Convertible bonds	US\$ 1,000	Jul. 10, 2004 ~ Jun. 10, 2006	164,429 shares	Using exchange rate of ₩1,185.5, convert 1 shares at ₩7,228
Stock options	-	Dec. 5, 2005 ~ Dec. 4, 2008	1,350,000 shares	(Note 19)

24. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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

	Korean won		US dollars (Note 2)	
	Three months ended Dec. 31, 2003	Three months ended Dec. 31, 2002	Three months ended Dec. 31, 2003	Three months ended Dec. 31, 2002
	(In millions, except for income per share data) (Unaudited)		(In millions, except for income per share data) (Unaudited)	
Operating revenue	₩ 2,566,674	₩ 2,607,221	US\$ 2,142,824	US\$ 2,176,675
Operating expense	(2,648,954)	(2,348,926)	(2,211,517)	(1,961,034)
Operating income	(82,280)	258,295	(68,693)	215,641
Non-operating revenue	14,526	284,207	12,127	237,274
Non-operating expense	(245,607)	(345,247)	(205,048)	(288,234)
Income before income tax expense and minority interests	(313,361)	197,255	(261,614)	164,681
Income tax income (expense)	9,827	181,902	8,204	151,863
Income before minority interests	(303,534)	379,157	(253,410)	316,544
Minority interests loss (gain) net	181	(1,973)	152	(1,647)
Consolidated net income (loss)	(303,353)	377,184	(253,258)	314,897
Net income (loss) per common share	₩ (393)	₩ 503	US\$ (328)	US\$ 420

26. INTERCOMPANY TRANSACTIONS

A. Significant balances as of December 31, 2003 and transactions for year ended December 31, 2003 with and among the Company, its subsidiaries, equity method investees and related parties, some of which have been eliminated in the consolidation, are as follows (unit: Korean won in millions):

(1) Assets & liabilities

1) Due from Banks

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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2) Deposits

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

3) Loans

Company	The Company	Woori Bank	Kyongnam Bank	Kwangju Bank	WF&I	Other
Woori Bank	₩ 600,000	₩ -	₩ 43,291	₩ 27,213	₩ -	₩ 68,155
Kyongnam Bank	-	-	-	-	-	-
Kwangju Bank	50,000	-	-	-	-	-
WFIS	30,000	-	-	-	-	-
WF&I	126,850	-	-	-	-	-
Woori Securities	-	-	-	-	15,000	-
Other	27,890	60,639	11,075	-	-	-
Total	₩ 834,740	₩ 60,639	₩ 54,366	₩ 27,213	₩ 15,000	₩ 68,155

4) Borrowings

Company	The Company	Woori Bank	Kyongnam Bank	Kwangju Bank	WF&I	Other
The Company	₩ 600,000	₩ 50,000	₩ 30,000	₩ 126,850	₩ -	₩ 27,890
Woori Bank	-	-	-	-	-	60,639
Kyongnam Bank	43,291	-	-	-	-	11,075
Kwangju Bank	27,213	-	-	-	-	-
Woori F&I	-	-	-	-	15,000	-
Other	68,155	-	-	-	-	-
Total	₩ 738,659	₩ 50,000	₩ 30,000	₩ 126,850	₩ 15,000	₩ 99,604

5) Other assets

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

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6) Other liabilities

Company	The Company	Woori Bank	Kyongnam Bank	Kwangju Bank	WCI	WFIS	Woori Securities	Other
The Company	₩ -	₩ 49,340	₩ 14	₩ 2,253	₩ 8	₩ 464	₩ -	₩ 714
Woori Bank	18,398	-	-	-	6,399	-	-	290,767
Kyongnam Bank	-	114	-	-	-	-	-	677
Kwangju Bank	-	36	-	-	328	-	-	400
WCC	93	5,982	-	827	-	161	105	47
WFIS	-	21,436	2,069	961	1,904	-	1,828	263
WF&I	-	9	-	-	-	-	2	-
Woori Securities	-	6,149	-	32	9,794	-	-	-
Other	-	329,071	9,104	15,238	678	-	1	106,588
Total	₩ 18,491	₩ 412,137	₩ 11,187	₩ 19,311	₩ 19,111	₩ 625	₩ 1,936	₩ 399,456

(2) Income & Expense

1) Interest income

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

2) Interest expense

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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3) Fee income

Company	Woori Bank	Kyongnam Bank	Kwangju Bank	WF&I	Woori Securities	Other
The Company	₩ -	₩ -	₩ -	₩ 1,058	₩ -	₩ -
Woori Bank	-	26	-	-	543	3,613
Kyongnam Bank	-	-	-	320	-	-
WCC	72,286	-	3,453	20,875	-	-
Other	-	-	-	-	-	13,584
Total	₩ 72,286	₩ 26	₩ 3,453	₩ 22,253	₩ 543	₩ 17,197

4) Fee expense

Company	The Company	Woori Bank	Kyongnam Bank	WCC	Other
Woori Bank	₩ -	₩ -	₩ -	₩ 72,286	₩ -
Kyongnam Bank	-	26	-	-	-
Kwangju Bank	-	-	-	3,453	-
WFIS	1,058	-	320	20,875	-
Woori Securities	-	543	-	-	-
Other	-	3,613	-	-	13,584
Total	₩ 1,058	₩ 4,182	₩ 320	₩ 96,614	₩ 13,584

5) Other incomes

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

6) Other Expenses

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

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

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

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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27. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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28. CONTINGENCIES AND COMMITMENTS

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

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

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

	Dec. 31, 2003	Dec. 31, 2002
<i>Line of credit in local currency</i>	₩ 979,932	₩ 434,978
<i>Line of credit in foreign currencies</i>	24,516	7,788
<i>Other commitments in foreign currencies</i>	59,890	-
<i>Sub-total</i>	<u>1,064,338</u>	<u>442,766</u>
<i>Endorsed bills without guarantee</i>	3	1,018
<i>Endorsed bills with guarantee</i>	27,923	30,283
<i>Sub-total</i>	<u>27,926</u>	<u>31,301</u>
<i>Total</i>	<u>₩ 1,092,264</u>	<u>₩ 474,067</u>



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

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

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

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

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

29. DERIVATIVES

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

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

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

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

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

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

30. CREDITS TO SK NETWORKS CO., LTD.

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

31. CREDITS TO LG CARD CO., LTD

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



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

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

33. WOORI BANK'S MERGER WITH WOORI INVESTMENT BANK

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

34. SUBSEQUENT EVENTS

a. WCC's merger into Woori Bank

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

b. Plan of WCC's capital increase

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

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

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

35. ECONOMIC UNCERTAINTIE

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

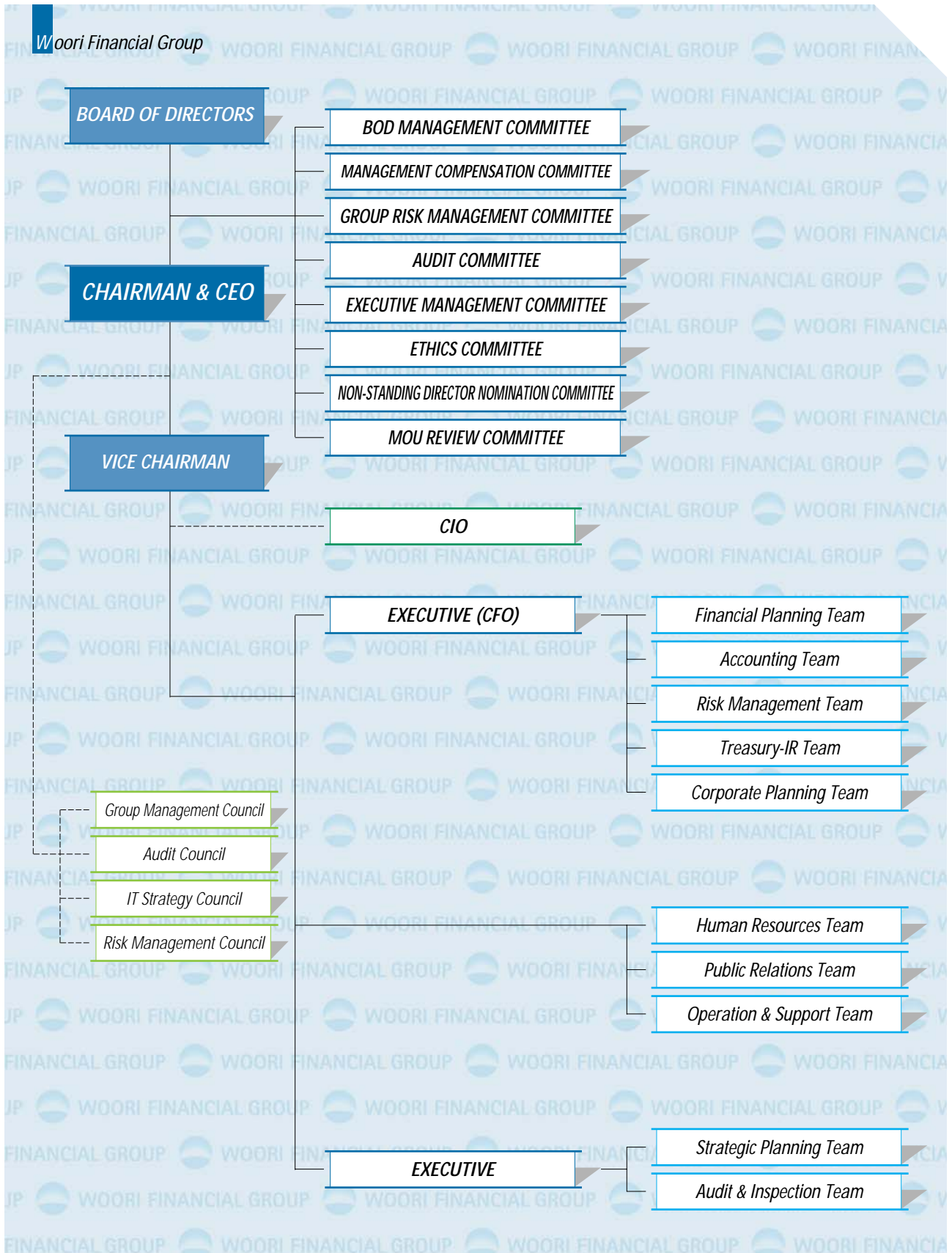
PART

A large, bold, brown Roman numeral 'V' is centered on the page. The numeral is composed of a thick horizontal bar at the top, two diagonal strokes meeting at a point in the middle, and another thick horizontal bar at the bottom. To the left of the numeral, the word 'PART' is written in a smaller, brown, sans-serif font.

ADDITI- ONAL INFO

ADDITIONAL INFO

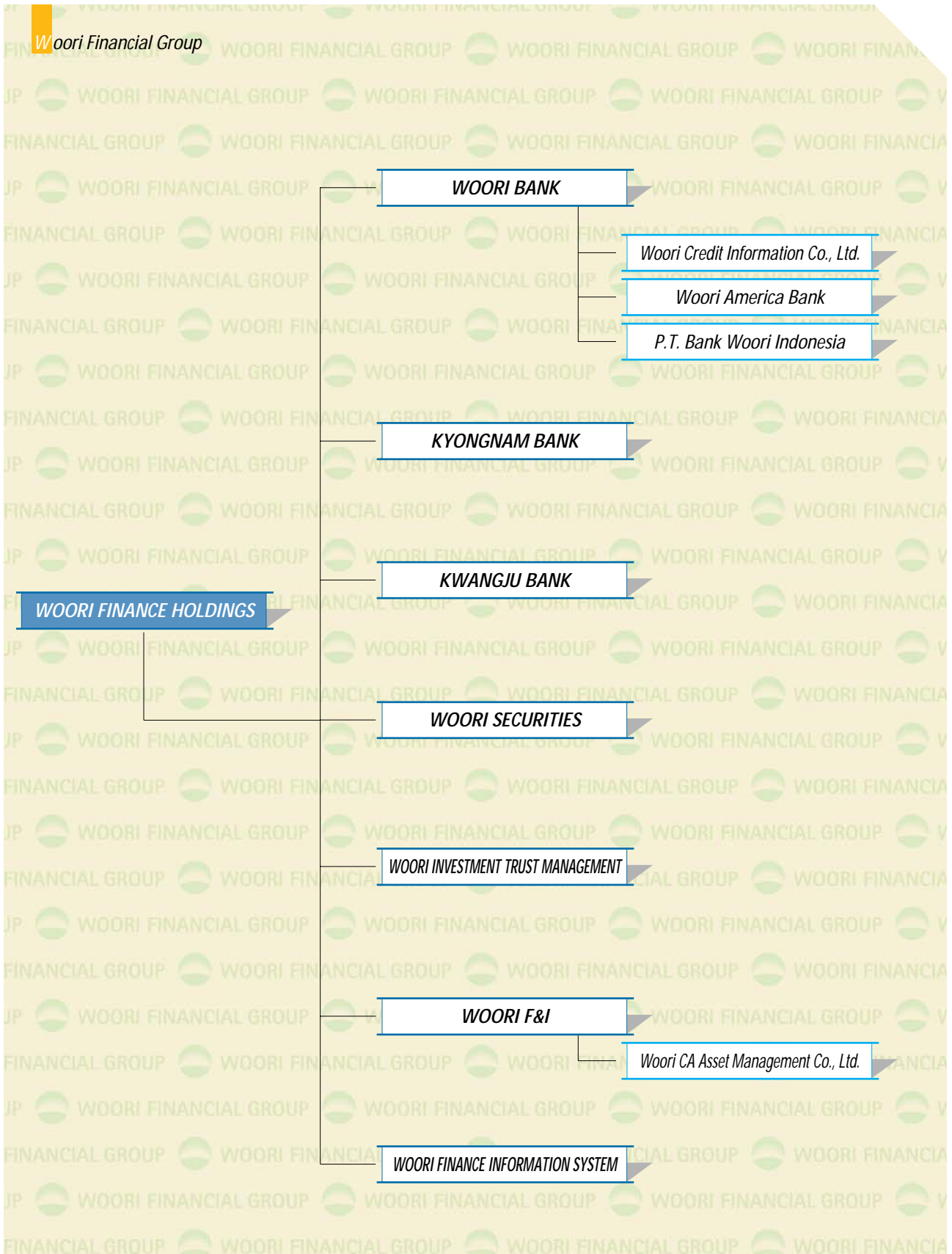
Organization Chart _____ Holding Company





Organization Chart

The Group's Subsidiaries



Investor Information

Woori Financial Group

1. Head Office

Woori Financial Group
203, Hoehyun-Dong, 1-Ga, Jung-Gu, Seoul 100-792, Korea

2. Data of Establishment

April 2, 2001

3. Paid-in Capital

KRW 3,877,525 million as of December 31, 2003

4. Number of Common Shares

775,504,910 shares as of December 31, 2003

5. Securities Listings

Korea Stock Exchange : 053000.KS (Common Stock)
New York Stock Exchange : WF

6. Available Filings

Form 20-F

Form 6-K : Quarterly Reports, Annual Reports,
Proxy Statements, and other material
announcements

7. Information Availability

http://www.woorifg.com/eng/ir/ir_index.jsp

8. Transfer Agent and Registrar

COMMON STOCK

Korea Securities Depository
34-6 Yoido-Dong, Youngdeungpo-ku
150-884, Seoul, Korea
Tel : (82-2) 3774-3463
Fax : (82-2) 3774-3433~5

AMERICAN DEPOSITARY SHARES

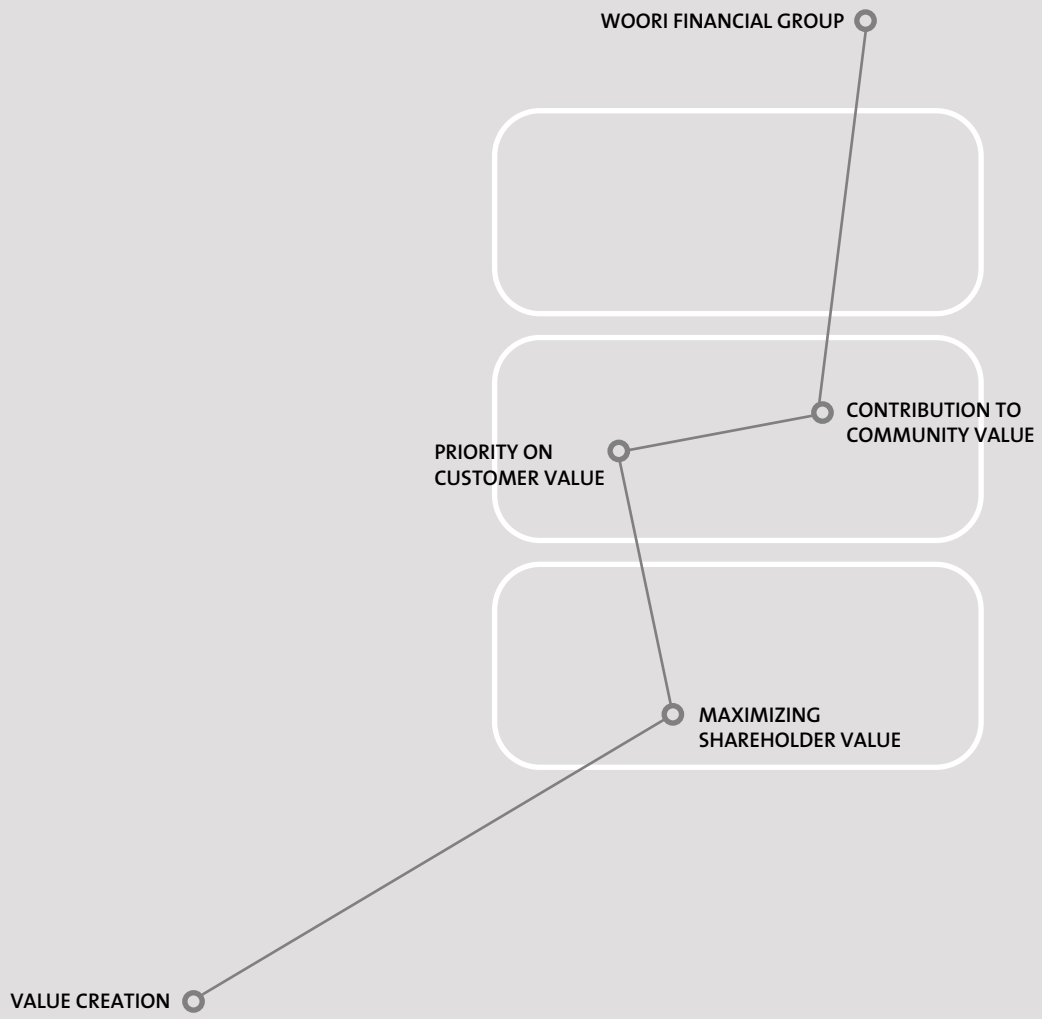
Citibank, N.A.
111 Wall Street 20th Floor/Zone 7
New York, NY 10005
Tel : (1-212) 657-8782
Fax : (1-212) 825-5398

WOORI FINANCE HOLDINGS

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