

WF
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We Make a Difference!

2004 Annual Report



WOORI FINANCIAL GROUP

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lead

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Forward-Looking Statements

We 우리

Many languages, One meaning ;

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Woori – A new page in the history of the Korean financial sector

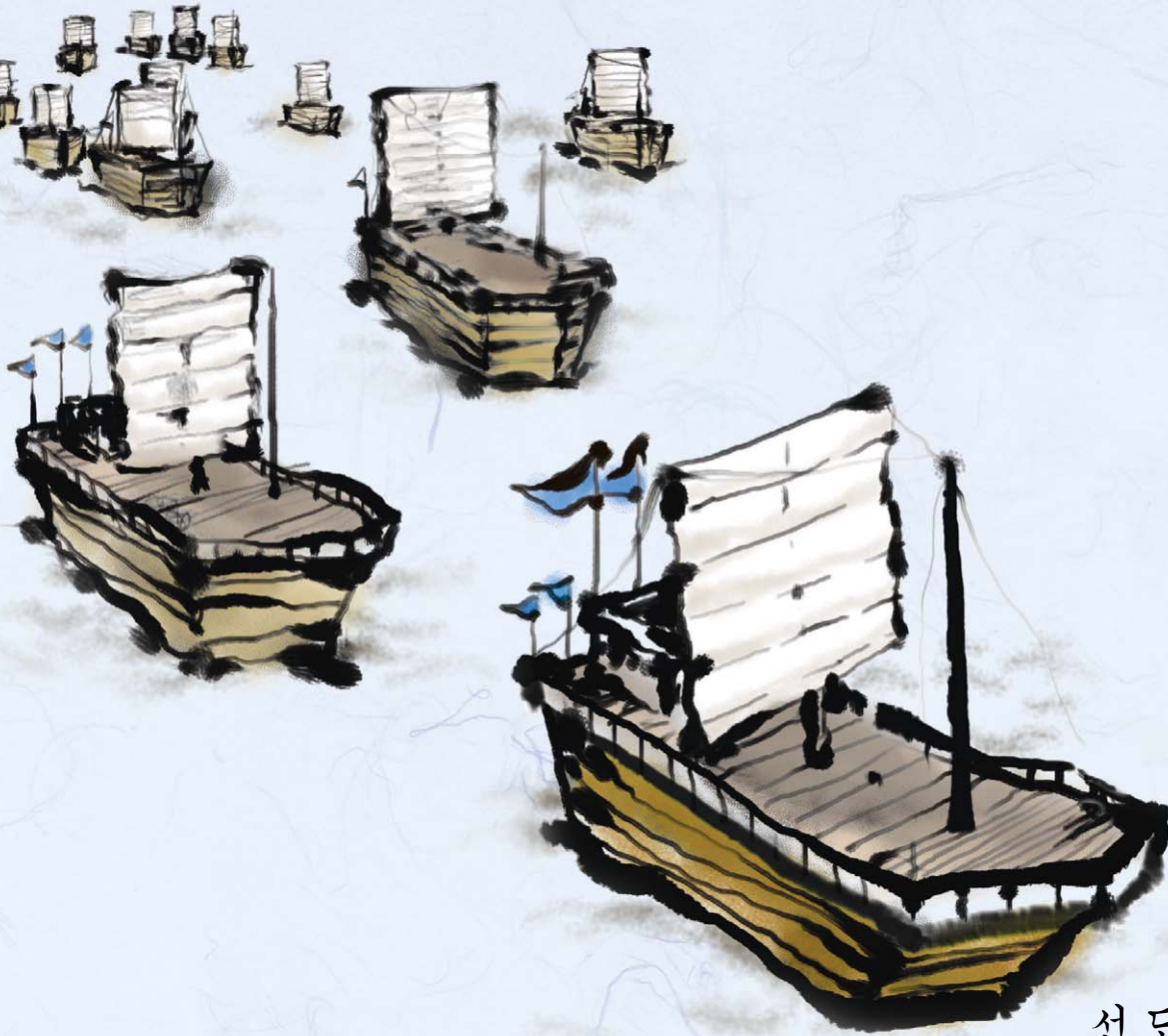
Woori is a Korean word referring to community or togetherness. The word "Woori," meaning "we" in English, implies intimacy, harmony, unity, cooperation, and sharing. It represents a spirit of unity, as opposed to separation, and demonstrates the philosophy and values of Woori Financial Group (WFG) in support of collective realization of long-term prosperity and personal fulfillment. "Woori" also refers to WFG's ideals of social contribution.



Profile

Established as Korea's first financial holding company in 2001, Woori Financial Group (WFG) reported KRW 13.4 trillion in revenues and KRW 1.3 trillion in net income in 2004, recording the highest profits in the Korean financial industry. The company offers comprehensive financial services to over 17 million customers.

A strong corporate culture and reputable brand name are the driving force behind our goal to become Korea's leading integrated financial services provider. WFG plans to transition the "Woori" name into a world-class brand, attaining our core values of maximization of shareholder value, long-term happiness of customers and employees, and social contribution for global wellness.



선도
lead

We are
the Leading Financial Group

- Woori Financial Group was formed as the first financial holding company with the mission to help lead the financial institutions under our group to profitable operations.
- We are steadily establishing the foundation to emerge as a world-class leading financial group by practicing transparent and responsible management supported by a solid ethical corporate culture.

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Woori At a Glance

BUSINESS SUMMARY

Woori Financial Group (WFG)

(KRW in billions)	2004	2003
Operating Income	1,167.2	343.2
Net Income	1,292.4	56.3
Total Assets	136,630.5	128,767.7
BIS Ratio	12.1%	11.3%

Launched in 2001, WFG has successfully reconfigured the group structure and resolved asset quality issues. Groundwork to realize group synergies is being shaped and the recent acquisition of LG Investment & Securities has put us one step closer to achieving our goal of being the leading universal bank.

Woori Bank

(KRW in billions)	2004	2003
Operating Income	1,451.2	1,513.7
Net Income	1,996.6	1,332.1
Total Assets	106,009.4	103,309.7
BIS Ratio	12.2%	11.2%

With over 100-year history and tradition, Woori Bank is one of Korea's largest commercial banks. The Bank offers a wide range of banking and other financial products and services to its 17 million customers through 698 domestic branches and 16 overseas branches. In 2004, Woori Bank posted a record net profit of KRW 2 trillion.

Kwangju Bank

(KRW in billions)	2004	2003
Operating Income	90.4	40.7
Net Income	72.2	57.1
Total Assets	9,885.6	8,777.5
BIS Ratio	11.8%	10.7%

Kwangju Bank has solidified its position as a premium regional bank, playing a pivotal role in the southwestern province, Jeollanam-do and the city of Kwangju. Through 115 branches and offices, Kwangju Bank is able to effectively serve its 2 million retail and SME customers.

Kyongnam Bank

(KRW in billions)	2004	2003
Operating Income	125.4	93.8
Net Income	109.2	85.2
Total Assets	11,981.7	10,986.1
BIS Ratio	11.3%	11.7%

Serving the southeastern region of the country, Kyongnam Bank is the leading local bank that operates a total of 118 branches nationwide. The Bank contributes to the regional economy with specialized and community-oriented financial services both to the retail and SME segments.

BUSINESS SUMMARY

Woori Investment & Securities (WIS)

(KRW in billions)	2004*	2003
Operating Income	91.1	164.6
Net Income	54.8	-13.0
Total Assets	5,874	5,234

* Nine months ending Dec. 2004
* Woori Securities Only

Woori Investment & Securities is the leading securities firm that is engaged in the trading, agency, brokerage, and underwriting of securities. WIS operates 147 domestic branches and three overseas subsidiaries, and one overseas office. In order to emerge as the leading investment bank, the company is reinforcing core competencies in investment banking and wealth management operations. LG Investment Trust Management and Woori Futures are subsidiaries of WIS.

Woori Investment Trust Management (WITM)

(KRW in billions)	2004*	2003
Operating Income	0.7	1.7
Net Income	2.5	1.3
Equity-to Risk Ratio	600.0%	719.3%

* Nine months ending Dec. 2004

WITM was established in 1988 and is engaged in the investment trust management business. The company's ownership was transferred to WFG in 2002, and, pursuant to the Indirect Investment Asset Management Business Act, WITM manages investment trusts and market-related products, including beneficiary certificates and mutual funds for retail and institutional customers.

Woori F&I

(KRW in billions)	2004	2003
Operating Income	38.0	31.2
Net Income	20.0	16.9
Total Assets	233.7	171.8

Established in 2001, Woori F&I has acted as a vehicle for the management, operation, and disposition of distressed assets held by the Group's subsidiaries. Woori CA Asset Management, a joint venture with Lehman Brothers, was spun off to manage the Group's bad assets. Woori F&I also sets up joint venture special purpose companies to purchase part of the Group's non-performing loans.

Woori Financial Information System (WFIS)

(KRW in billions)	2004	2003
Operating Income	12.9	20.9
Net Income	0.4	4.0
Total Assets	322.2	280.2

As the first comprehensive finance IT-solution provider, WFIS successfully integrated and upgraded the Group's IT infrastructure to the international level. WFIS handles all IT-related operations on an outsourcing basis for the Group and its subsidiaries. The Company currently focuses management resources on the development of IT platform that goes beyond that of global leading banks.

Financial Highlights

Selected Financial Data

As of Years ended Dec. 31, 2004 and 2003

(KRW in billion, except where indicated otherwise)

	2004	2003	Change
KEY INCOME STATEMENT FIGURES			
Operating Revenue	13,359	10,403	28.4%
Operating Expense	12,192	10,060	21.2%
Loan Loss Provisions	1,265	2,411	-47.5%
Operating Income	1,167	343	240.1%
Net Income	1,292	56	2,207.1%
KEY BALANCE SHEET FIGURES			
Total Assets	136,631	128,768	6.1%
Shareholders' Equity	8,694	5,698	52.6%
MARKET CAPITALIZATION			
	6,794	5,289	28.5%
PROFITABILITY RATIOS (%)			
Return on Average Assets-Banking ¹⁾	1.7	1.3	0.4%p
Return on Average Equity-Banking ¹⁾	25.3	24.4	0.9%p
Cost/Income Ratio	46.7	41.7	5.0%p
ASSET QUALITY RATIOS (%)			
Loan Loss Reserves / NPLs ²⁾	88.6	91.1	-2.3%p
NPLs / Total Credit	2.5	2.8	-0.3%p
BIS CAPITAL ADEQUACY RATIOS ¹⁾ (%)			
Tier I	7.8	6.8	1.0%p
Total BIS CAR	12.1	11.3	0.8%p
EMPLOYEES (FULL-TIME EQUIVALENTS)			
	15,846	14,326	10.6%

*All figures based on Korean Generally Accepted Accounting Principles

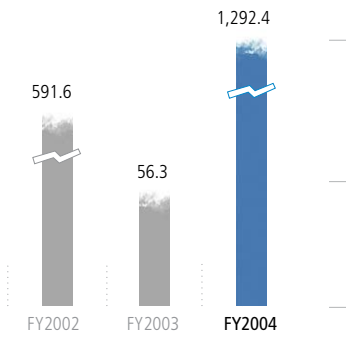
Notes:

1) For Woori Bank, Kwangju Bank, and Kyongnam Bank combined

2) Substandard and below credits

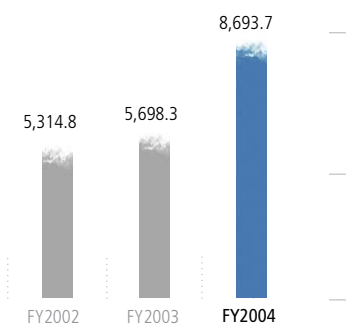
Net Income

(KRW in billions)



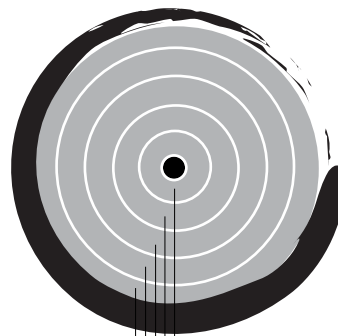
Shareholders' Equity

(KRW in billions)



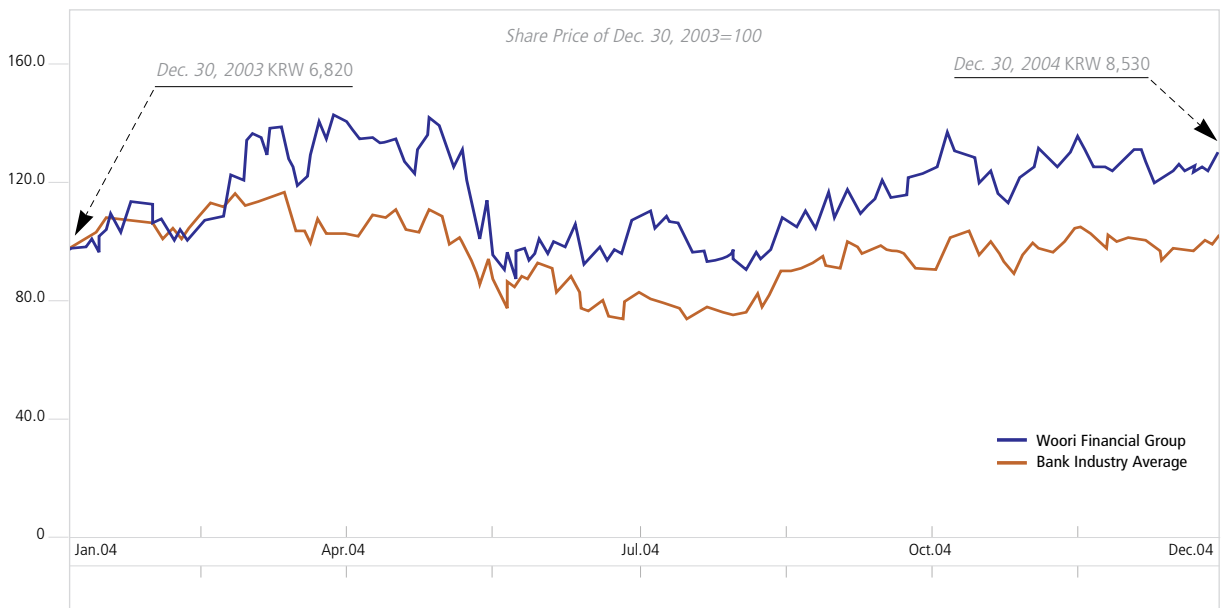
Shareholder Composition

(As of Year ended Dec. 31, 2004)



- (78.9%) Korea Deposit Insurance Corporation (KDIC)
- (11.5%) Foreigners
- (3.7%) Individuals
- (4.2%) Domestic Financial Institutions
- (1.7%) Others

Share Price Ratio



Letter to the Shareholders



We achieved our greatest performance in 2004, and laid the groundwork for the future growth of Woori Financial Group. We are now well positioned to lead our business, create value, fulfill our customers' needs, and contribute to society.

Dear Shareholders

We achieved our greatest performance in 2004, and laid the groundwork for the future growth of Woori Financial Group. Record earnings and a return on equity of almost 20% clearly exhibit the growing strength of the Woori franchise. Our consistent improvement in quarterly earnings has also provided the market with greater confidence in Woori, as evidenced by nearly a twofold increase of our market value to US\$8 billion as of March 2005, compared to the end of 2003. We are now well positioned to lead our business, create value, fulfill our customers' needs, and contribute to society.

Review of 2004

Looking back at 2004, the effects of sluggish domestic demand were widespread, with consequences impacting all aspects of our society. These included the deterioration of consumer sentiments and the insolvency of numerous small businesses. However, robust export growth of 30.9% in 2004 enabled the Korean economy to record growth of 4.6%.

Despite the demanding business environment, we recorded a net income of KRW 1.3 trillion, the highest in the financial industry. In fact, this was the first full year we were able to surpass the KRW 1 trillion mark.

The rapid turnaround in profitability is primarily attributed to the successful rehabilitation of credit card operations. During the first quarter of 2004, we merged Woori Credit Card with Woori Bank, and accelerated the normalization of operations, enabling our credit card business to begin realizing profits immediately. Prior to the merger, provisioning expenses of KRW 422 billion were incurred to restructure the credit card asset base.

As evidenced by the KRW 2.2 trillion net income posted by our subsidiary banks, our core strength remains our banking franchise. A healthy net interest margin of 3.0%, coupled with credit costs below the 1.0% level, was a key determinant of the record earnings posted by our Group.

To ensure vigorous growth of future revenues, and bolster our non-banking operations, we acquired LG Investment & Securities in December 2004. Following the merger of Woori Securities and LG Investment & Securities, we will own the largest domestic securities firm in Korea. The new entity will be unveiled in April 2005 as Woori Investment & Securities. We expect enhanced profitability through synergies created between our banking and non-banking businesses.

Key Highlights

- *Earned record earnings – net income of KRW 1,292 billion*
- *Sharp decline of provisioning expenses – down by 47.5% to KRW 1,265 billion compared to 2003*
- *Return-on-average equity of 19.9%*
- *Total return of 28.7% to shareholders – 1.8% dividend yield ratio, 26.9% rise in share price*

We also carried out numerous initiatives in 2004 to boost productivity and operational efficiency. For example, the successful development of WINS – our world-class next generation core banking system – enables us to promptly provide quality products and services to our customers. The establishment of a Woori Bank branch in North Korea's Gaeseong Industrial Complex, the first by a domestic bank, was also a major accomplishment.

All in all, 2004 was a very rewarding year. We were able to overcome the challenges of a demanding business environment and move one step closer to achieving our vision of becoming the leading diversified financial services provider in Korea.

Operating Environment for 2005

Many global economic indicators point to a decelerated growth in the world economy in 2005, due to enduring trends, such as the weak dollar, high oil prices, China's retrenchment policy, and possible devaluation of the RMB. However, domestic leading indicators are showing signs of slight recovery, but there still remain uncertainties surrounding domestic demand.

We expect increased competition as leading domestic players intensify efforts to distinguish themselves from their counterparts. Penetration by foreign financial institutions, such as Citibank and Standard Chartered Bank, is also increasing pressure on local banks.

Nonetheless, our prominent one-stop financial platform, penetration and reputation are unrivaled, and we will emerge as the leader in the changing financial landscape. Leveraging our strong banking franchise, we will work toward building up our non-banking business and boosting overall group productivity.

Key Initiatives for 2005

› Increase Revenue Synergies from Non-banking Business

Due to prevailing low interest rates and limited quality loan demand, growth in non-banking income is critical for improved profitability. Our current fee-to-interest income ratio is 27% as of 2004, and our target is to surpass 30% this year.

Initially, our focus will be maximizing revenue synergies in the corporate segment. Our business objective is to provide our corporate banking client base of 450,000 with a wider range of quality financial services through our newly strengthened investment banking capabilities. To better

KRW
Net Income **1,292**
billion



facilitate collaboration and information intelligence, investment bankers from Woori Investment & Securities are working together with corporate bankers at Woori Bank.

Furthermore, greater focus will be placed on increasing sales of investment and insurance products. Compared to our peers, our fee income in this area is weak and only accounts for 2.4% of total fee income. Until recently, the majority of our performance targets have been predisposed to asset growth. However, we are reconfiguring our incentive programs to motivate sales professionals to sell more investment and insurance products.

Credit cards are another area in which we anticipate healthy growth. We are currently experiencing an increase in credit card transaction volume, as evidenced by a surge in the number of transactions to KRW 4.6 trillion, an increase of 17.1% from the third to the fourth quarter. There is room for significant improvement, considering only around 1/3 of bank customers hold a Woori credit card.

In response to the ongoing expansion of the asset management market in Korea, we plan to merge LG Investment Trust Management and Woori Investment Trust Management. We will subsequently build the consolidated entity into an investment trust company that provides world-class investment products.

> Improve Asset Quality

In the banking business, there is no facet of operations more important than controlling credit costs. In 2004, we successfully reduced our provisioning expenses to 1.4% of total credits, down from 3.2% in 2003. Despite our recent proactive efforts to reduce credit cost, we need to do more to reach our Asian peer levels.

Our non-performing assets remain at a manageable level of 2.5%, but delinquencies in the small and medium enterprises (SME) sector have been an ongoing concern since the end of 2003. We had focused our efforts on curbing growth in high-risk sectors, such as motels/restaurants and other service industries, while collecting from delinquent accounts. With the year-end SME gross delinquency rate at 3.07%, we will continue to reinforce risk and delinquency management of SME customers.

We will also incorporate preemptive measurements to build quality assets across our entire loan portfolio through stringent risk management.

Return on Equity **19.9** %



> Realize Cost Synergies

Cost control is another operational aspect required for ensuring profitable growth. Our current cost-to-income ratio of 46.7% is comparatively higher than that of our counterparts primarily due to investment in a state-of-the-art information technology, including the new core banking system, CRM and data warehouse platforms.

We are exploring various options to limit the growth of salaries & benefit expenses, which accounted for more than 60% of SG&A expenses last year. For example, we are gradually moving toward a performance-based structure that will provide incentives for enhanced productivity.

Additional initiatives to realize cost synergies are also being introduced. With the launch of the new core banking system in September 2004, we intend to connect all three banks to the same system in the near future. Further cost synergies are anticipated following the completion of data integration and the consolidation of back-office functions.

Our firm belief is that "bigger is not always better" – expansion in size does not necessarily guarantee quality. With this in mind, we will continue to improve our management efficiencies, concentrating on qualitative improvement of operations in 2005.

> Empower Our People

The primary component of our success is the care we give to our people. We have a rich pool of human resources with enormous potential, and to further strengthen our talent base we recruited 25 MBA graduates from top schools. In order to enhance the capacities of our people, we provide them with continued training and education. A diverse range of training policies is being provided, ranging from our MBA support program to the overseas financial institution on-site training scheme. Currently, we have individuals dispatched to Lloyds TSB, Macquarie Bank and Calyon Bank. These policies will help create a new corporate culture based on performance and the development of specialists.

Our duty as management is to ensure our people are reaching their full potential and feel rewarded with their experience at Woori. I truly believe fulfilled employees are the key to customer satisfaction.

Corporate Responsibility

Woori has come a long way since the Korean financial crisis. Government-policy induced loan practices and imprudent risk management are now chronicles of the past. Today, our operations are based purely on market principles. Although the Korean government holds 78% of our shares through the Korea Deposit Insurance Corporation (KDIC), there is no government influence on strategic or operational matters.

It is my firm belief that "bigger is not always better" – expansion in size does not necessarily guarantee improvement in quality. With this in mind, we will continue to improve our management efficiencies, concentrating on qualitative improvement of operations in 2005.

For example, unlike most government-owned corporations, 77% of Woori's Board consist of external directors who are highly renowned individuals in their respected fields. Building a healthy corporate governance structure has always been a priority, and we adhere to the stringent provisions of the Sarbane-Oxley Act and other regulations designed to protect the investing public.

Commitment to our communities and society is another essential aspect of corporate activities. We encourage a sense of cooperation in times of trouble and share in the celebration of mutual achievements. In 2004, our employees actively participated in community services by donating relief funds to the Korea Red Cross, establishing "One Company-One Village" program, hosting cultural and arts events, and sponsoring sports activities. The prosperity of our communities and the continuous development of those who support us are critical to our success.

I would like to thank our 18,000 Woori family members for their dedication and hard work, both in and out of the office. Without the hard work from our people, we would not have been able to reach our current level of performance.

On behalf of Woori Financial Group, I would like to recognize our shareholders for their continued interest and support. With encouragement from all our shareholders, we have become a leading financial services provider, and we remain dedicated to repaying your continued support with higher shareholder value.

The year 2005 will bring new hopes and challenges for Woori Financial Group, and the opportunity to surpass our competitors.

Thank you.



*Young-Key Hwang
Chairman and Chief Executive Officer of Woori Financial Group
President and Chief Executive Officer of Woori Bank*



창조
create

We Create
Value for Shareholders

- Woori Financial Group firmly believes that establishing and implementing a sound corporate governance structure for all stakeholders is the key to sustainable development for our economy, society and environment.
- Furthermore, we fully recognize that corporate ethics, transparent management and innovation are the key factors in improving and strengthening our business.

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Board of Directors

We recognize that corporate governance is a key element for transparent and effective management. Our promise is to maintain a healthy balance between the pursuit of our business goals and the promotion of corporate integrity.



◀ **Young-Key Hwang, Chairman and CEO**

- President & CEO, Samsung Securities
- President & CEO, Samsung Investment Trust Management
- Chief Investment Officer, Samsung Life
- Master's Degree, London School of Economics

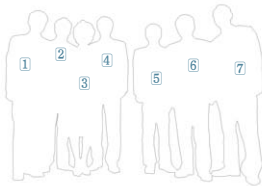
Jong-Wook Kim, Vice Chairman ▶

- Chief Vice President, Woori Bank
- Branch Manager, Singapore Branch
- International Trade, Seoul National University



◀ **Seung Hee Park, Senior Managing Director & CFO**

- Executive Director, Korea Deposit Insurance Corporation
- Branch Manager, Dongwha Bank
- Deputy Director, Ministry of Finance (Now the Ministry of Finance and Economy)
- Master's Degree, Seoul National University



① **Sung-Hwan Bae**

Director, Korea Deposit Insurance Corporation
 • Banking Supervisory Authority of the Bank of Korea
 • Ph.D. in Business Administration, SungKyunKwan University

② **Je-Hoon Lee**

President, Korea BBB Association
 • President & CEO, The JoongAng Ilbo
 • M.A. in Journalism, Seoul National University

③ **Chung-Sook Moon**

Professor of Economics at Sookmyung Women's University
 • Member of the Financial Development Review Committee,
 Ministry of Finance and Economy
 • Ph.D. in Consumer Economics, Kansas State University

④ **Dosung Choi**

Professor of Finance at Seoul National University
 • Chairman Korean Securities Association
 • Ph.D. in Finance, Pennsylvania State University

⑤ **Oh-Seok Hyun**

President of the Trade Research Institute, Korea International
 Trade Association / Member of the Presidential Commission on
 Policy and Planning
 • Economist, The World Bank
 • Ph.D. in Economics, University of Pennsylvania

⑥ **Sung-Tae Ro**

President, Korea Economic Research Institute
 • Dean of the School of Business Administration, Myongji University
 • Ph.D. in Economics, Harvard University

⑦ **Woon-Youl Choi**

Dean of the Business School at Sogang University
 • Member of the Monetary Policy Committee
 • Ph.D. in Finance, University of Georgia

Corporate Governance

We, Woori, understand that an effective corporate governance structure is essential to transparent management and sustainable operations. Therefore, the members of the Board of Directors (the Board), as well as management, have pursued the maximum degree of transparency and efficacy in corporate governance, ensuring strict separation of ownership and management. The Group fulfills 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 September 2003.

Board of Directors

Woori's Articles of Incorporation stipulate that the Board of Directors can have no more than 15 directors: less than half of the members can be standing directors. A three year term is applied to standing directors while non-standing directors remain for a year.

The Board is currently comprised of three standing directors and seven non-standing directors. Our non-standing directors possess a wide range of backgrounds, expertise, and insights to address challenging issues, contribute multiple perspectives, and provide well-headed advice. The Board members meet on a monthly basis to discuss and resolve various corporate matters, including strategy formulation, budget assessment, and risk management. Supplemental meetings can be convened at the request of any of the directors.

Board Committees

Serving under the Board, WFG has eight Board Committees: the Board of Directors Management Committee, the Management Compensation Committee, the Group Risk Management Committee, the Audit Committee, the Executive Management Committee, the Ethics Committee, the Non-standing Director Nomination Committee, and the MOU Review Committee.

Board of Directors Management Committee

From supervision of all committees to formulation of management policies, this committee serves as a steering committee responsible for overall operations and corporate governance, and consists of the heads of all other committees.

Management Compensation Committee

Composed of four non-standing directors, this committee is responsible for evaluating management performance, examining the goals and targets set forth by the management, and approving executive compensation, including incentives and bonuses.

Group Risk Management Committee

Overseeing all decision-making related to our group-wide integrated risk management system, this committee consists of two standing directors and three non-standing directors.

Our Pledge

Through superlative corporate governance, we strive to earn the respect and trust of our customers, shareholders, employees, and society. We seek to maximize shareholder value, measure performance against budgets, manage subsidiaries efficiently and flexibly, and support innovation in products, marketing, and infrastructure. We will monitor risk through carefully designed controls, systems, and procedures, prudently comply with regulatory requirements, and carry out Group audits and inspections.

Audit Committee

This Committee is composed of seven non-standing directors. All Audit Committee members must meet applicable independence criteria as set forth under the rules and regulations of the Sarbanes-Oxley Act.

Internal Governance

Internal Control

To rectify damages to the U.S. financial reporting system inflicted by a series of accounting frauds, the Sarbanes-Oxley Act (SOA) was enacted in July 2002, and required all companies listed on U.S. stock exchanges to comply with the Act. Influenced by the SOA, the Korean government is also planning to revise the domestic internal accounting management system to levels equivalent to those required by section 404 of the SOA.

As a company listed on the New York Stock Exchange, WFG and our subsidiaries instituted an internal control system for financial reporting as mandated by section 404 of the SOA. In addition, we regularly evaluate the effectiveness of our internal control structures and procedures, and report the results of these assessments in Form 20-F annual reports.

In order to further improve the transparency of financial reporting, the efficiency of internal controls, and the objectivity of internal control evaluations, We have incorporated an internal control system. WFG has also heightened employees' awareness of the significance of internal controls for financial reporting.

Ethical Management

Today's domestic and international management environment calls for economic growth based on free, fair, and undistorted competition. In addition, a new economic order requires financial institutions to practice socially responsible management policies, including ethical management, social contribution, environmental protection, and environmentally-conscious decision-making in providing loans to corporate customers. Only compliant companies will be able to secure a competitive advantage for sustainable growth.

Woori believes that in order to be the best, all management and employees must be committed to a code of ethical conduct. Thus, in early 2003, the Group adopted the "Code of Ethics," which all our employees embrace. The "Code of Ethics" details our business principles, providing a solid framework for the Group's values and addressing various ethical issues that can arise in the context of employer-employee and employee-client relationships. All executives and employees, in a conscious bid to win the trust and confidence of customers and shareholders, adhere strictly to the code of ethics.

By practicing transparent and socially responsible management based on ethical corporate culture, we have steadily established the foundation for advancement as a leading financial institution.

Corporate Governance

External Governance

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 78% of the Group's shares, WFG conducts operations based purely on market principles without intervention from any government agency or official.

WFG's relationship with the Korean government is guided by a series of MOUs between the Group, its subsidiaries, and the KDIC. We and our subsidiaries are required to meet MOU targets agreed upon with the KDIC, and must ensure that no actions causing an adverse material effect on the normalization of business operations are carried out. Apart from the conditions set forth by the MOU with the KDIC, WFG is not bound by any government actions.

Furthermore, the MOU will terminate once the KDIC loses its status as the largest shareholder. For 2004, the holding company and our subsidiaries have met all respective targets due to our strong business performance.

Disclosure Policy

The Group's Disclosure Policy adheres to the laws pertaining to corporate governance and regulations as set forth by the Financial Supervisory Commission (FSC) and the Korea Stock Exchange, as well as the Fair Disclosure rules established by the FSC. In addition, our Disclosure Committee, chaired by the CFO, ensures proper conformance with our Disclosure Policy.

Woori believes that transparent and timely disclosure with access to all stakeholders is an important aspect of our investor relations (IR) function. The IR team works extensively to promptly provide essential information to the investment community and to ensure that dissemination of information is carried out in a fair and responsible manner.

Risk Management

One of our priorities is to maintain strong asset quality and enhance risk management practices on an ongoing basis. We intend to vigorously maintain a manageable risk profile with adequate returns. We believe that continuous focus on upgrading our risk management systems and practices will enable us to maintain strong asset quality, improve financial performance, and enhance competitiveness.

Risk Management Structure

With an integrated, multi-tiered risk management organization, Woori can effectively manage the various types and levels of risk to which the Group and its subsidiaries are exposed. The ranking policy decision-making body is the Group Risk Management Committee. WFG also operates the Group Risk Management Council, a consultation body for integrating the decision-making processes of the Group and subsidiaries and discussing major issues with the subsidiaries.

The committee implemented the “Group Risk Management Double Report System” in order to strengthen risk monitoring group-wide. The system is currently being activated by all subsidiaries within the Group. Each of the subsidiaries also has a Risk Management Committee, comprised of the subsidiary CEO and external directors, who are responsible for monitoring and control.

Risk Capital Management

Effective management of risk capital is a key element for maintaining sustainable growth. Our Group Risk Management Committee allocates risk capital by subsidiary and type of risk, and sets limits for credit, market, and interest rate risk. At the subsidiary level, risk capital is allocated by business unit and product, taking into consideration a comprehensive subsidiary limit. To ensure risk capital is being prudently managed by the subsidiaries, risk capital status is monitored and reported

on a monthly basis. The holding company monitors subsidiary and group level risk capital management on a quarterly basis. The same management methodology is applied at both the group and subsidiary level.

Credit Risk Management

Since credit risk represents over two thirds of WFG’s total risk exposure, we have thoroughly evaluated the loan review processes and practices of our major subsidiaries and established best practices in 2004. We have been able to improve the credit management system of our subsidiaries, while up-grading the group risk management system by sharing corporate related information within the Group.

To further bolster our SME credit management, we developed a specialized SOHO (Small Office Home Office) credit scoring system, which takes into consideration the unique attributes of small businesses when making credit decisions. Despite the fact that we generally request collateral when providing loans to SOHOs, our new system enables us to be more competitive as we better recognize the risk factors.

Our major subsidiaries operate total exposure systems that control excessive concentration risk exposures by checking credit limits by borrower. In particular, large exposure limits have been used at the group-wide level since July 2004, and have been subsequently applied at each subsidiary.

Risk Management

In 2004, after the merger of Woori Credit Card and Woori Bank, WFG redoubled our efforts to improve the quality of credit card asset portfolio. In order to mitigate credit risk, Woori Bank focused on improving the quality of credit card assets through write-offs and recovery of existing delinquent accounts. This has resulted in reduction of credit card delinquencies from KRW 1.3 trillion at year-end 2003 to KRW 306 billion as of year-end 2004. Future provisioning will remain at a normal level, and we anticipate greater recoveries as the economy improves.

Pre-workout Program

The SME segment remains WFG's main focus in terms of asset quality. As a means to support SME borrowers under temporary financial stress, the "Pre-workout Program" was implemented during 1H 2004. This enabled Woori to effectively manage existing and potential delinquencies without prompting a widespread credit crunch.

A special team was assembled exclusively for the "Pre-workout Program." The team's main responsibility is to evaluate relevant SME borrowers and ascertain the precise situation of individual SME accounts.

Borrowers deemed viable join under the "Pre-workout Program" and are provided either maturity extensions or interest payment reductions. In 2004, 698 SME accounts, corresponding to KRW 620 billion, were added to the "Pre-workout Program," establishing the program as an overall success.

BASEL II

In 2005, our strategic direction in relation to risk management is to focus on preparation for Basel II. We are confident that our subsidiary banks will not encounter difficulties implementing Basel II because of collaborative group-wide efforts to resolve a myriad of issues. To ensure that policy and systems-related concerns are effectively resolved, we have been methodically assessing our current status in accordance with new guidelines governing credit and operational risk. With the launch of our new core banking system WINS, we have largely resolved data transfer and processing issues. Going forth, we will be addressing matters concerning credit rating model validation and the configuration of a group-wide operational risk management system.

Operational Efficiency

Woori is striving to improve operational efficiency and reduce expenses by integrating business functions, eliminating redundancies, and centralizing processes. We are also implementing a group-wide joint procurement program, and migrating to low cost distribution channels.

Business Process Re-engineering

In order to enhance operational efficiency in the banking segment, the "Business Process Re-engineering" program was implemented in April 2002. We streamlined our operations and increased efficiency by concentrating our credit evaluation, approval processes, and other back-office functions at headquarters or at our 11 regional centers, rather than at the branch level. This has enabled us to improve the productivity of individual branches by eliminating redundancies and allowing branch personnel to focus on marketing and sales, rather than administrative routines.

Business Integration

As part of our long-term plan to realize cost synergies, we are in the process of integrating our information technology systems through our subsidiary, Woori Finance Information System, allowing us to further eliminate functional redundancies and reduce administrative expenses. The newly launched WINS, a world-class state-of-the-art banking system, which is also being utilized by our regional banks, is the first stage in our pursuit of greater efficiencies. Following the shared utilization of hardware, data integration is to be completed by September 2005.

Subsequent to data integration, we will be equipped to take the next step and realize cost savings by integrating back-office functions and business processes. Furthermore, group-wide joint procurement will considerably reduce purchasing costs by coordinating and combining procurement activities among subsidiaries.

Human Resources Management

We are also striving to rationalize labor costs from 2005 by employing a new performance-based compensation system. Considering that labor costs account for 60% of total SG&A expenses, improving staff productivity is essential.

Currently, we retain a team-based incentive compensation system, where bonuses differ for each team depending on overall performance. The disparity in compensation between top and bottom individual performers, however, is quite minimal. To provide further motivation to individuals, a more advanced performance-based compensation system will be implemented. Once this new system is established, we anticipate increased operational efficacy and significant enhancement of our frontline staff's sales/marketing capability.



감동
fulfill

We Fulfill
the Needs of Our Customers

- As a business partner, Woori Financial Group provides advanced comprehensive financial services that support the prosperity of our customers.
- Through our extensive distribution network, we can offer a wide range of financial services to our customers in a one-stop environment.

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One-Stop Financial Service

Consumer Banking & Credit Card

Brokerage Investment & Advisory

Insurance





ATM

Investment Banking

Private Banking

Corporate Banking

Mobile Banking

Internet Banking

Universal Banking Platform

In order to become the leading financial group in Korea, we must provide the finest services to our customers, maintain life-time relationships, and effectively fulfill the product- and service-related needs of our customers. To achieve these goals we must have 1) strong customer relationships; 2) best-in-class products and services; 3) enhanced sales/marketing capability by training our front-line staff; and, 4) efficient management of our customer information.

The wide range of financial products and services offered by Woori in a one-stop environment provides significant advantages over our competitors in generating revenue synergies. WFG's ability to share customer information between subsidiaries is a key advantage and will effectively maximize customer satisfaction.

Woori plans to boost fee and commission income to over 30%, eventually reaching the level of top global competitors. On the product side, the expansion of our non-banking business will enable Woori to strengthen product development capabilities and cross-sell products and services. In particular, the acquisition of LG Investment & Securities, a leading domestic securities firm, allows the Group to enhance core competences in non-banking business. Woori Investment & Securities, the merged entity of LG Investment & Securities and Woori Securities, will provide more competitive investment banking services to our corporate customers.

Effective marketing is another key ingredient for successful cross-selling. We are currently training our frontline staff to have expansive knowledge of our financial products and services, and the necessary skills to effectively approach potential customers.

To better gather and analyze customer information, Woori will integrate and upgrade our group CRM platform, and proliferate it among our subsidiaries. Our CRM system will link customer information from all of our subsidiaries, and provide analytical tools to derive the information required for developing customer-oriented products and services.

We assembled a synergy marketing team to coordinate marketing efforts among our subsidiaries; we expect their efforts materialize by the end of 2005. We believe our integrated marketing approach will not only increase our profitability and attract new customers, but more importantly, benefit our current customers. We aim to improve cross-selling ratio from the current level of 1.9 products per customer to 3.5 products per customer – the level of leading European banks.



Corporate Banking

As one of the largest players in the corporate banking market, Woori provides commercial banking services to large corporate customers, including government-owned enterprises and small and medium-sized enterprises (SMEs) throughout Korea. Having primary banking relationship with 15 out of 29 chaebols and over 450,000 SME clients, Woori boasts the strongest corporate customer base in Korea.

Focus on Client Relationships

We service large corporate clients primarily through Woori Bank's network of dedicated corporate marketing centers and relationship managers (RMs) who help handle all corporate finance matters. Historically, the operations of Woori Bank, our largest banking subsidiary, have centered on large corporate clients, and maintaining strong business relationships with many of Korea's leading corporate groups. Currently, we are seeking to improve the capabilities of our relationship managers by instituting a CRM system which enables us to effectively manage our corporate clients based on customer segmentation.

Because SMEs represent a significant and growing client base for WFG, we have dedicated SME relationship professionals (SRPs) to serve SME clients. The SRPs specialize in addressing the banking needs of SME clients, and concentrate marketing efforts on attracting new clients in this sector. In addition to increasing the number of dedicated staff and individual branches, our strategy for this segment is to identify key industry sectors and to target SME clients with specifically developed financial products, services, and marketing. Therefore, we have fostered in-house industry experts who can identify leading SMEs and develop products and marketing strategies targeting those high potential clients.

Woori Financial Group selected 402 SMEs and large corporations with superior profitability and credit rating to provide differentiated services, including prime rates and employee training at home and abroad. In order to promote communication with high value corporates, we also operate the "Woori Diamond Club" for 101 large corporations that typically make high contributions.

Setting New Standards

Through the successful introduction and operation of our RM program, we implement client-oriented business strategies by providing specially tailored services that meet the diverse financial needs of our corporate clients. Such activities represent the conversion of our existing margin spread business from a focus on corporate loans to a differentiated client-oriented business. This new strategy was adopted in response to recent growth of corporate clients' demand for high quality financial services.

We provide products and services that satisfy the specific financial needs of various industries. We have responded to industry trends with the development of specialized RM in five core industries: textiles; iron & steel; electronics; construction; and finance. We also operate an exclusive corporate product development team in order to continue offering customized products and services, which conform to the diverse financial needs of our clients.

Corporate Banking

In 2004, we developed "FM (Free Maturity) Forward," a product for hedging the foreign exchange risk of companies. "FM Forward" was awarded the 2004 new product grand prize by the Financial Supervisory Service. We also developed various derivative products for hedging foreign exchange and interest rate risks, such as "YED (Yield Enhanced Deposit)" and "YEL (Yield Enhanced Loan)," which posted sales of KRW 609 billion and KRW 32 billion, respectively, during 2004.

A New Leader in Investment Banking

A reduction of interest margin income due to Korea's low-interest regime has prompted us to focus on increasing fee-based income. Through the development of a wide range of services in investment banking, we have been able to provide greater value to our clients, while diversifying sources of income. The investment banking sector is particularly significant to our corporate clients.

With the acquisition of LG Investment & Securities and LG Investment Trust Management, Woori effectively expanded our group business portfolio, facilitating comprehensive financial services and diversifying revenue sources. The merger of LG Investment & Securities and Woori Securities has created the leading domestic securities firm in Korea. We plan to develop diverse revenue sources by providing comprehensive services to our clients through the establishment of a collaborative structure between the corporate banking business of Woori Bank and the investment banking business of Woori Investment & Securities, thereby maximizing the synergies in our banking and securities segments.

We believe that significant opportunities exist to cross-sell investment banking services by leveraging our existing client base of large corporate and SME banking. To take advantage of these opportunities, we intend to expand our investment banking operations, increasing our fee income and further diversifying our revenue base.



Future Opportunities

In order to expand our business with existing clients and attract new clients, Woori Financial Group is establishing a one-stop financial services structure to provide comprehensive financial services for corporate clients.

We plan to upgrade our corporate CRM system and establish targeted sales strategies and implementation policies by integrating corporate client information for different client groups (subsidiaries of the top five conglomerates, subsidiaries of the top 30 conglomerates, large corporations, externally audited SMEs, etc.). Furthermore, we will differentiate risk management by company, while identifying and managing potentially insolvent companies. We plan to reinforce both our advanced corporate restructuring system and foster personnel with broad experience in corporate restructuring work.

We intend to reinforce our overseas business by establishing and implementing strategies specifically designed for local financial environments. We are reinforcing the independent business foundations of our overseas branches and subsidiaries by designating our Hong Kong, Singapore, Shanghai, Beijing and Dhaka

branches, as well as our Indonesia overseas subsidiary, as corporate banking centers. In particular, our Shanghai branch is expanding our specialized local operations by obtaining approval for renminbi operations for local Chinese firms – the first such effort by a Korean bank. In the second half of 2005, we also plan to open the first Korean bank branch in Shenzhen. Additionally, we are encouraging the development of skilled overseas business personnel, and establishing the foundations for global marketing by dispatching regional experts to China, India, Russia, and Vietnam.



Retail Banking

Continued Growth of Retail Business

We were previously considered primarily as a corporate bank, but we have significantly upgraded our retail business in recent years. Until 2004, we have provided over KRW 31 trillion in loans to our retail customers, with mortgage-related loans as our primary target product. Because demand for mortgage loans remains sizeable, Woori will continue to expand this business in 2005. We launched the new "Apartment Power Loan," a product which provides customers with considerable pricing and auxiliary benefits.

Aside from the mortgage-related loan business, Woori will now focus on broadening the scope of our retail banking services, which at present are primarily composed of deposits and personal loans, to include a number of fee-based services. Seeking to satisfy the more sophisticated needs of our customers, we are also undertaking expansion of our investment products and insurance business.

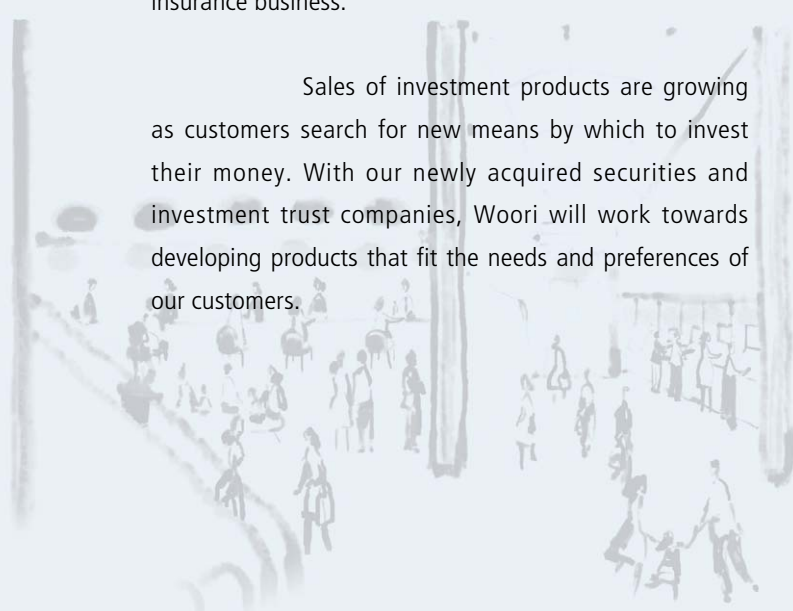
Sales of investment products are growing as customers search for new means by which to invest their money. With our newly acquired securities and investment trust companies, Woori will work towards developing products that fit the needs and preferences of our customers.

With the ongoing growth of the bancassurance market, bancassurance products offer an important new source of fee-based revenues. We have entered into bancassurance arrangements with six insurance firms including Samsung Life and American International Group, and plan to boost our sales performance in this sector. Fee-based products and services hold great potential for growth and cross-selling, and we intend to fully extract our Group synergies.

Rehabilitation of Credit Card Business

Credit card business will be a vital component of our growth strategy oriented toward boosting fee income. Currently, credit card fees and commission income account for almost half of the Group's fee income.

In March 2004, our credit card subsidiary, Woori Credit Card, merged with Woori Bank. Subsequent to the merger of our credit card business, we improved Woori Credit Card's competitiveness by incorporating the risk management system of Woori Bank while operating the credit card division as an independent business unit. As a result of normalizing business soon after merging with Woori Bank, the credit card division succeeded in resolving uncertainties and achieved a turnaround in profits in May 2004.



As Korea's premier integrated financial service provider, Woori offers our 17 million retail customers one of the most comprehensive selection of financial services available. Through our extensive distribution network, comprehensive database, and quality customer service, Woori is able to provide diverse customers with the right products at the right time.

In line with our plans to provide enhanced services to our credit card customers, we will offer new products, such as the Woori Member's Card. Woori also intends to localize products with respect to regional areas, and to conduct joint marketing programs, including customer loyalty programs. In addition, we plan to introduce services offered by overseas credit card companies, such as low-cost balance transfers and enhanced online services, while leveraging the "Woori" name to attract new customers and build brand loyalty. By integrating other financial services into our credit card services, we will significantly increase our capability to generate income through cross-selling.

Differentiated Management of Customers

Woori plans to offer customers enhanced value by differentiating products and delivery channels based on the distinct needs of different groups of customers. We have classified our retail customers into four high-level categories from high net worth customers to the mass market based on their individual net worth and contributions to our consumer banking operations. In order to meet the financial needs of each customer group while enhancing customer loyalty, we will differentiate our products, services, and service delivery channels for each customer group, using a new integrated customer relationship management database and a group synergistic marketing task force.

In 2002, we launched private banking operations, aimed at improving services for our high net worth and mass affluent customers at Woori Bank, Kwangju Bank and Kyongnam Bank. By the end of 2004, 150,000 customers qualified for this private banking service and accounted for 35% of total deposits. Through our private bankers, we offer financial and real estate advisory services, as well as individualized banking and investment products, such as beneficiary certificates, overseas mutual funds and specialized bank accounts. In addition, we have developed a customer loyalty program that provides preferential rates, fee benefits, and various rewards for our private banking customers.

Woori Bank currently operates three Private Banking (PB) Centers and 43 branches with separate PB facilities. Kwangju Bank and Kyongnam Bank each operate one PB Center. We believe that our private banking operations will increase our revenues from existing high net worth and mass affluent customers, as well as attract new customers of this type.

To become Korea's premier integrated financial provider, we need to realize maximum synergies of Group revenue. Cross-selling will be a key element of success, especially in the retail sector. Our fundamental strategy is to use the most effective channels to give customers the best financial products and services upon demand.

Investment & Securities

Enhanced Brokerage & Underwriting Services

Woori Investment & Securities (WIS) is engaged in the trading, agency, brokerage, and underwriting of securities with 147 domestic branches and offices, three overseas subsidiaries, and one overseas representative offices. Based on the company's strengths in the brokerage market, WIS is contributing to our balanced development of banking and non-banking businesses.

For corporate clients, WIS offers the best investment banking services among domestic securities firms, participating in major deals including IPOs, rights offerings, and corporate bond issuances. The Company also diversifies revenue sources by performing various investment banking activities that include project financing, ABS issuance, and M&A consulting.

In recognition for superior services, WIS was ranked the No. 1 securities firm in domestic institutional sales, resulting from our ability to provide timely and useful investment information in connection with WIS's leading Research Center. In order to further strengthen the company's international business capabilities, WIS will devote efforts to reinforce overseas sales support team within the Research Center and stimulate international sales in overseas subsidiaries.

For retail customers, we plan to provide upgraded products and services by combining banking services, such as payment settlement into various investment products. In addition, we intend to provide specialized investment consulting services at bank branches by transforming retail customer personnel into comprehensive asset managers.

Expansion of Our Investment Trust Business

In line with the growing asset management market in Korea, we plan to merge LG Investment Trust Management and Woori Investment Trust Management, and foster the merged entity into a leading investment trust company that provides the best investment products. We will establish the new entity as yet another pillar of our non-banking business, along with Woori Investment & Securities, by actively utilizing the sales channel of the banking and securities subsidiaries within our group. We anticipate substantial synergies from the scaling-up of our non-banking operations.

For retail customers, we will be able to offer a more comprehensive range of best-in-class financial products and services on the back of our improved brokerage and investment product development capabilities. We will focus on providing wealth management services in line with life cycles to retail customers, and strategic investment diversification services to corporate clients.

We acquired LG Investment & Securities in December 2004, and launched Woori Investment & Securities, the largest securities firm in Korea, completing the successful merger with Woori Securities in April 2005. Accordingly, we have been able to significantly strengthen the competitiveness of our non-banking segment, while improving our profitability through synergies created between the banking and non-banking businesses.

Meeting Diverse Investor Needs

Custody

Through Woori Bank and Kyongnam Bank, we act as a trustee for approximately 70 securities investment trusts. We receive a fee for acting as a trustee and generally perform the functions of receiving payments made in respect to such securities and executing trades on behalf of such securities investment trusts. In certain cases, we authenticate beneficiary certificates issued by investment trust management companies and handle settlement in respect to such beneficiary certificates.

Investment Advisory

As customer needs and preferences become more sophisticated, demand for investment advisory services is expected to increase. In particular, wealth management account (WMA) business is gaining prominence and we have been focusing our efforts in the retail segment on wealth management. We currently have 311 staff members in the wealth management business, and we intend to further increase the number in 2005. Our most proficient sales and asset managers are being positioned in the wealth management business. Our CRM

system and Personal Finance Management Service system will enable us to provide optimal investment products and services based on the analysis of customers' financial goals.

To become one of Asia's top integrated financial companies, our fundamental strategy is to give our customers the best financial products and services. We are actively coping with rapidly changing financial markets to generate solid mid- to long-term returns to our customers through sound asset management and advanced risk management and advisory services.





공헌
contribute

We Contribute to Our Society

- Woori Financial Group faithfully fulfills corporate social responsibility to create value for our shareholders, customers, employees and society as a whole.
- As our employees are the key element for success, we will ensure that they are properly motivated and satisfied with their Woori experience.

Culture for Success

We believe that the basis of Woori's core competencies is our people.

Through their determination and hard work, Woori achieves superb operating performance, and remains at the forefront of today's globally competitive financial industry.

To sustain high performance levels, Woori adheres to a human resources policy aimed at securing the best financial experts in every field of business. Moreover, we are dedicated to creating a work environment which promotes professional development and improves employee morale. Individual growth and personal well-being is the cornerstone to a healthy and productive organization.

In a recent poll of the nation's university students, Woori Bank was selected as the most sought-after prospective employer in the banking field. Last year, WFG attracted the talents of 25 individuals with MBAs from top-ranked overseas business schools. Woori's status as a preferred employer enables us to recruit the best and brightest future employees. Due to the growing intensity of domestic competition generated by the aggressive expansion of foreign financial institutions such as Citibank and Standard Chartered Bank, we seek to secure global competitiveness with intensified efforts to recruit and develop financial specialists.





To attract and retain employees, Woori provides a wide array of educational and training programs to improve skills and competencies, enhance motivation, and promote career development. We offer various standardized self-development programs, as well as language courses. We also plan to motivate our people by instituting performance-based compensation strategies.

In order to maintain employee morale and create a favorable work environment, Woori operates various wellness and healthcare programs. These programs include health insurance, industrial accident compensation insurance, employee health screenings,

child educational support, leave of absence for childcare, child daycare services, and provision of company housing. Furthermore, we provide outplacement services, as well as retiree career development programs to assist employees who depart mid-career or upon retirement.

We are currently taking steps to coordinate and integrate human resources management policies to promote more efficient deployment of human resources, and to develop a more uniform corporate culture.



Corporate Social Responsibility

Our management and employees believe sustainable growth is based on a commitment to promote a harmonious society and to enhance the quality of life in regional communities through social contributions and volunteerism.

As one of the leading financial institutions in Korea, we are genuinely committed to development of the national economy and our society, and to serving people who are in need of assistance. We are fully aware of our responsibility to help the needy, and take part in causes that are aimed at bettering society.

Woori is sincerely dedicated to fulfilling our corporate social responsibilities through educational, cultural, and social welfare programs. At both the Group and subsidiary levels, Woori supports a wide range of social, community, and philanthropic projects, and is engaged in numerous charity and community projects through charity organizations. Sports sponsorship is also gaining significance as a means to practice good corporate citizenship.

In concert with our efforts to substantiate corporate social responsibility, Woori Bank became a signatory to the United Nations Environment Program's "Statement on the Environment and Sustainable Development." In doing so, we pledged to integrate environmental considerations into all operations and services, and to foster private-sector investment in environmentally sound technologies and services.

Woori Financial Group

North Korea Ryongchon Train Explosion Disaster Relief Fund Donation

Woori Financial Group donated KRW 300 million in relief funds to the Korean Red Cross for fellow North Koreans suffering from the April 22, 2004 train explosion at the Ryongchon station. The donation was made with contributions from all of our subsidiaries. Woori Bank donated KRW 200 million through the "Woori Love Fund," a program in which Woori executives volunteer to contribute a portion of their salary, and the amounts are matched by the Bank.

Sponsorship of Women's Professional Basketball

Woori Financial Group continues to support the development of Korean women's basketball over the past 40 years. Woori Bank's professional basketball team, the first women's team in Korea, had the season record and also won the post season tournament during the 2004~2005 season.



Woori Bank

Year-end Community Chest Drive and the "Together Woori Volunteer Service Campaign"

On December 24, 2004, Woori Bank donated KRW 200 million to the Community Chest Drive during a visit to the Community Chest of Korea. From November 2004 to January 2005, 2,963 Woori employees from 135 branches and offices nationwide participated in various volunteer activities hosted by the Bank to benefit the neglected and needy.

Sponsorship of the 2004 Joongang Ilbo Seoul Marathon

Woori Bank contributes to the promotion of national sports and strives to interact with national citizens through sponsorship of marathons, which have emerged as popular national sporting events.

Cultural Event Support

Woori Bank actively supports various cultural events & arts performances through Mecenat activities, which constitute one of the most important social responsibilities of corporations. Woori Bank provides financial support totaling KRW 400 million to various culture & arts activities, including the opera "Carmen" and the classic ballet "The Nutcracker."

Sisterhood Relationship and Exchange with a Farm Village

Woori Bank practices social contribution in support of the coexistence of cities and farm villages through the "One Company-One Village Campaign." This campaign contributes to the improvement of farm income in rural villages that are experiencing difficulties due to the expansion of agricultural product imports. In April 2005, the Bank established a sisterhood relationship with the farm village surrounding our Ansong Training Center, conducting various participatory support activities, including promotion of agricultural product consumption, operation of weekend farms, farm experience volunteer service activities, and cultural events for rural children. Woori Bank is thus establishing a corporate image of supporting balanced regional development.

Kwangju Bank

Donation of KRW 870 million for sponsorship of the 2004 Gwangju Biennale

Kwangju Bank held a sponsorship ceremony for successfully hosting the 2004 Gwangju Biennale, enhancing our image as the official sponsor of the exhibition. Acting as the official sponsor since the first Gwangju Biennale in 1995, Kwangju Bank provides ongoing support to regional programs, culture, and arts.



Assistance for local citizens through flood disaster relief volunteer services

Kwangju Bank conducted flood disaster relief volunteer services for flood victims in the region damaged by the typhoon and provided support to local citizens through donations to the flood victim relief fund. On August 24, 2004, 70 employees, including the CEO, visited Wanggok-myeon, Naju to restore rice plants destroyed by the typhoon and to donate relief funds to flood victims.

Sponsoring the "Honam" International Marathon

In order to promote the cities of Gwangju and Jeollanam-do and inspire a sense of pride in sports activities, Kwangju Bank sponsors the "Honam" International Marathon. The Bank began enhancing the image of Gwangju and the southwestern provincial region by concentrating the capacities of its citizens on the promotion of health.

Kyongnam Bank

Hosting children's sketching contest

Kyongnam Bank promotes healthy creative activities by hosting a "children's sketching contest" for kindergarten and elementary school children in the Kyeongsangnam-do (southeastern province) and Ulsan area, enhancing our image as a regional bank. The Bank also contributes to the development of regional culture by providing space for cultural activities to local citizens.

Establishment of "Kyongnam Bank Service Corps"

On September 16, 2004, Kyongnam Bank launched the "Kyongnam Bank Service Corps" in order to actively contribute to the development of regional society. The service corps provides volunteer services, such as one-on-one sisterhood relationships and visits to social welfare facilities at least once every quarter. Kyongnam Bank promotes a positive image and reinforces the solidarity of our organization through social contribution activities in the region.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As a note, the policy with respect to the gain or loss on the sales of loans was changed in 2004. In our new policy, the gain and loss on the sale of loans is computed by comparing the sale proceeds against its book value, as of the end of the year, as opposed to the book value of the prior quarter. In this management's discussion and analysis, the Group reflected the policy change for the 2003 and 2004 figures.

The term 'the Group' used here without any other qualifying description will refer to 'Woori Financial Group.'

ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS

Earnings Analysis

In 2004, Woori Financial Group achieved its greatest operating performance, overcoming the challenges of a demanding business environment. At the same time, the Group diversified revenue sources and enhanced asset quality.

According to the consolidated financial statements for fiscal year 2004, Woori Financial Group's operating revenue rose by KRW 2,956 billion, or 28.4%, to KRW 13,359 billion. Of this amount, despite a slight increase in interest on loans, interest income declined by 7.6% to KRW 6,986 billion due mainly to a sizable fall in interest on securities. Meanwhile, in line with the Group's efforts to expand non-interest income, fee income and other operating income posted a 7.6% rise and a 203.9% surge to KRW 1,237 billion and KRW 5,136 billion, respectively. In particular, the substantial increase in other operating income was attributable to gains on foreign exchange and derivatives. However, a comparable increase in relation to losses on foreign exchange and derivatives was incurred.

Operating expenses increased by KRW 2,132 billion, or 21.2%, to KRW 12,192 billion last year. While interest expense decreased by 5.1% to KRW 3,647 billion due to lower market interest rate, other operating expenses jumped by 59.1% to KRW 5,956 billion with the rise in losses on foreign exchange and derivatives. In addition, SG&A expenses increased by 7.9% to KRW 2,130 billion as core items such as personnel expenses, service fees and IT operating expenses rose steadily.

Operating income before provisions remained stable at KRW 2,500 billion in 2004, edging down by 5.5% in tandem with falling net interest income. In addition to solid operating profitability, provisions for possible loan losses almost halved to KRW 1,265 billion on the back of prompt normalization of credit card business and consistent improvement of asset quality. Accordingly, operating income rose sharply by KRW 824 billion, or 240.1% to KRW 1,167 billion in 2004.

Net non-operating income also improved, showing a turnaround in 2004. On the back of a sizeable reduction in losses on sale of loans and impairment of securities, net non-operating balance turned into net non-operating income of KRW 67 billion in 2004, from net non-operating loss of KRW 112 billion.

Income before minority interests recorded a sharp growth from a mere KRW 52 billion in 2003 to KRW 1,292 billion in 2004. Consequently, consolidated net income also soared by KRW 1,236 billion to KRW 1,292 billion in 2004.

Summary Consolidated Income Statement

(KRW in billions)	2004	2003	Change	
			Diff.	YOY(%)
Operating revenue	13,359	10,403	2,956	28.4
Interest income	6,986	7,564	(578)	-7.6
Fee income	1,237	1,150	88	7.6
Other operating revenue	5,136	1,690	3,446	203.9
Operating expenses	12,192	10,060	2,132	21.2
Interest expense	3,647	3,842	(196)	-5.1
Commission expense	202	251	(49)	-19.6
Other operating expense	5,956	3,744	2,212	59.1
SG&A expense	2,130	1,974	156	7.9
Other expenses	257	249	8	3.3
Operating income	1,167	343	824	240.1
Net non-operating income	67	(112)	180	-
Ordinary income	1,235	231	1,004	434.3
Income tax	(57)	179	(236)	-
Income before minority interests	1,292	52	1,239	2,364.9
Minority interests, net	1	4	(3)	-77.6
Consolidated net income	1,292	56	1,236	2,195.7

SUMMARY INCOME STATEMENTS BY SUBSIDIARY

By subsidiary, Woori Bank earned net income of KRW 1,996 billion, while Kwangju Bank and Kyongnam Bank recorded net income of KRW 72 billion and KRW 109 billion, respectively. The Group's banking sector recorded net income of KRW 2,178 billion in 2004, compared to KRW 1,474 billion in the previous year. Woori Securities posted net loss of KRW 13 billion due to a steady fall in commission income, while Woori Investment Trust Management achieved net income of KRW 3 billion for the year in review.

MANAGEMENT'S DISCUSSION & ANALYSIS

Summary Income Statements by Subsidiary

(KRW in billions)	Woori Bank	Kwangju Bank	Kyongnam Bank	Subtotal of Banking Sector	Woori Securities	WITM	Group (consolidated)
Operating revenue, net	3,830.2	280.0	397.1	4,507.2	94.1	5.7	4,562.1
SG&A expenses	1,676.5	130.0	170.6	1,977.1	95.9	5.0	2,130.3
Non-operating income, net	128.9	9.5	(13.5)	124.9	(7.1)	2.9	68.3
Income before provisions	2,282.6	159.5	212.9	2,655.0	(8.9)	3.6	2,500.2
Provisions for possible loan losses	678.8	59.5	101.0	839.3	2.9	0.0	1,264.6
Income tax	(393.3)	27.7	2.6	(363.0)	0.9	1.1	(56.9)
Net income	1,996.0	72.3	109.3	2,177.6	(12.6)	2.5	1,292.5

NET INTEREST INCOME

Net interest income decreased by 10.3% over the previous year to KRW 3,339 billion in 2004, as both interest income and interest expenses declined due to falling market interest rates.

Interest on loans, the major contribution of interest income, rose by 5.1% to KRW 5,455 billion as the Group expanded household and SME loans. On the other hand, however, interest on securities recorded KRW 1,434 billion in 2004, down by 35.8% over 2003, due to lower interest rates on securities. Interest income totaled to KRW 6,986 billion, representing a 7.6% year-on-year reduction, or KRW 578 billion.

In 2004, interest expenses also decreased by KRW 196 billion, or 5.1%, to KRW 3,647 billion. Despite an increase in deposits, lower market interest rates made interest on deposits fall by 7.0% to KRW 2,553 billion; interest on borrowings fell by 11.6% to KRW 342 billion, too. Meanwhile, interest on debentures recorded an increase of KRW 56 billion, or 8.7%, to KRW 698 billion in 2004 as the year-end balance of debentures rose 12.2% over the previous year.

Net Interest Income

(KRW in billions)	2004	2003	Change	
			Diff.	YOY(%)
Interest income	6,986	7,564	(578)	-7.6
Interest due from bank	28	50	(22)	-43.5
Interest on securities	1,434	2,235	(800)	-35.8
Interest on loans	5,455	5,191	264	5.1
Others	69	89	(20)	-22.9
Interest expense	3,647	3,842	(196)	-5.1
Interest on deposits	2,553	2,745	(192)	-7.0
Interest on borrowings	342	387	(45)	-11.6
Interest on debenture	698	642	56	8.7
Others	53	69	(15)	-22.3
Net interest income	3,339	3,722	(383)	-10.3

NET INTEREST MARGIN AND NET INTEREST SPREAD

Net interest margin (NIM) declined by 16 basis points to 3.00% in 2004 from 3.16% in 2003, attributable to decrease in net interest income. A prolonged low interest rate environment in 2004 combined with extraordinary interest income derived from special purpose companies (SPCs) realized in 2003 were the reasons behind the lower NIM in 2004. By banking subsidiary, Woori Bank saw its NIM slide down by 21 basis points to 2.99%, Kyongnam Bank improved its NIM by 17 basis points to 3.20%, and Kwangju Bank's NIM edged down a mere 6 basis points to 2.83%.

Meanwhile, net interest spread (NIS) in won currency increased 13 basis points to 3.54% in 2004. Interest on won-currency loans fell by 30 basis points to 6.73%, while interest on deposits contracted by 43 basis points to 3.19%. The steeper drop in interest rate on deposits was the reason behind the rise in NIS.

NIM and NIS

(%)	2004	2003	Change
Net interest margin	3.00	3.16	-0.16%p
Net interest spread	3.54	3.41	0.13%p
Interest on loans	6.73	7.03	-0.30%p
Interest on spread	3.19	3.62	-0.43%p

MANAGEMENT'S DISCUSSION & ANALYSIS

NIM by Bank Subsidiary

(%)	2004	2003	Change
Woori Bank	2.99	3.20	-0.21%p
Kwangju Bank	2.83	2.89	-0.06%p
Kyongnam Bank	3.20	3.03	0.17%p

NON-INTEREST INCOME

In 2004, non-interest income more than doubled to KRW 6,373 billion thanks to increases in fee income related credit cards, and gains on foreign exchange and derivatives. Accordingly, the Group was able to go one step forward in meeting its mid-term objective of revenue source diversification. Fee income during the year increased by 7.6% to KRW 1,237 billion due to unwinding of credit card funding-related ABS. While commission income, mostly from the banking sector, remained stable, commission income on credit card transactions realized a 16.6% increase on the back of normalization of credit card operations.

Other operating revenue more than tripled to KRW 5,136 billion in 2004 from KRW 1,690 billion in 2003. Gain on securities declined, but gain on foreign exchange and derivatives increased substantially. Gain on foreign exchange surged by KRW 1,142 billion to KRW 1,612 billion, and gain on derivatives increased significantly by KRW 2,196 billion to KRW 3,023 billion due to increased demand for interest rate swaps and currency hedging in the fourth quarter of 2004. However, this was offset by related expenses of comparable amounts on the non-interest expense side.

Non-Interest Income

(KRW in billions)	2004	2003	Change	
			Diff.	YOY(%)
Fee income	1,237	1,150	88	7.6
Commission income	629	632	(2)	-0.4
Commission income on credit cards	544	466	77	16.6
Other fee income	65	52	13	24.8
Other operating revenue	5,136	1,690	3,446	203.9
Gain on securities	198	231	(33)	-14.4
Gain on foreign exchange	1,612	470	1,142	243.1
Gain on derivatives	3,023	826	2,196	265.8
Others	303	162	141	86.8
Total non-interest income	6,373	2,840	3,534	124.5

NON-INTEREST EXPENSES

In 2004, the Group posted a 37.4% increase to KRW 8,545 billion in non-interest expenses, due mainly to a sizeable increase in loss on foreign exchange and loss on derivatives but as fore-mentioned, comparable gain on foreign exchange and derivatives had been recorded. Commission expenses were down 19.6% to KRW 202 billion as credit card commission expense fell by 27.9% to KRW 115 billion. Other operating expenses were up 59.1%, or KRW 2,212 billion to KRW 5,956 billion, primarily due to an increase in loss on foreign exchange and loss on derivative. On the other hand, provision for possible loan losses almost halved, and SG&A expenses rose by 7.9% to KRW 2,130 billion.

Non-Interest Expenses

(KRW in billions)	2004	2003	Change	
			Diff.	YOY(%)
Commission expenses	202	251	(49)	-19.6
Other commission expenses	87	91	(5)	-5.1
Credit card commission expenses	115	159	(45)	-27.9
Other operating expenses	5,956	3,744	2,212	59.1
Loss on securities	68	128	(60)	-47.0
Loss on foreign exchange	1,452	260	1,192	459.3
Loss on derivatives	3,021	877	2,145	244.6
Provision for possible losses	1,409	2,478	(1,069)	-43.1
Others	6	2	5	305.2
SG&A expenses	2,130	1,974	156	7.9
Other non-interest expenses	257	249	8	3.3
Total non-interest expenses	8,545	6,218	2,327	37.4

PROVISION FOR POSSIBLE LOAN LOSSES

On the back of the successful normalization of credit card operations and improved asset quality, total provision for possible losses fell sharply by 43.1% from the previous year to KRW 1,409 billion in 2004. Provision for possible loan losses declined by 42.4% to KRW 1,367 billion as a result of drastic reduction in credit card provisioning. Contraction of over KRW 1 trillion in provisions boosted operating income and net income in 2004.

MANAGEMENT'S DISCUSSION & ANALYSIS

Provision for Possible Loan Losses

(KRW in billions)	2004	2003	Change	
			Diff.	YOY(%)
Provision for possible loan losses	1,367	2,371	(1,004)	-42.4
Other provisions	42	107	(65)	-60.7
Total provision for possible losses	1,409	2,478	(1,069)	-43.1

SG&A EXPENSES

In 2004, SG&A expenses increased by KRW 156 billion, or 7.9%, to KRW 2,130 billion. Personnel expenses, depreciation, IT operating expense, and service fees increased, but advertising and other administrative expenses contracted substantially.

Personnel expenses, consisting of salaries, employee benefits, and provision for severance benefits, rose by 11.2% to KRW 1,308 billion. In addition, service fees and depreciation expenses also jumped by 73.4% and 16.7% to KRW 119 billion and KRW 248 billion, respectively. With the completion of Woori Bank's core banking system, depreciation expenses had increased from the third quarter. Meanwhile, the decreased in consumption-oriented expenses, including advertising and other SG&A expenses, was a result of cost-saving efforts, which helped to keep the increase in overall SG&A expenses to a moderate level.

SG&A Expenses

(KRW in billions)	2004	2003	Change	
			Diff.	YOY(%)
Personnel expenses	1,308	1,176	132	11.2
Depreciation & amortization	248	212	36	16.7
Rent	72	84	(11)	-13.2
Taxes & dues	102	93	9	10.0
Service fees	119	69	51	73.4
IT operating expenses	83	76	7	8.7
Advertising	34	52	(18)	-34.7
Telecommunications	52	42	10	23.0
Other SG&A expenses	113	171	(58)	-33.8
Total SG&A expenses	2,130	1,974	156	7.9

Financial Conditions

The Group's total assets as of the end of 2004 amounted to KRW 136,631 billion, up by 6.1%, and total liabilities increased by 4.0% to KRW 127,937 billion. Strong gain in retained earnings, induced by sizeable net income, boosted total shareholders' equity by 52.6% to KRW 8,694 billion, strengthening the Group's capital base.

Summary Consolidated Balance Sheet

(KRW in billions)	2004	2003	Change	
			Diff.	YOY(%)
Cash & due from banks	6,850	6,472	378	5.8
Securities	28,553	27,007	1,547	5.7
Loans	91,769	86,077	5,691	6.6
Fixed assets	2,647	2,735	(88)	-3.2
Other assets	6,812	6,477	334	5.2
Total assets	136,631	128,768	7,863	6.1
Deposits	92,149	89,050	3,099	3.5
Borrowings	13,286	12,813	473	3.7
Debentures	13,687	12,195	1,492	12.2
Other liabilities	8,815	9,012	(197)	-2.2
Total liabilities	127,937	123,069	4,867	4.0
Common stock	3,982	3,878	105	2.7
Capital surplus	171	58	113	195.8
Retained earnings	2,364	1,152	1,212	105.2
Capital adjustments	924	415	509	122.6
Minority interests	1,253	196	1,057	539.6
Total shareholders' equity	8,694	5,698	2,995	52.6
Total liabilities and shareholders' equity	136,631	128,768	7,863	6.1

ASSETS

At year-end 2004, the Group's total assets equaled to KRW 136,631 billion, an increase of KRW 7,863 billion. Contributing most to the gain was the addition of KRW 5,386 billion in assets from LG Investment & Securities, which were mostly loans. Hence, loans increased to KRW 91,769 billion, up by KRW 5,691 billion. Securities also increased by KRW 1,547 billion to KRW 28,553 billion. Fixed assets saw a modest contraction to KRW 2,647 billion, and other assets increased by KRW 334 billion, or 5.2%, to KRW 6,812 billion.

MANAGEMENT'S DISCUSSION & ANALYSIS

› Loans

Total loans by the Group's three banks rose by 4.9% over the previous year to reach KRW 81,845 billion as of the end of 2004. As the Group focused on household segment, corporate loans increased only slightly by 2.9% to KRW 48,203 billion, while household loans jumped by 7.7% to KRW 32,542 billion mostly on the mortgage segment. In addition, loans to the public sector and others also grew by 16.1% to KRW 1,100 billion. As a result, the portion of household loans to total loans gained 1.1%p to 39.8% in 2004.

Loan Portfolio by Borrower

(KRW in billions)	2004		2003		Change	
		% of total		% of total	Diff.	YOY (%)
Corporate	48,203	58.9	46,841	60.1	1,362	2.9
SMEs	38,652	47.2	37,594	48.2	1,058	2.8
Large Corp.	9,551	11.7	9,247	11.9	304	3.3
Retail	32,542	39.8	30,223	38.7	2,319	7.7
Public sector and others	1,100	1.3	948	1.2	152	16.1
Total	81,845	100.0	78,012	100.0	3,833	4.9

*Foreign currency loans included

› Securities

As of year end 2004, the balance of securities stood at KRW 28,553 billion, up by 5.7%, or KRW 1,547 billion over the previous year. Trading securities surged by KRW 3,973 billion, or 145.7%, to KRW 6,701 billion, while both available-for-sale securities and held-to-maturity securities fell by 11.1% and 15.1% to KRW 12,572 billion and KRW 8,485 billion, respectively. Separately, the Group holds KRW 610 billion in equity-linked securities, and with the acquisition of LG Investment & Securities, investment securities using equity method rose by 30.3% to KRW 186 billion.

Securities

(KRW in billions)	2004	2003	Change	
			Diff.	YOY (%)
Trading securities	6,701	2,728	3,973	145.7
Available-for-sales securities	12,572	14,145	(1,573)	-11.1
Held-to-maturity securities	8,485	9,992	(1,507)	-15.1
Equity linked securities	610	0	610	-
Investment securities using equity method	186	142	43	30.3
Total securities	28,553	27,007	1,547	5.7

LIABILITIES AND SHAREHOLDERS' EQUITY

Total liabilities amounted to KRW 127,937 billion in 2004, up by KRW 4,869 billion or 4.0%. Deposits, representing the largest portion of total liabilities at 72%, recorded a 3.5% increase to KRW 92,149 billion. Borrowings and debentures also rose by 3.7% and 12.2% to KRW 13,286 billion and KRW 13,687 billion, respectively. Meanwhile, other liabilities edged down by 2.2% to KRW 8,815 billion.

Total shareholders' equity increased by KRW 2,995 billion, or 52.6%, to KRW 8,694 billion in 2004. In particular, retained earnings more than doubled to KRW 2,364 billion on the back of strong bank earnings and deferred tax benefits of KRW 707 billion at Woori Bank. Capital adjustments rose by KRW 509 billion to KRW 924 billion owing to valuation gain of equity exposures related to legacy debt-to-equity assets such as Hynix and SK Networks. Minority interests increased by KRW 1,057 billion to KRW 1,253 billion following the acquisition of LG Investment & Securities, which WFG has a 29.3% stake.

> Deposits

Combined deposits of all banking subsidiaries remained stable, totaling KRW 83,816 billion. Core deposits including demand deposits decreased KRW 2,347 billion or 6.9% to KRW 31,854 billion. The contribution of core deposits to total deposits declined 2.8%p, accounting for 38.0% as of the end of 2004. Meanwhile, savings increased KRW 512 billion, or 1.2%, to KRW 44,432 billion in 2004. In particular, marketable deposits showed a strong increase of KRW 1,895 billion, or 33.6%, to KRW 7,530 billion, expanding its contribution to total deposits by 2.3%p to 9.0% at year-end 2004.

Deposits

(KRW in billions)	2004		2003		Change	
		% of total		% of total	Diff.	YOY (%)
Core deposits	31,854	38.0	34,201	40.8	(2,347)	-6.9
Savings	44,432	53.0	43,920	52.4	512	1.2
Marketable deposits	7,530	9.0	5,635	6.7	1,895	33.6
Total deposits	83,816	100.0	83,756	100.0	60	0.1

By bank, Woori Bank lost some core deposits, while Kwangju Bank and Kyongnam Bank achieved steady growth in low-interest deposits. All three banks saw increases in savings. In particular, Kwangju Bank and Kyongnam Bank boasted a 96.3% and 164.7% increase in marketable deposits to KRW 857 billion and KRW 877 billion, respectively. Woori Bank also recorded a 19.1% gain to KRW 5,796 billion.

MANAGEMENT'S DISCUSSION & ANALYSIS

Deposits by Bank Subsidiary

(KRW in billions)	2004			
	Woori	Kwangju	Kyongnam	Total
Low-interest deposits	26,419	2,218	3,217	31,854
Savings deposits	34,553	4,799	5,081	44,432
Money-market deposits	5,796	857	877	7,530
Total deposits	66,768	7,873	9,175	83,816

(KRW in billions)	2003			
	Woori	Kwangju	Kyongnam	Total
Low-interest deposits	28,937	2,132	3,132	34,201
Savings deposits	34,527	4,538	4,855	43,920
Money-market deposits	4,867	436	331	5,635
Total deposits	68,331	7,106	8,318	83,756

ASSET QUALITY AND CAPITAL ADEQUACY

Total credits of the Group increased by KRW 4,686 billion, or 5.3%, to KRW 93,232 billion in 2004. Of total credits, KRW 2,351 billion was classified as "substandard and below", thus the Group's NPL ratio declined 0.29%p to 2.52% in 2004, from 2.81% in 2003. The Group loan loss reserve fell by KRW 174 billion to KRW 2,089 billion, and as a result, loan loss coverage ratio fell to 88.8% in 2004 from 91.1% a year earlier, still maintaining a relatively high level by industry standards. Meanwhile, the Group's BIS capital adequacy ratio improved by 0.8%p to 12.1% in 2004, from 11.3% in 2003, primarily due to 1.0%p increase in Tier I capital ratio attributed to strong income growth at Woori Bank.

Asset Quality Classification

(KRW in billions)	2004	2003	Change	
			Diff.	YOY(%)
Total credit	93,232	88,546	4,686	5.3
Substandard & below loans	2,351	2,484	(133)	-5.4
NPL ratio	2.52%	2.81%	-0.29%p	
Loan loss reserves (LLR)	2,089	2,263	(174)	-7.7
Loan loss coverage ratio	88.8%	91.1%	-2.3%p	

*Total loan

Capital Adequacy

BIS CAR (%)	12.1	11.3	0.8%p
Tier I capital ratio (%)	7.8	6.8	1.0%p

OPERATING PERFORMANCE BY SUBSIDIARY

Woori Bank



2 Chong Hwi Lee,
Deputy President and Director

- Executive vice president, Corporate Banking Business Unit
- Executive vice president, Finance & Management Planning Unit
- General Manager, Finance & Planning Dept. of Woori Bank
- Branch Manager, Posco Center Branch of Woori Bank
- Business Administration, Seoul National University

1 Young-Key Hwang,
President and CEO

- President & CEO, Samsung Securities
- President & CEO, Samsung Investment Trust Management
- Chief Investment Officer, Samsung Life
- Master's Degree, London School of Economics

3 Hwan Kyun Park,
Standing Audit Committee Member and Director

- Managing Director, KOSDAQ Securities Market
- Director General, FSC
- Economics, SungKyunKwan University

MANAGEMENT'S DISCUSSION & ANALYSIS

EARNINGS ANALYSIS

Woori Bank posted a 4.1% fall in operating income to KRW 1,451 billion, due to aggressive provisioning of allowances for possible loan losses, in addition to the slowdown in net interest income. However, propelled by significant improvement of KRW 387 billion in non-interest income and a turnaround in non-operating performance, income before tax increased by KRW 164 billion, or 11.5%, to KRW 1,593 billion. Woori Bank achieved record earnings of KRW 1,997 billion in 2004 amidst fierce competition among major banks.

(KRW in billions)	2004	2003	Change	
			Diff.	YOY(%)
Operating income	1,451	1,513	(62)	-4.1
Net interest income	2,780	2,846	(66)	-2.3
Net non-interest income	979	592	387	65.4
Provision for possible loan losses	667	472	195	41.3
SG&A expenses	1,641	1,453	188	12.9
Non-operating income, net	142	(84)	226	-
Income before tax	1,593	1,429	164	11.5
Income tax**	(404)	97	(501)	-
Net income	1,997	1,332	664	49.9

*Non-consolidated basis

**Deferred income tax of KRW 706.7 billion in 2004

NET INTEREST INCOME

Net interest income recorded a 2.3% decrease to KRW 2,780 billion, while net non-interest income surged by KRW 387 billion, or 65.4%, to KRW 979 billion in 2004. Interest income edged down 0.8% to KRW 5,598 billion. Interest on loans, contributing most to interest income, rose by 3.3% due to expanding shares of the household and SME loan markets. On the other hand, interest on securities fell by 26.5% to record KRW 958 billion in 2004 due to decreases in securities holdings and lower market interest rates on securities.

Interest expenses edged up 0.7% to KRW 2,818 billion. Lower market interest rates made interest on both deposits and borrowings fell by 4.7% and 6.5% to KRW 2,029 billion and KRW 216 billion, respectively. Meanwhile, interest on debentures recorded an increase of KRW 160 billion, or 46.4%, to KRW 505 billion in 2004 as the year-end balance of debentures soared to KRW 10,742 billion, a 38.1% increase over the previous year. Net interest margin rose by 0.21%p to 3.20% in 2004, compared to 2.99% in 2003.

Net interest income and NIM

(KRW in billions)	2004	2003	Change	
			Diff.	YOY(%)
Interest income	5,598	5,644	(46)	-0.8
Interest due from banks	2	7	(5)	-65.7
Interest on securities	958	1,304	(346)	-26.5
Interest on loans	4,576	4,428	148	3.3
Others	62	53	9	17.0
Interest expense	2,818	2,798	20	0.7
Interest on deposits	2,029	2,130	(101)	-4.7
Interest on borrowings	216	231	(15)	-6.5
Interest on debentures	505	345	160	46.4
Others	69	92	(23)	-25.0
Net interest income	2,780	2,846	(66)	-2.3
Net interest margin (%)	3.20	2.99	0.21%p	

NON-INTEREST INCOME

In 2004, non-interest income almost tripled to KRW 5,772 billion due to increases in fee income and other operating revenue. Fee income, mainly driven by credit cards commissions, jumped by 63.1% to KRW 964 billion. Bancassurance and beneficiary certificates also contributed to fee income in an effort to diversify the Bank's revenue source. In particular, other operating revenue soared by KRW 3,426 billion, or 247.9%, to KRW 4,808 billion because of substantial rise in Gain on derivatives trading. Both Gain on securities and Gain on foreign exchange surged by 40.6% and 262.4% to KRW 149 billion and KRW 1,551 billion in 2004, respectively.

Non-interest income

(KRW in billions)	2004	2003	Change	
			Diff.	YOY(%)
Fee income	964	591	373	63.1
Other operating revenue	4,808	1,382	3,426	247.9
Gain on securities	149	106	43	40.6
Gain on foreign exchange ¹⁾	1,551	428	1,123	262.4
Others ²⁾	3,087	848	2,239	264.0
Total non-interest income	5,772	1,973	3,799	192.5

1) As offset by loss on foreign exchange, it is more accurate to look on a net basis

2) Mostly attributable to "Gain on derivatives trading"

MANAGEMENT'S DISCUSSION & ANALYSIS

NON-INTEREST EXPENSES

In 2004, non-interest expenses more than tripled to KRW 4,793 billion due primarily to a sizeable increase in other operating expenses. Commission expenses, in line with a KRW 373 billion increase in fee income, surged by KRW 66 billion, or 112.6%, to KRW 125 billion. Other operating expenses were up 253.1%, or KRW 3,346 billion, to KRW 4,668 billion because of sharp rise in Loss on foreign exchange and Loss on derivatives trading. In addition, the Bank increased its provision for possible loan losses by KRW 195 billion, or 41.3% year-on-year, to KRW 667 billion in 2004 for aggressive provisioning of allowances for possible loan losses. SG&A expenses posted a 12.9% rise to KRW 1,641 billion, and G&A ratio edged up slightly.

Non-interest expenses

(KRW in billions)	2004	2003	Change	
			Diff.	YOY(%)
Commissions	125	59	66	112.6
Other operating expenses	4,668	1,322	3,346	253.1
Loss on securities	35	61	(26)	-42.6
Loss on foreign exchange ¹⁾	1,432	213	1,219	572.3
Others ²⁾	3,201	1,048	2,153	205.4
Total non-interest expenses	4,793	1,381	3,412	247.1
Provision for possible loan losses	667	472	195	41.3
SG&A expenses	1,641	1,453	188	12.9

1) As offset by gain on foreign exchange, it is more accurate to look on a net basis

2) Mostly attributable to "Loss on derivatives trading"

NON-OPERATING INCOME

Meanwhile, non-operating performance improved significantly by KRW 226 billion in 2004, primarily due to considerable reduction in Loss on sales of loans and Loss on impairment of securities. Loss on sales of loans fell by KRW 72 billion, or 28.5%, to KRW 180 billion, and Loss on impairment of securities plummeted by KRW 197 billion, or 89.1%, to KRW 24 billion in 2004.

Non-operating income and expenses

(KRW in billions)	2004	2003	Change	
			Diff.	YOY(%)
Non-operating income	391	487	(96)	-19.7
Gain on securities	263	261	2	0.7
Gain on sales of loans	34	1	33	n.m.
Others	95	225	(130)	-57.9
Non-operating expenses	249	571	(322)	-56.3
Loss on impairment of securities	24	221	(197)	-89.1
Loss on sales of loans	180	252	(72)	-28.5
Others	45	98	(53)	-54.0
Non-operating income, net	142	(84)	226	-

NET INCOME AND PROFITABILITY

On the back of the vastly improved non-operating performance, income before tax increased by KRW 164 billion, or 11.5%, over the previous year to KRW 1,593 billion in 2004. The Bank realized an income tax benefit of KRW 404 billion, reflecting deferred income taxes. As a result, net income soared by 49.9% to KRW 1,997 billion. Return on equity stood at 30.2%, gaining 3.3%p; return on assets improved by 0.5%p to 1.9% in 2004.

Key financial data

(%)	2004	2003	Change
ROA	1.9	1.4	0.5%p
ROE*	29.6	25.5	4.1%p
G&A ratio	43.6	42.1	1.5%p

*Based on the average balance of respective quarters

Financial Conditions

(KRW in billions)	2004	2003	Change	
			Diff.	YOY(%)
Cash & due from banks	3,715	4,833	(1,118)	-23.1
Securities	18,214	18,815	(601)	-3.2
Loans	76,596	72,067	4,529	6.3
Fixed assets	1,767	1,719	49	2.8
Other assets	5,718	5,876	(159)	-2.7
Total assets	106,009	103,310	2,700	2.6
Deposits	71,252	71,846	(594)	-0.8
Borrowings	9,457	9,658	(200)	-2.1
Debentures	10,742	7,780	2,961	38.1
Other liabilities	6,972	8,369	(1,397)	-16.7
Total liabilities	98,423	97,653	770	0.8
Common stock	3,180	2,853	327	11.5
Capital surplus	463	655	(192)	-29.3
Retained earnings	3,152	1,799	1,354	75.2
Capital adjustments	791	350	441	125.8
Total shareholders' equity	7,586	5,657	1,929	34.1
Total liabilities and shareholders' equity	106,009	103,310	2,700	2.6

* Non-consolidated basis

**Bank account only

MANAGEMENT'S DISCUSSION & ANALYSIS

TOTAL ASSETS

As of the end of 2004, the Bank's total assets edged up 2.6%, or KRW 2,700 billion, to KRW 106,009 billion. The largest increase was in loan assets, which increased by KRW 4,529 billion, or 6.3%, to KRW 76,596 billion, expanding the portion of loans as a percentage of total assets from 69.8% in 2003 to 72.3% in 2004. Household and SME lending was mainly attributable to the rise in loans. In particular, household loans increased by KRW 2,151 billion, or 7.4%, to KRW 31,081 billion.

Won currency loan portfolio by borrower (Bank account)

(KRW in billions)	2004		2003		Change	
		% of total		% of total	Diff.	YOY (%)
Corporate	33,454	50.7	32,720	52.1	734	2.2
SMEs	29,323	44.5	28,711	45.7	612	2.1
Large Corp.	4,131	6.3	4,009	6.4	122	3.0
Household	31,081	47.1	28,930	46.1	2,151	7.4
Other	1,423	2.2	1,157	1.8	266	23.0
Total	65,958	100.0	62,807	100.0	3,151	5.0

LIABILITIES AND SHAREHOLDERS' EQUITY

Total liabilities as of the end of 2004 stood at KRW 98,423 billion, an increase of KRW 770 billion. Deposits and borrowings edged down 0.8% and 2.1% to KRW 71,252 billion and KRW 9,457 billion, respectively, while debentures soared by KRW 2,961 billion, or 38.1%, to KRW 10,742 billion, resulting in diversification of funding sources.

As of the end of 2004, deposits in local currency declined by KRW 2,496 billion, or 3.9%, to KRW 61,520 billion; deposits in foreign currencies dropped by KRW 442 billion, or 14.8%, to KRW 2,550 billion. Meanwhile, certificates of deposits jumped by 50.9% to KRW 5,738 billion, resulting in the rise of the portion to total deposits from 5.3% in 2003 to 8.1% in 2004. Notes payable deposits and CMA deposits increased by 44.4% and 23.8% to KRW 1,131 billion and KRW 312 billion, respectively.

Deposit composition

(KRW in billions)	2004		2003		Change	
		% of total		% of total	Diff.	YOY (%)
Deposits in local currency	61,520	86.3	64,016	89.1	(2,496)	-3.9
Deposits in foreign currencies	2,550	3.6	2,992	4.2	(442)	-14.8
Certificates of deposits	5,738	8.1	3,803	5.3	1,935	50.9
Notes payable deposits	1,131	1.6	783	1.1	348	44.4
CMA deposits	312	0.4	252	0.4	60	23.8
Total deposits	71,252	100.0	71,846	100.0	(594)	-0.8

Total shareholders' equity posted steady growth due to record earnings. Increase in retained earnings boosted total shareholders' equity by KRW 1,929 billion, or 34.1%, to KRW 7,586 billion in 2004.

ASSET QUALITY

As of the end of 2004, the Bank's total credits amounted to KRW 78,121 billion, up 5.2% year-on-year. Of this figure, loans classified as "substandard and below" grew by KRW 96 billion to KRW 1,773 billion, and NPL ratio remained stable at 2.27%. Meanwhile, loan loss reserves edged up KRW 104 billion to KRW 1,583 billion, and loan loss coverage ratio increased by 1.1%p to record 89.3% in 2004.

Asset quality classification

(KRW in billions)	2004	2003	Change	
			Diff.	YOY (%)
Total credit	78,121	74,247	3,875	5.2
Substandard & below loans	1,773	1,677	96	5.7
NPL ratio (%)	2.27%	2.26%	-0.01%p	
Loan loss reserve (LLR)	1,583	1,479	104	7.0
Loan loss coverage ratio (%)	89.3%	88.2%	1.1%p	

*Including bank, trust, and merchant banking account

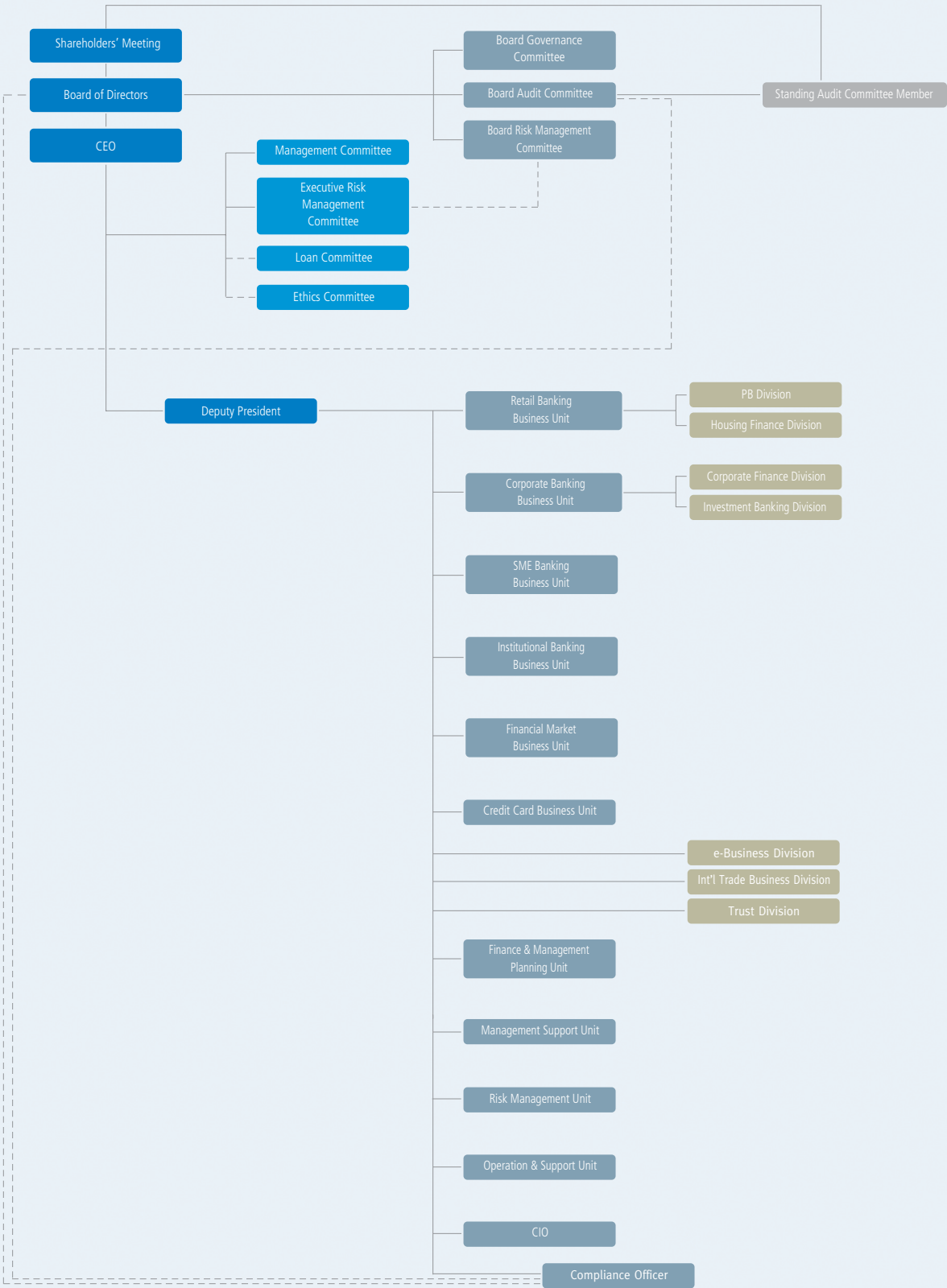
CAPITAL ADEQUACY

The BIS capital adequacy ratio (CAR) improved by 0.97%p to 12.20% at year-end 2004 from 11.23% in 2003. In terms of capital adequacy by component, higher retained earnings lifted the Tier I capital ratio by 0.99%p to 7.81% in 2004, while Tier II capital ratio remained stable at 4.39%.

Capital adequacy

(%)	2004	2003	Change
BIS CAR	12.20	11.23	0.97%p
Tier I capital ratio	7.81	6.82	0.99%p

ORGANIZATION CHART



THE BOARD OF DIRECTORS & THE MANAGEMENT (WOORI BANK)

STANDING DIRECTORS

Mr. Young-Key Hwang
Chairman, Board of Directors
President & CEO

- CEO, Samsung Securities
- CEO, Samsung Investment Trust Management

Mr. Chong Hwi Lee
Deputy President / Director

- Executive Vice President, Corporate Banking Business Unit
- Executive Vice President, Finance & Management Planning Business Unit

Mr. Hwan Kyun Park
Standing Audit Committee
Member / Director

- Managing Director, KOSDAQ Securities Market
- Director General, FSC

NON-STANDING DIRECTORS

Mr. Sang Kee Min, Ph.D.
Professor, Seoul National University
• President of KMFA

Mr. Taek Soo Han
Chairman, Korea RB Securities Co., Ltd
• Director General of MOFE

Mr. Joon Park
Lawyer, Kim & Chang Law Offices
• Director, Korea Securities Dealers Association

Mr. Il Sung Sin
Auditor, Korea Export-Import Bank
• Deputy Minister, Ministry of Finance & Economy

Mr. Sung Keun Ha
Professor, Yonsei University
• Chairman, Banking Subcommittee, Council for Financial Development

Mr. Kyung Hee Yoon
Country Representative, ABN Amro Korea
• Country Representative, ING Barings Korea

BUSINESS UNITS

Mr. Soon Woo Lee
Consumer Banking Business Unit

Mr. Dong Sung Moon
Corporate Banking Business Unit

Mr. Ki Jin Song
Small & Medium Corporate Banking Business Unit

Mr. Byung Jae Lee
Institutional Banking Business Unit

Mr. Hyun Jin Jung
Financial Market Business Unit

Mr. Cheong Kyu Park
Credit Card Business Unit

Mr. Seong Mok Park
Finance & Management Planning Unit

Mr. Chang Ho Kim
Management Support Unit

Mr. Tae Woong Chung
Risk Management Unit

Mr. Kyung Dong Kim
Operation & Support Unit

Mr. Jong Shik Kim
Chief Information Officer

CORPORATE DATA

Date of Establishment

- January 4, 1999

Common Stock

- 3,179.8 billion

Number of Shares Issued

- 635,956,580

Number of Offices

- Domestic: 698
- Overseas: 16

Number of Employees

- 10,560

Shareholders' Meeting

- General Shareholders' Meeting is held every year during the first quarter in Seoul

Auditor

- Deloitte HanaAnjin LLC
- A Member of Deloitte Touche Tohmatsu

MANAGEMENT'S DISCUSSION & ANALYSIS

Kwangju Bank

EARNINGS ANALYSIS

In 2004, Kwangju Bank posted a 26.8% growth in net income, overcoming the challenges of a demanding business environment. Net operating revenue rose by 8.5% to KRW 280 billion as net interest income recorded a 5.6% increase to 247 billion won in 2004. Interest income edged up 1.3% to KRW 526 billion, while interest expenses dropped by 10.0% to KRW 279 billion due to active inducement of low-interest deposits and decreased in average funding cost. In addition, non-interest income increased by 37.5% to KRW 33 billion due to steady growth in fee income.

In line with bank-wide efforts for cost savings, SG&A expenses increased slightly to KRW 130 billion, and cost-to-income ratio improved to 46.4%, falling 2.0%p in 2004. In particular, net non-operating balance recorded a turnaround from net non-operating expense of KRW 8 billion in 2003 to net non-operating income of KRW 10 billion as loss on sale of loans and loss on impairment of securities improved substantially. Due to the growth in net operating revenue and the vastly improved non-operating performance, income before provisions rose by 27.6% over the previous year to KRW 160 billion. Provision for possible loan losses fell by 36.0% to KRW 60 billion in accordance with the improvement in asset quality and effective credit risk management.

The Bank posted a KRW 15 billion or 26.8% increase in net income to KRW 72 billion owing to steady growth in net operating revenue, significant improvement in net non-operating balance, and reduction in provisions. As a result, return on equity improved by 0.8%p to 17.8%, and return on assets increased 0.1%p to 0.8% in 2004.

FINANCIAL CONDITIONS

As of the end of 2004, the Bank's total assets jumped by 12.6%, or KRW 1,108 billion, to KRW 9,886 billion. The year-end balance of loan assets increased by 11.4% to KRW 5,944 billion. Household and SME lending was mainly attributable to the rise in loans.

Total liabilities as of the end of 2004 stood at KRW 9,465 billion, an increase of KRW 1,036 billion or 12.3%. As deposits recorded KRW 7,066 billion with decelerating growth rate of 4.9%, the Bank diversified funding sources through borrowings and debentures. Total shareholders' equity posted steady growth due to solid earnings. Increase in retained earnings boosted total shareholders' equity by KRW 72 billion, or 20.7%, to KRW 420 billion in 2004.

Operating Results and Financial Conditions

(KRW in billions)	2004	2003	Change	
			Diff.	YOY(%)
Total assets	9,886.0	8,777.6	1,108.4	12.6
Loans	5,943.8	5,336.8	607.0	11.4
Total liabilities	9,465.2	8,429.3	1,035.9	12.3
Deposits	7,065.7	6,738.0	327.7	4.9
Total shareholders' equity	420.4	348.3	72.1	20.7
Operating revenue, net	280.0	258.0	22.0	8.5
Net interest income	247.0	234.0	13.0	5.6
Non-interest income	33.0	24.0	9.0	37.5
SG&A expenses	130.0	124.7	5.3	4.3
Non-operating income	10.0	(8.2)	18.2	-
Gain on sale of loans	0.6	(2.3)	2.9	-
Loss on impairment of securities	(3.8)	(11.7)	7.9	-
Others	13.3	5.9	7.4	126.2
Income before provisions	159.5	125.0	34.5	27.6
Provision for possible losses	59.5	93.0	(33.5)	-36.0
Income tax	27.7	(25.0)	52.7	-
Net income	72.3	57.0	15.3	26.8

*Non-consolidated basis

ASSET QUALITY

As of the end of 2004, the Bank's total credits amounted to KRW 5,653 billion, up 8.3% year-on-year. Of this figure, loans classified as "substandard and below" grew by KRW 27 billion to KRW 116 billion, and NPL ratio only edged up to 2.04%. Meanwhile, loan loss reserves grew by KRW 17 billion to KRW 89 billion, and loan loss coverage ratio decreased by 3.6%p to record 77.4% in 2004.

MANAGEMENT'S DISCUSSION & ANALYSIS

CAPITAL ADEQUACY

The BIS capital adequacy ratio (CAR) improved by 1.09%p to 11.81% at year-end 2004 from 10.72% in 2003. In terms of capital adequacy by component, higher retained earnings lifted the Tier I capital ratio by 0.72%p to 6.92% in 2004, while Tier II capital ratio edged up 0.37%p to 4.89%.

Key Financial Data

(%)	2004	2003	Change
Profitability (%)			
ROA	0.8%	0.7%	0.1%p
ROE	17.8%	17.0%	0.8%p
Cost-to-income ratio	46.4%	48.4%	-2.0%p
Asset quality (%)			
NPL ratio	2.04%	1.70%	0.34%p
Loan loss coverage ratio	77.4%	81.0%	-3.6%p
Capital adequacy (%)			
BIS CAR	11.81%	10.72%	1.09%p
Tier I capital ratio	6.92%p	6.20%	0.72%p

Kyongnam Bank

EARNINGS ANALYSIS

In 2004, Kyongnam Bank achieved remarkable operating performance with net income exceeding KRW 100 billion, backed by steady growth in both total assets and net operating revenue.

Net operating revenue rose by 8.6% to KRW 398 billion as net interest income recorded a 14.7% growth to KRW 340 billion in 2004. Interest income remained stable at KRW 653 billion, while interest expenses dropped by 11.5% to KRW 313 billion due to active inducement of low-interest deposits and decrease in average funding cost. On the other hand, non-interest income declined by KRW 12 billion to KRW 58 billion. However, without the reversal of bad loan write-offs amounting to KRW 12.8 billion in 2003, non-interest income in 2004 should have remained stable.

Increased salary, IT operating expenses, and other administrative expenses drove up SG&A expenses by 15.6% to KRW 171 billion, and, as a result, cost-to-income ratio increased somewhat in 2004. Meanwhile, net non-operating balance recorded a considerable improvement as loss on impairment of securities fell by KRW 27 billion. The Bank's net non-operating expense decreased from KRW 39 billion in 2003 to KRW 14 billion in 2004. Due to the growth in net operating revenue and the vastly improved non-operating performance, income before provisions tallied an increase of KRW 34 billion, or 18.9%, over the previous year to KRW 214 billion. Provision for possible loan losses decreased by 18.5% to KRW 102 billion in accordance with the improvement in asset quality and effective credit risk management.

The Bank posted a 28.2% growth in net income to KRW 109 billion owing to steady increase in net operating revenue, and reduction in provisions. Return on equity rose by 1.3%p to 19.2% and return on assets edged up 0.2%p to 1.0% in 2004.

FINANCIAL CONDITIONS

As of the end of 2004, the Bank's total assets jumped by 9.1%, or KRW 996 billion, to KRW 1,982 billion. The largest increase was in loan assets, which increased by 15.5% to KRW 7,432 billion, expanding the portion of loans as a percentage of total assets from 58.6% in 2003 to 62.0% in 2004. Household and SME lending to activate the regional economy was mainly attributable to the rise in loans.

Total liabilities as of the end of 2004 stood at KRW 11,373 billion won, an increase of KRW 884 billion. Deposits, at the same time, rose by 6.2% to KRW 8,991 billion amid ongoing efforts to increase deposit accounts and strengthen localized marketing efforts. While paid-in-capital and capital surplus showed no meaningful change, increase in retained earnings raised total shareholders' equity by KRW 112 billion, or 22.4%, to KRW 609 billion in 2004.

MANAGEMENT'S DISCUSSION & ANALYSIS

Operating Results & Financial Conditions

(KRW in billions)	2004	2003	Change	
			Diff.	YOY(%)
Total assets	11,982.0	10,986.1	995.9	9.1
Loans	7,431.7	6,435.5	996.2	15.5
Total liabilities	11,372.9	10,489.0	883.9	8.4
Deposits	8,990.8	8,462.3	528.5	6.2
Total shareholders' equity	608.8	497.2	111.6	22.4
Operating revenue, net	398.1	366.6	31.5	8.6
Net interest income	340.3	296.6	43.7	14.7
Non-interest income	57.8	70.0	(12.2)	-17.4
SG&A expenses	170.7	147.7	23.0	15.6
Non-operating income, net	(13.6)	(39.1)	25.5	-
Gain on sales of loans	0.0	0.0	0.0	-
Loss on impairment of securities	(12.6)	(39.2)	26.6	-
Others	(1.0)	0.1	(1.1)	-
Income before provisions	213.8	179.8	34.0	18.9
Provision for possible loans losses	102.0	125.1	(23.1)	-18.5
Income tax	2.6	(30.5)	33.1	-
Net income	109.2	85.2	24.0	28.2

* Non-consolidated basis

ASSET QUALITY

The Bank's total credits as of the end of 2004 amounted to KRW 7,364 billion, up 11.8% year-on-year. Of this figure, loans classified as "substandard and below" grew by KRW 37 billion to 151 billion won because there was no sales of bad loans in 2004. Thus, NPL ratio nudged up to 2.05%. Meanwhile, loan loss reserves jumped by KRW 29 billion to KRW 123 billion, and loan loss coverage ratio remained stable at 81.6% in 2004.

CAPITAL ADEQUACY

The BIS capital adequacy ratio (CAR) declined by 0.35%p to 11.34% at year-end 2004 from 11.69% in 2003. In terms of capital adequacy by component, decrease in subordinate capital notes pulled Tier II capital ratio down by 0.94%p to 3.06% in 2004, while higher retained earnings lifted the Tier I capital ratio by 0.60%p to 8.33%.

Key Financial Data

(%)	2004	2003	Change
Profitability (%)			
ROAA	1.0%	0.8%	0.2%p
ROAE	19.2	17.9%	1.3%p
Cost-to-income ratio	43.0%	41.8%	1.2%p
Asset quality (%)			
NPL ratio	2.05%	1.73%	0.32%p
Loan loss coverage ratio	81.6%	82.3%	-0.70%p
Capital adequacy (%)			
BIS CAR	11.34%	11.69%	-0.35%p
Tier I capital ratio	8.33%	7.73%	0.60%p

MANAGEMENT'S DISCUSSION & ANALYSIS

Woori Securities

Woori Securities provides investment banking, brokerage, securities trading, investment advisory, and other related services. The company achieved a profit turnaround in 2004 in line with steady growth in operating revenue and substantial improvement in non-operating income. Operating revenue of KRW 164 billion reflected a 6.1% year-on-year growth, but commission income declined by 12.1% to KRW 56 billion. Despite improved stock market sentiments which boosted brokerage and related fee income, stricter regulations on initial public offerings (IPOs) led to a sharp decrease in the number of companies going public and, consequently, lowering underwriting and agency commissions.

Operating expenses jumped by 11.5% to KRW 168 billion, offsetting an increase in operating revenue in 2004. Accordingly, the company posted operating loss of KRW 4.7 billion in 2004, compared to operating profit of KRW 3.4 billion in 2003. However, on the back of vastly improved non-operating performance, the company's bottom line turned around. The company recorded net non-operating income of KRW 6.0 billion in 2004, compared to net non-operating loss of KRW 20.4 billion in the previous year. As a result, Woori Securities posted a net profit of KRW 0.4 billion in 2004, with ROA and ROE of 0.05% and 0.12%, respectively.

Separately, the average balance of total assets increased by KRW 260 billion, or 43.1%, to KRW 864 billion in 2004, while the average balance of total shareholders' equity decreased by 0.7%, or KRW 2.7 billion, to KRW 366 billion. The capital adequacy ratio fell by 156.4%p to 600.5% in 2004, considerably exceeding the 150% level recommended by the Financial Supervisory Service.

Operating Results and Financial Conditions

(KRW in billions)	2004	2003	Change	
			Diff.	YOY(%)
Operating revenue	163.6	154.2	9.4	6.1
Commission income	56.1	63.8	(7.7)	-12.1
Interest income	21.4	23.5	(2.0)	-8.6
Others	86.1	67.0	19.1	28.5
Operating expenses	168.3	150.9	17.4	11.5
Operating income	(4.7)	3.4	(8.1)	-
Non-operating income, net	6.0	(20.4)	26.4	-
Income tax	0.9	(4.0)	4.9	-
Net income	0.4	(13.1)	13.5	-
Total assets (avg. balance)	863.8	603.7	260.1	43.1
Total shareholders' equity (avg. balance)	365.7	368.4	(2.1)	-0.7
Capital adequacy ratio (%)	600.5%	756.9%	-156.4%p	
ROA (%)	0.05%	-2.2%	2.3%p	
ROE (%)	0.12%	-3.5%	3.6%p	

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. Business results for 2004 deteriorated from the previous year, with operating revenue falling by 15.1% to KRW 5.8 billion. Funds management income, in line with assets under management, reduced by 25.5% to KRW 3.7 billion in 2004.

Operating expense remained stable, despite slight increase in SG&A expense. Operating income dropped by 62.3% to KRW 0.6 billion in 2004, primarily due to a drop in operating revenue. Meanwhile, net non-operating income rebounded substantially, causing pretax income and net income to jump by 87.7% and 87.3% to KRW 3.6 billion and KRW 2.5 billion, respectively. Furthermore, WITM boasted ROE of 7.24% and ROA of 7.16% in 2004, compared to 3.73% and 3.46% in the previous year.

Operating Results and Financial Conditions

(KRW in billions)	2004	2003	Change	
			Diff.	YOY(%)
Operating revenue	5.8	6.8	(1.0)	-15.1
Funds management income	3.7	5.0	(1.3)	-25.5
Others	2.1	1.8	0.2	14.0
Operating expenses	5.1	5.1	0.0	0.7
SG&A expenses	5.1	5.1	0.1	1.1
Others	0.1	0.0	-	-
Operating income	0.6	1.7	(1.1)	-62.3
Non-operating income	3.0	0.2	2.8	1,190.7
Income before tax	3.6	1.9	1.7	87.7
Income tax	1.1	0.6	0.5	88.5
Net income	2.5	1.3	1.2	87.3
Total assets (avg. balance)	34.9	39.0		
Total shareholders' equity (avg. balance)	34.4	36.0		
Risk-to-equity ratio (%)	600.0%	719.3%	-119.3%p	
ROA (%)	7.16%	3.46%	3.70%p	
ROE (%)	7.24%	3.73%	3.51%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 2004, total assets amounted to KRW 234 billion, a sizeable increase of KRW 62 billion, or 36.0% from the previous year. Total liabilities also rose by KRW 40 billion, or 29.2%, to KRW 175 billion. Assets increased mainly due to the underwriting of equity and subordinated debt of asset securitization specialty companies while liabilities rose owing to increased borrowings from Woori Finance Holdings. While there was no change in capital, the solid growth in net income and resulting increase in retained earnings boosted total shareholders' equity by 61.7% to KRW 59 billion.

Operating revenue in 2004 rose by 23.4% to record KRW 39 billion. The rise was due to an 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, operating expenses became insignificant due to the separation of the asset management business. As a result, operating income rose by 21.8% to KRW 38 billion. Non-operating income remained near the previous year's level, while non-operating expenses increased by KRW 3 billion to by KRW 11 billion due to higher interest expense on long-term debts. Ordinary income and net income grew by 16.2% and 18.3% to KRW 28 billion and KRW 20 billion, respectively.

Operating Results and Financial Conditions

(KRW in billions)	2004	2003	Change	
			Diff.	YOY(%)
Total assets	233.7	171.8	61.9	36.0
Current assets	37.1	24.2	12.9	53.3
Fixed assets	196.5	147.5	49.0	33.2
Total liabilities	175.0	135.5	39.5	29.2
Current liabilities	4.0	4.7	(0.7)	-14.9
Long-term liabilities	170.9	130.8	40.1	30.7
Total shareholders' equity	58.7	36.3	22.4	61.7
Operating revenue	39.0	31.6	7.4	23.4
Operating expenses	1.0	0.3	0.7	233.3
Operating income	38.0	31.2	6.8	21.8
Non-operating income	0.9	0.7	0.2	28.6
Non-operating expenses	10.9	7.8	3.1	39.7
Ordinary income	28.0	24.1	3.9	16.2
Income tax	7.9	7.2	0.7	9.7
Net income	20.0	16.9	3.1	18.3

Woori Finance Information System

Woori Finance Information System (WFIS) manages and develops IT systems and software, and maintains telecommunications network used by the holding company and its subsidiaries. As of the end of 2004, total assets of WFIS stood at KRW 322 billion, up by 15.0% or KRW 42 billion, compared to KRW 280 billion at the end of 2003. Separately, total liabilities increased by 15.3% to KRW 314 billion at year-end 2004. Both current assets and current liabilities jumped significantly in 2004, propelled by increasing working capital requirements.

In 2004, operating revenue recorded a mild increase of 10.6% to KRW 312 billion. As the top line growth rate decelerated, WFIS suffered from rising COGS burden, resulting in a 38.3% drop in operating income to KRW 13 billion. Meanwhile, as non-operating income grew and non-operating expenses nudged down, net non-operating balance improved in 2004. Nonetheless, the improvement in net non-operating balance was not sufficient to cover the reduction in operating income. As a result, the deterioration of operating profitability caused ordinary income and net income to drop by 84.7% and 90.0%, respectively, in 2004.

Operating Results and Financial Conditions

(KRW in billions)	2004	2003	Change	
			Diff.	YOY(%)
Total assets	322.2	280.2	42.0	15.0
Current assets	91.8	66.1	25.7	38.9
Fixed assets	230.4	214.2	16.2	7.6
Total liabilities	314.1	272.5	41.6	15.3
Current liabilities	165.6	49.8	115.8	232.5
Long-term liabilities	148.4	222.8	(74.4)	-33.4
Total shareholders' equity	8.1	7.7	0.4	5.2
Operating revenue	311.8	281.8	30.0	10.6
COGS	285.0	247.5	37.5	15.2
Gross profit	26.8	34.3	(7.5)	-21.9
SG&A expenses	13.9	13.4	0.5	3.7
Operating income	12.9	20.9	(8.0)	-38.3
Non-operating income	3.5	1.0	2.5	250.0
Non-operating expenses	15.5	16.0	(0.5)	-3.1
Ordinary income	0.9	5.9	(5.0)	-84.7
Income tax	0.5	1.9	(1.4)	-73.7
Net income	0.4	4.0	(3.6)	-90.0

**Deloitte HanaAnjin LLC**

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Independent Auditors' Report

To the Board of Directors and Shareholders of Woori Finance Holdings Co., Ltd.

We have audited the accompanying non-consolidated balance sheet of Woori Finance Holdings Co., Ltd. (the "Company") as of December 31, 2004 and 2003, and the related non-consolidated income statements, appropriations of retained earnings and cash flows for the years ended December 31, 2004 and 2003, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of LG Investment Securities Co., Ltd., the Company's investment in which is accounted for in the non-consolidated financial statements by use of the equity method. The Company's equity of ₩355,201 million in LG Investment Securities Co., Ltd. net assets as of December 31, 2004 is included in the accompanying financial statements. The financial statements of LG Investment Securities Co., Ltd. were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for LG Investment Securities Co., Ltd., is based solely on the report of such other auditors.

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

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and 2003, and the results of its operations, the appropriations of its retained earnings and its cash flows for the years then ended, in conformity with financial accounting standards generally accepted in the Republic of Korea.

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

Without affecting our conclusion, we draw attention to the following:

As explained in Notes 1 and 25, Woori Bank, a subsidiary of the Company, merged with Woori Credit Card Co., Ltd. ("WCC"), also a subsidiary of the Company, on March 31, 2004. Woori Bank took over substantially all of the assets and liabilities of WCC by exchanging one common share of WCC with 0.3581 share of Woori Bank and ₩ 330.4 billion (US\$ 316.5 million) of the difference between ₩ 657.3 billion (US\$ 629.8 million) of net assets acquired from WCC and ₩ 326.9 billion (US\$ 313.2 million) of consideration for the merger was recorded as capital surplus of Woori Bank. As a result, the number of issued common shares and contributed capital of Woori Bank increased from 570.6 million and ₩ 2,852.8 billion (US\$ 2,733.1 million) to 636.0 million and ₩ 3,179.8 billion (US\$ 3,046.4 million).

As explained in Notes 1 and 26, on June 18, 2004, the Company issued 8.6 million new common shares in exchange for 15.6 million common shares of Woori Securities, a subsidiary of the Company, in order to wholly own the subsidiary. As a result, the number of issued common shares and contributed capital of the Company increased from 775.5 million and ₩ 3,877.5 billion (US\$ 3,714.8 million) to 784.1 million and ₩ 3,920.4 billion (US\$ 3,755.9 million).

As explained in Notes 1 and 27, on October 26 and December 24, 2004, the Company acquired 7,000,000 and 25,877,487 shares of LG Investment Securities Co., Ltd. ("LG Securities")'s common stock for ₩ 55.0 billion (US\$ 52.7 million) and ₩ 297.6 billion (US\$ 285.1 million), respectively. As a result, the Company has 26.92% of the voting rights of LG Securities. LG Securities was established in January 1969 to engage in trading, agency, brokerage and underwriting of securities. On September 30, 1975, LG Securities listed its shares on the Korea Stock Exchange. On October 1, 1999, LG Securities merged with LG Merchant Banking Co., Ltd. As of December 31, 2004, its issued common stock amounted to ₩ 625,457 million (US\$ 599,212 thousand) consisting of 122,116,369 shares and its issues preferred stock amounted ₩ 99,354 million (US\$ 95,185 thousand) consisting of 19,870,968 shares.

As explained in Note 24, Woori Bank, Kwangju Bank and Kyongnam Bank, subsidiaries of the Company, have loans receivable, equity securities and debt securities from LG Card Co., Ltd. (LG Card) in the total amount of ₩ 193.1 billion (US\$ 185.0 million), ₩ 351.8 billion (US\$ 337.0 million) and ₩ 179.4 billion (US\$ 171.9 million), respectively, as of December 31, 2004. In connection therewith, the banks provided ₩ 350.4 billion (US\$ 335.7 million) as allowances for credit losses and cumulative impairment losses on securities, and recorded ₩ 145.5 billion (US\$ 139.4 million) of gains on valuation of available-for-sale securities on capital adjustments. In addition, Woori Bank recorded ₩ 15.0 billion (US\$ 14.4 million) in related losses on trust accounts, for which repayment of principal or interest is guaranteed by Woori Bank. Such trust accounts have Commercial Paper in total amount of ₩ 69.7 billion (US\$ 66.8 million) as of December 31, 2004. However, the actual losses on LG Card credit may differ from the current estimate.

As explained in Note 20, the Company's receivables from its subsidiaries as of December 31, 2004 and 2003 are ₩ 288.8 billion (US\$ 276.7 million) and ₩ 1,238.1 billion (US\$ 1,186.1 million), respectively, and payables to its subsidiaries are ₩ 16.0 billion (US\$ 15.3 million) and ₩ 18.5 billion (US\$ 17.7 million), respectively. In addition, for the years ended December 31, 2004 and 2003, revenues from transactions with its subsidiaries are ₩ 32.5 billion (US\$ 31.1 million) and ₩ 74.1 billion (US\$ 71.0 million), respectively, and expenses from transactions with its subsidiaries are ₩ 17.1 billion (US\$ 16.4 million) and ₩ 7.3 billion (US\$ 7.0 million), respectively.

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

Deloitte Hama Anjin LLC

February 25, 2005

Notice to Readers

This report is effective as of February 25, 2005, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

NON-CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2004 AND 2003

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
ASSETS				
Cash and bank deposits (Notes 16, 18 and 20)	₩ 56,099	₩ 349,585	US\$ 53,745	US\$ 334,916
Investment securities accounted for using the equity method of accounting (Notes 3 and 18)	9,425,381	7,007,222	9,029,873	6,713,184
Loans, net of allowance for possible loan losses (Notes 4, 18 and 20)	218,641	830,566	209,466	795,714
Fixed assets (Note 6)	282	293	270	281
Other assets (Notes 7 and 20)	36,046	60,149	34,534	57,625
	₩ 9,736,449	₩ 8,247,815	US\$ 9,327,888	US\$ 7,901,720
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Borrowings (Notes 8 and 18)	₩ 120,000	₩ -	US\$ 114,964	US\$ -
Debentures, net of discounts and reconciliation for conversion rights and added accrued interest and redemption premium (Notes 9, 10 and 18)	2,154,637	2,621,182	2,064,224	2,511,192
Other liabilities (Notes 12 and 20)	25,355	28,738	24,292	27,532
	2,299,992	2,649,920	2,203,480	2,538,724
SHAREHOLDERS' EQUITY				
Common stock (Note 13)	3,982,278	3,877,525	3,815,173	3,714,816
Capital surplus (Note 13)	84,356	61,324	80,816	58,751
Retained earnings (Notes 3 and 13):				
Legal reserve	79,178	58,921	75,856	56,448
Voluntary reserve	1,120,000	1,000,000	1,073,003	958,038
Retained earnings before appropriations (Net income of ₩ 1,292,493 million and ₩ 202,565 million for the years ended December 31, 2004 and 2003, respectively)	1,160,244	223,945	1,111,558	214,548
	2,359,422	1,282,866	2,260,417	1,229,034
Capital adjustments (Notes 3, 13 and 14)	1,010,401	376,180	968,002	360,395
	7,436,457	5,597,895	7,124,408	5,362,996
	₩ 9,736,449	₩ 8,247,815	US\$ 9,327,888	US\$ 7,901,720

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED INCOME STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	In Millions of Korean Won except for income per share data		In Thousands of U.S. Dollars (note 2) except for income per share data	
	2004	2003	2004	2003
OPERATING REVENUE				
Gain on valuation using the equity method of accounting (Note 3)	₩ 1,904,173	₩ 1,491,813	US\$ 1,824,270	US\$ 1,429,213
Interest income (Note 20)	32,085	66,249	30,739	63,469
Gain on foreign currency transactions	2,884	-	2,762	-
Gain on foreign currency translation	8,441	2,454	8,087	2,352
Reversal of allowance for doubtful accounts	3,204	15,656	3,070	14,999
Gain on valuation of swap contracts (Notes 9 and 20)	-	17,078	-	16,361
Gain on valuation on investment securities	2,630	-	2,520	-
	1,953,417	1,593,250	1,871,448	1,526,394
OPERATING EXPENSES				
Loss on valuation using the equity method of accounting (Note 3)	(474,516)	(1,196,627)	(454,604)	(1,146,414)
Interest expense	(145,030)	(138,837)	(138,944)	(133,011)
Loss on foreign currency transactions	(293)	-	(281)	-
Loss on foreign currency translation	-	(16,026)	-	(15,353)
Loss on valuation of swap contracts (Notes 9 and 20)	(13,111)	(3,410)	(12,561)	(3,267)
Fees and commissions	(8,037)	(6,704)	(7,700)	(6,423)
General and administrative (Notes 17 and 20)	(21,988)	(28,549)	(21,065)	(27,351)
	(662,975)	(1,390,153)	(635,155)	(1,331,819)
OPERATING INCOME	1,290,442	203,097	1,236,293	194,575
NON-OPERATING INCOME	2,160	1,189	2,069	1,139
NON-OPERATING EXPENSES	(109)	(1,721)	(105)	(1,649)
INCOME BEFORE INCOME TAX EXPENSE	1,292,493	202,565	1,238,257	194,065
INCOME TAX EXPENSE (Note 15)	-	-	-	-
NET INCOME	₩ 1,292,493	₩ 202,565	US\$ 1,238,257	US\$ 194,065
BASIC ORDINARY INCOME PER COMMON SHARE (Note 21)	₩ 1,655	₩ 262	US\$ 1.586	US\$ 0.251
BASIC NET INCOME PER COMMON SHARE (Note 21)	₩ 1,655	₩ 262	US\$ 1.586	US\$ 0.251
DILUTED ORDINARY INCOME PER COMMON SHARE (Note 21)	₩ 1,626	₩ 261	US\$ 1.558	US\$ 0.250
DILUTED NET INCOME PER COMMON SHARE (Note 21)	₩ 1,626	₩ 261	US\$ 1.558	US\$ 0.250

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
RETAINED EARNINGS BEFORE APPROPRIATIONS:				
Unappropriated retained earnings carried over from prior years	₩ 6,138	₩ 29,334	US\$ 5,881	US\$ 28,103
Increases in retained earnings using the equity method of accounting (Note 3)	-	1,939	-	1,858
Decreases in retained earnings using the equity method of accounting (Note 3)	(138,387)	(9,893)	(132,580)	(9,478)
Net income	1,292,493	202,565	1,238,257	194,065
	1,160,244	223,945	1,111,558	214,548
APPROPRIATIONS				
Legal reserve	(129,249)	(20,257)	(123,825)	(19,407)
Dividends				
Dividends in cash (Note 13)	(119,468)	(77,550)	(114,455)	(74,296)
(Dividends per common stock: ₩ 150 (3.0%) and ₩ 100 (2.0%) in 2004 and 2003, respectively)				
Voluntary reserve	(910,000)	(120,000)	(871,815)	(114,964)
	(1,158,717)	(217,807)	(1,110,095)	(208,667)
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR				
	₩ 1,527	₩ 6,138	US\$ 1,463	US\$ 5,881

See accompanying notes to non-consolidated financial statements.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	₩ 1,292,493	₩ 202,565	US\$ 1,238,257	US\$ 194,065
Adjustments to reconcile net income to net cash used in operating activities:				
Loss on valuation using the equity method of accounting	474,516	1,196,627	454,604	1,146,414
Interest expense (amortization of discounts on debentures)	10,438	11,196	10,000	10,726
Loss on valuation of swap contracts	13,111	3,410	12,561	3,267
Loss on foreign currency translation	-	16,026	-	15,353
Provision for severance benefits	215	626	206	600
Depreciation	165	153	158	147
Amortization on intangible assets	19	14	18	13
Stock compensation	273	468	262	448
Other non-operating expenses	8	1,131	8	1,084
Gain on valuation using the equity method of accounting	(1,904,173)	(1,491,813)	(1,824,270)	(1,429,213)
Accrued interest on loans	(2,256)	(26,397)	(2,161)	(25,289)
Gain on valuation of swap contracts	-	(17,078)	-	(16,361)
Gain on foreign currency translation	(8,441)	(2,454)	(8,087)	(2,352)
Reversal of allowance for doubtful accounts	(3,204)	(15,656)	(3,070)	(14,999)
Gain on valuation of investment securities	(2,630)	-	(2,520)	-
Gain on sales of tangible assets	(15)	(12)	(14)	(11)
Other non-operating revenue	-	(970)	-	(929)
	(1,421,974)	(324,729)	(1,362,305)	(311,102)
Changes in operating assets and liabilities:				
Increase in other receivable	(319)	(128)	(306)	(123)
Decrease in accrued income	28,425	3,859	27,232	3,697
Decrease in currency swap contracts	16,463	-	15,772	-
Increase in prepaid money	(81)	(1)	(78)	(1)
Decrease in prepaid expenses	137	1,093	131	1,047
Decrease in prepaid income tax	1,162	411	1,113	394
Retirement benefits payment	(567)	(11)	(543)	(11)
Increase in retirement insurance	(277)	(373)	(265)	(357)
Increase (decrease) in other payables	(343)	364	(328)	349
Increase (decrease) in accrued expenses	1,822	(1,211)	1,746	(1,160)
Increase in withholdings	196	85	188	81
Decrease in currency swap contracts	(14,143)	-	(13,550)	-
	32,475	4,088	31,112	3,916
Net cash used in operating activities	(97,006)	(118,076)	(92,936)	(113,121)

(Continued)

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
CASH FLOWS FROM INVESTING ACTIVITIES:				
Dividend income	₩ 700,311	₩ 552,990	US\$ 670,925	US\$ 529,785
Collection of loans	5,000	179,600	4,790	172,064
Collection of other loans	610,000	358,697	584,403	343,645
Disposition of tangible assets	52	17	50	16
Acquisition of investment securities accounted for using the equity method of accounting	(1,152,570)	(856,959)	(1,104,206)	(820,999)
Extension of loans	-	(121,850)	-	(116,737)
Acquisition of fixed assets	(188)	(76)	(180)	(73)
Acquisition of intangible assets	(22)	(15)	(21)	(14)
Payment of guarantee deposits	(333)	-	(319)	-
Net cash provided by investing activities	162,250	112,404	155,442	107,687
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from borrowings	690,000	150,000	661,046	143,706
Proceeds from debentures in local currency	997,382	618,255	955,530	592,312
Proceeds from debentures in foreign currencies	-	49,812	-	47,722
Capital increase with consideration	-	38,451	-	36,837
Repayment of borrowings	(570,000)	(450,000)	(546,081)	(431,117)
Redemption of debentures in local currency	(1,050,000)	(66,680)	(1,005,940)	(63,882)
Redemption of debentures in foreign currencies	(347,610)	-	(333,024)	-
Cost on issuance of new shares	(934)	(574)	(895)	(550)
Payment of dividends	(77,550)	(57,262)	(74,296)	(54,859)
Acquisition of treasury stock	(18)	-	(17)	-
Net cash provided by (used in) financing activities	(358,730)	282,002	(343,677)	270,169
NET INCREASE (DECREASE) IN CASH AND BANK DEPOSITS	(293,486)	276,330	(281,171)	264,735
CASH AND BANK DEPOSITS, BEGINNING OF THE YEAR	349,585	73,255	334,916	70,181
CASH AND BANK DEPOSITS, END OF THE YEAR (Note 16)	₩ 56,099	₩ 349,585	US\$ 53,745	US\$ 334,916

See accompanying notes to non-consolidated financial statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

1. GENERAL

(1) Woori Finance Holdings Co., Ltd.

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

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

On June 24, 2002, the Company listed its common shares on the Korea Stock Exchange through a public offering at a price of ₩ 6,800 per share with 36,000,000 new shares and 54,000,000 issued shares.

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

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

Parent companies	Subsidiaries	2004		2003		Financial statements as of
		Number of shares owned	Percentage of ownership (%)	Number of shares owned	Percentage of ownership (%)	
Woori Finance Holdings Co., Ltd.	Woori Bank (*1)	635,956,580	100.0	570,567,520	100.0	Dec. 31
"	Kwangju Bank	34,080,000	99.9	34,080,000	99.9	Dec. 31
"	Kyongnam Bank	51,800,000	99.9	51,800,000	99.9	Dec. 31
"	Woori Credit Card Co., Ltd. (*1)	-	-	22,600,000	100.0	Dec. 31
"	Woori Finance Information System Co., Ltd.	900,000	100.0	900,000	100.0	Dec. 31
"	Woori F&I Co., Ltd.	2,000,000	100.0	2,000,000	100.0	Dec. 31
"	Woori Second Asset Securitization Specialty Co., Ltd.	1,900	95.0	1,900	95.0	Dec. 31
"	Woori Third Asset Securitization Specialty Co., Ltd.	2,000	100.0	2,000	100.0	Dec. 31

(Continued)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

(*1) Woori Bank, a subsidiary of the Company, merged with WCC, also a subsidiary of the Company, on March 31, 2004. Woori Bank issued 0.3581 new common shares per one common share of WCC. Accordingly, the number of issued common shares and contributed capital of Woori Bank increased from 508 million and ₩ 2,852.8 billion (US\$ 2,733.1 million) to 636 million and ₩ 3,179.8 billion (US\$ 3,046.4 million).

(*2) On June 18, 2004, the Company acquired Woori Securities Co., Ltd.'s 15,584,113 shares of common stock, which represent a 47.3% ownership interest. As a result, the number of issued common shares and contributed capital of the Company increased from 775.5 million and ₩ 3,877.5 billion (US\$ 3,714.8 million) to 784.1 million and ₩ 3,920.4 billion (US\$ 3,755.9 million), and Woori Securities Co., Ltd. became a wholly owned subsidiary.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(*3) On October 26, and December 24, 2004, the Company acquired 7,000,000 and 25,877,487 shares of LG Securities' common stock for ₩ 54,980 million (US\$ 52,673 thousand) and ₩ 297,591 million (US\$ 285,103 thousand), respectively. As a result, the Company owns 26.92% of the voting rights of LG Securities and is able to govern LG Securities; therefore, the Company includes it as a consolidated subsidiary.

(*4) In 2004, Woori Bank acquired PT. Bank Woori Indonesia's 231 shares of common stock, which represents a 13.6% ownership interest in the 2nd-tier subsidiary of the Company.

(*5) On December 28, 2004, Woori Bank acquired a 52.38% ownership interest in Woori First Private Equity Fund for ₩ 22,110 million (US\$ 21,182 thousand).

(*6) As a result of the consolidation of LG Securities, the subsidiaries of LG Securities are included as 2nd-tier subsidiaries of the Company.

(3) General information pertaining to the Company's subsidiaries as of December 31, 2004 is set forth below.

a. Woori Bank

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

b. Kwangju Bank

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

c. Kyongnam Bank

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

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d. Woori Finance Information System Co., Ltd.

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

e. Woori F&I Co., Ltd.

Woori F&I Co., Ltd. ["WF&I", formerly Woori Asset Management Co., Ltd. ("WAMC")] was established on November 16, 2001 to engage in the business of management, operation and disposition of securitization assets. On September 13, 2002, WF&I split off the asset management business segment and established Woori CA Asset Management Co., Ltd. ("WCAAMC"). As a result, WF&I is engaged in the business of acquisition and disposition of securities issued by asset securitization specialty corporations, established based on the Act on Asset-Backed Securitization for the purpose of non-performing assets securitization, and in the business of acquisition and disposition of equity of asset management corporations, which are established for the purpose of non-performing assets management. On September 16, 2002, Woori Asset Management Co., Ltd. changed its name to Woori F&I Co., Ltd. As of December 31, 2004, its common stock amounted to ₩ 10,000 million (US\$ 9,580 thousand) consisting of 2,000,000 shares issued and outstanding all of which are owned by the Company. The office of WF&I is located in Seoul, Korea.

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

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

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

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

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h. Woori Investment Trust Management Co., Ltd.

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

i. Woori Securities Co., Ltd.

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

j. LG Investment Securities Co., Ltd.

LG Investment Securities Co., Ltd. ("LG Securities") was established in January 1969 to engage in trading, agency, brokerage and underwriting of securities. On September 30, 1975, LG Securities listed its shares on the Korea Stock Exchange. On October 1, 1999, LG Securities merged with LG Merchant Banking Co., Ltd. LG Securities became a subsidiary of the Company as of December 24, 2004 as Woori Finance Holdings Co., Ltd. acquired 26.92% of voting right of LG Securities and is able to govern its management. As of December 31, 2004, its issued common stock amounted to ₩ 625,457 million (US\$ 599,212 thousand) consisting of 122,116,369 shares and its issues preferred stock amounted ₩ 99,354 million (US\$ 95,185 thousand) consisting of 19,870,968 shares. The head office of LG Securities is located in Seoul, Korea. LG Securities has 117 branches and 2 offices in Korea and one overseas office.

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

a. Woori Credit Information Co., Ltd.

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

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b. Woori America Bank

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

c. PT. Bank Woori Indonesia

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

d. Woori CA Asset Management Co., Ltd.

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

e. The information of other 2nd - tier subsidiaries are as follows (Unit: Korean won in millions, U.S. dollar and EURO in thousands):

Subsidiaries	Main business	Capital	Number of issued shares	Date of establishment	Location
Woori First Private Equity Fund	Securities Investments	₩ 42,210	-	2004. 12.20	Seoul, Korea
LG Futures Co., Ltd.	Futures trading	₩ 25,000	5,000,000	1992. 07.10	Seoul, Korea
LG Investment Trust Management Co., Ltd.	Investment				
	Advisory Service	₩ 30,000	6,000,000	1988. 03.26	Seoul, Korea
LG Securities Int'l Ltd.	Securities	USD 5,788	5,788,000	1991. 08.15	London, UK
LG Securities (H.K.) Limited	Securities	USD 22,500	22,500,000	1995. 03.06	Hong Kong, China
LG Securities America, Inc.	Securities	USD 3 dollar	300	1992. 06.18	New York, USA

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Subsidiaries	Main business	Capital	Number of issued shares	Date of establishment	Location
High Technology Venture Investment	Securities Investments	USD 35	3,500,000	2000.2.28	Malaysia
Global Technology Investment	Securities Investments	USD 30	3,000,000	1999.6.28	Malaysia
LG Investment Holding B.V. (Amsterdam) GG	Securities Investments	EURO16,424	1,642,398,242	1996.10.18	Amsterdam, Holland

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

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

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

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

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

The Company early adopted Statement of Korea Accounting Standards No. 15 - 'The equity method of accounting' in 2004 prospectively in order to improve coincidence of methodologies of disclosures and accounting on investment securities applied using the equity method of accounting. As a result of the adoption, net income of the Company decreased by ₩ 13.4 billion (US\$ 12.8 million) and net equity increased by ₩ 21.4 billion (US\$ 20.5 million) in 2004 in comparison with by former accounting standard. In addition, the account balances relating to the equity method of accounting on the accompanying financial statements in 2003 were reclassified for comparative purposes; however, there is no effect on net income and net equity in 2003.

If the Company owns 20% or more of voting shares of its investees, either directly or indirectly, the Company is presumed to have significant influence on the investees' management and accordingly, the investment equity securities in those investees are accounted for using the equity method of accounting. Investment equity securities are initially stated at their acquisition costs including incidental cost incurred in connection with acquisition of the related securities.

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

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

b. Allowance for possible loan losses

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

c. Tangible assets and depreciation

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

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

d. Intangible assets

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

e. Amortization of discount (premium) on debentures

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

f. Accrued severance benefits

In accordance with the Company's policy, all employees with more than one year of service are entitled to receive severance indemnity payments at termination. Deposits for severance benefits, which will be directly paid to employees, are recorded as deductions from accrued severance indemnities (Note 11).

g. Accounting for derivative instruments

The Company accounts for derivative instruments pursuant to the Interpretations on Financial Accounting Standards 53-70 on accounting for derivative instruments. Derivative instruments are classified as either trading or hedging depending on their transaction purpose. Derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. The accounting for derivative

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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.

h. Stock options

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

i. Accounting for foreign currency transactions and translation

The Company maintains its accounts in Korean won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rate of exchange on the transaction date. The Korean won equivalent of monetary assets and liabilities denominated in foreign currencies are translated in these financial statements based on the Base Rate announced by Seoul Money Brokerage Services, Ltd. (₩ 1,043.8 and ₩ 1,197.8 to \$ 1.00 at December 31, 2004 and 2003, respectively) or cross rates as of the balance sheet dates. Translation gains and losses on foreign currency denominated assets and liabilities are credited or charged to current operations.

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

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

k. Earnings per common share

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

Diluted ordinary income per common share and diluted net income per common share are computed by dividing the diluted ordinary income and diluted net income by the sum of the weighted average number of common shares and the number of dilutive potential common shares from dilutive securities.

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3. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD OF ACCOUNTING

(1) Changes in equity securities for the year ended December 31, 2004, which are accounted for using the equity method of accounting, are as follows (Unit: Korean won in millions):

	January 1, 2004	Gain (loss) on valuation using the equity method	Capital adjust- ments	Retained earnings	Other increase (decrease)	December 31, 2004
Woori Bank	₩ 5,869,559	₩ 1,708,094	₩ 443,424	₩ (3,222)	₩ (439,492)	₩ 7,578,363
Kwangju Bank	364,955	55,728	8,472	(40)	(8,520)	420,595
Kyongnam Bank	504,628	101,751	15,394	(21)	(12,950)	608,802
Woori Credit Card (*1)	-	(466,410)	1,677	(135,104)	599,837	-
Woori Finance Information System	7,284	329	-	-	-	7,613
Woori F&I	35,896	19,935	3,900	-	(1,500)	58,231
Woori Second Asset Securitization Specialty (*2)	20,016	8,098	-	-	(28,114)	-
Woori Third Asset Securitization Specialty (*2)	1,266	7,740	7,620	-	(16,626)	-
Woori Investment Trust Management	34,978	2,498	-	-	(2,400)	35,076
Woori Securities	168,640	(8,106)	152,653	-	48,313	361,500
LG Securities (*3)	-	-	-	-	355,201	355,201
	₩ 7,007,222	₩ 1,429,657	₩ 633,140	₩ (138,387)	₩ 493,749	₩ 9,425,381

(*1) ₩ 105,581 million (US\$ 101,151 thousand) of unrecorded loss on valuation of the equity securities in WCC in 2003 due to discontinuance of the equity method of accounting was reflected in the other increase or decrease for the year ended December 31, 2004. In addition, the investment securities of WCC were combined in those of Woori Bank since WCC was merged into Woori Bank on March 31, 2004. Therefore, the ending balance of investment in WCC has been zero.

(*2) In 2004, the equity method of accounting is discontinued for the valuation of those investment securities as the investment balance has been reduced to zero.

(*3) As of December 31, 2004, the market price of the Company's interest in LG Securities amounts to ₩ 280,774 million (US\$ 268,992 thousand).

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FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(2) The reconciliation between the acquisition costs and the book value as of December 31, 2003 is summarized as follows (Unit: Korean won in millions):

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

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

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

	Merger between subsidiaries	Acquisition	Dividends	Total
Woori Bank	₩ 200,163	₩ -	₩ (639,655)	₩ (439,492)
Kwangju Bank	-	-	(8,520)	(8,520)
Kyongnam Bank	-	-	(12,950)	(12,950)
Woori Credit Card	(200,163)	800,000	-	599,837
Woori F&I	-	-	(1,500)	(1,500)
Woori Second Asset Securitization Specialty	-	-	(28,114)	(28,114)

(Continued)

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	Merger between subsidiaries	Acquisition	Dividends	Total
Woori Third Asset Securitization Specialty	-	-	(16,626)	(16,626)
Woori Investment Trust Management	-	-	(2,400)	(2,400)
Woori Securities	-	56,999	(8,686)	48,313
LG Securities (*1)	-	355,201	-	355,201
	₩ -	₩ 1,212,200	₩ (718,451)	₩ 493,749

(*1) On December 24, 2004, the Company acquired an additional ownership interest in LG Securities and the Company revaluated the equity securities that the Company had owned until then and recognized ₩ 2,630 million (US\$ 2,520 thousand) of gain on valuation of investment securities and included in acquisition cost on December 24, 2004.

(4) The details of other increase or decrease for the year ended December 31, 2003 are as follows (Unit: Korean won in millions):

	Acquisition (disposition)	Dividends	Total
Woori Bank	₩ 227,084	₩ (573,890)	₩ (346,806)
Kwangju Bank	-	(6,816)	(6,816)
Kyongnam Bank	-	(10,360)	(10,360)
Woori Credit Card	1,740,000	-	1,740,000
Woori Investment Bank	(249,666)	-	(249,666)
Woori F&I	-	(1,500)	(1,500)
Woori Second Asset Securitization Specialty	-	(13,000)	(13,000)
Woori Investment Trust Management	-	(7,500)	(7,500)
Woori Securities	16,959	(5,300)	11,659
	₩ 1,734,377	₩ (618,366)	₩ 1,116,011

(5) The details of changes in the difference between the acquisition cost and the proportionate net asset value on the acquisition date for the year ended December 31, 2004 are as follows (Unit: Korean won in millions):

	January 1, 2004	Increase or decrease	Amortization (*1)	December 31, 2004
Woori Bank (*1)	₩ 264,026	₩ 24,056	₩ 288,082	₩ -
Kwangju Bank (*1)	16,442	-	16,442	-
Kyongnam Bank (*1)	7,565	-	7,565	-

(Continued)

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FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	January 1, 2004	Increase or decrease	Amortization (* 1)	December 31, 2004
Woori Credit Card	24,415	(24,056)	359	-
Woori F&I	84	-	5	79
LG Securities	-	(15,405)	-	(15,405)
	₩ 312,532	₩ (15,405)	₩ 312,453	₩ (15,326)

(*1) Those subsidiaries eventually realized the tax benefits, which the Company did not recognize as an identifiable deferred tax asset when it acquired those subsidiaries and they are reflected to the Company's gain on valuation using the equity method accounting in 2004. Therefore, the Company deducted the excess of the acquisition cost over the proportionate net asset value of those subsidiaries on the acquisition date as much as the realized tax benefits in 2004.

The details of changes in the difference between the acquisition cost and the proportionate net asset value on the acquisition date for the period from its acquisition to December 31, 2003 are as follows (Unit: Korean won in millions):

	The initial difference at acquisition	Increase or decrease	Amortization	December 31, 2003
Woori Bank	₩ 328,323	₩ (17,300)	₩ 46,997	₩ 264,026
Kwangju Bank	19,343	-	2,901	16,442
Kyongnam Bank	8,900	-	1,335	7,565
Woori Credit Card	28,721	-	4,306	24,415
Woori Investment Bank	5,979	(5,282)	697	-
Woori Finance Information System	(110)	-	(110)	-
Woori F&I	94	-	10	84
Woori Securities	355	-	355	-
	₩ 391,605	₩ (22,582)	₩ 56,491	₩ 312,532

(6) The details of unrealized inter-company income or loss for the year ended December 31, 2004 are as follows

(Unit: Korean won in millions):

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

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4. LOANS

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

	Issuance date	Maturity date	Annual interest rate (%)	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
				2004	2003	2004	2003
Woori Finance Information System (*1)	Oct. 31, 2002	Oct. 31, 2006	7.3	₩ 30,000	₩ 30,000	US\$ 28,741	US\$ 28,741
Woori F&I (*2)	Dec. 20, 2002	Dec. 20, 2006	7.6	-	5,000	-	4,790
"	Mar. 25, 2003	Mar. 25, 2007	7.3	90,000	90,000	86,223	86,223
"	Jul. 7, 2003	Jul. 7, 2007	7.3	23,000	23,000	22,035	22,035
"	Jul. 29, 2003	Jul. 29, 2007	7.3	8,850	8,850	8,479	8,479
				<u>121,850</u>	<u>126,850</u>	<u>116,737</u>	<u>121,527</u>
WASS2:							
2-1 non-guaranteed privately placed bond (*3)	Jan. 8, 2002	Jan. 8, 2012	7.5	100	100	96	96
WASS3:							
3-1 non-guaranteed privately placed bond (*3)	Apr. 15, 2002	Apr. 15, 2012	7.8	17,790	27,790	17,043	26,624
Woori Bank:							
1st non-guaranteed subordinated convertible bonds	Sep. 27, 2002	Sep. 27, 2012	-	-	150,000	-	143,706
2nd non-guaranteed subordinated convertible bonds	Oct. 30, 2002	Oct. 30, 2012	-	-	200,000	-	191,608
3rd non-guaranteed subordinated convertible bonds	Nov. 28, 2002	Nov. 28, 2012	-	-	250,000	-	239,509
				-	600,000	-	574,823
Kwangju Bank:							
Non-guaranteed subordinated convertible bonds (*4)	Dec. 31, 2002	Dec. 31, 2012	-	50,000	50,000	47,902	47,902
Total				<u>219,740</u>	<u>834,740</u>	<u>210,519</u>	<u>799,713</u>
Allowance for possible loan losses (Note 5)				<u>(1,099)</u>	<u>(4,174)</u>	<u>(1,053)</u>	<u>(3,999)</u>
Net				₩ 218,641	₩ 830,566	US\$ 209,466	US\$ 795,714

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

5. ALLOWANCE FOR POSSIBLE LOAN LOSSES

Allowances for possible loan losses as of December 31, 2004 and 2003 are as follows:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Loans:				
Woori F&I	₩ 609	₩ 634	US\$ 583	US\$ 607
Woori Finance Information System	150	150	144	144
Woori Second Asset Securitization Specialty	1	1	1	1
Woori Third Asset Securitization Specialty	89	139	85	133
Woori Bank	-	3,000	-	2,874
Kwangju Bank	250	250	240	240
	1,099	4,174	1,053	3,999
Long-term accrued interest income:				
Woori Bank	-	140	-	134
Kwangju Bank	23	11	22	11
	23	151	22	145
	₩ 1,122	₩ 4,325	US\$ 1,075	US\$ 4,144

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FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

6. FIXED ASSETS

(1) Changes in tangible assets for the years ended December 31, 2004 and 2003 are as follows (Unit: Korean won in millions):

	Jan. 1, 2004	Acquisition	Disposition	Depreciation	Dec. 31, 2004
Vehicles	₩ 57	₩ -	₩ 34	₩ 16	₩ 7
Furniture and equipment	124	134	3	113	142
Structures in leased offices	61	54	-	36	79
	₩ 242	₩ 188	₩ 37	₩ 165	₩ 228

	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

(2) Changes in intangible assets for the years ended December 31, 2004 and 2003 are as follows (Unit: Korean won in millions):

	Jan. 1, 2004	Acquisition	Amortization	Dec. 31, 2004
Software	₩ 20	₩ 1	₩ 7	₩ 14
Industrial property rights	31	21	12	40
	₩ 51	₩ 22	₩ 19	₩ 54

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

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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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7. OTHER ASSETS

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

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

8. BORROWINGS

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

	Annual interest rate (%)	Maturity	Line of credit	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
				2004	2003	2004	2003
Citibank	CD(3M)+1.3	Sep. 30, 2005	₩ 100,000	₩ 60,000	₩ -	US\$ 57,482	US\$ -
Shinhan Bank	CD(3M)+1.4	Aug. 19, 2005	200,000	60,000	-	57,482	-
Korea First Bank	CD(3M)+1.5	Jul. 16, 2005	100,000	-	-	-	-
Samsung Insurance Company	6.1	Sep. 15, 2005	100,000	-	-	-	-
			₩ 500,000	₩ 120,000	₩ -	US\$ 114,964	US\$ -

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

9. DEBENTURES

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

1) Bonds

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

2) Convertible bonds

	Issuance date	Annual interest rate (%)	Maturity	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
				2004	2003	2004	2003
Convertible bonds	Mar. 26, 2003	-	Mar. 26, 2006	₩ -	₩ 20,000	US\$ -	US\$ 19,161
Add: redemption premium				-	2,314	-	2,217
Less: reconciliation for conversion rights				-	(2,509)	-	(2,404)
				₩ -	₩ 19,805	US\$ -	US\$ 18,974

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

- a. Converted by Lehman Brothers International Europe Limited
- b. Issued common shares: 3,717,472 shares
- c. Conversion price: ₩ 5,380 per share
- d. Increased capital stock: ₩ 18,587 million
- e. Increased paid-in capital in excess of par value: ₩ 3,273 million

(2) Debentures in foreign currencies as of December 31, 2004 and 2003 are as follows (Unit: Korean won in millions, U.S. dollars in thousands, and Japanese yen in millions):

1) Bonds in foreign currencies

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

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

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FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

2) Convertible bonds in foreign currency

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

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

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

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The Company is obligated to issue new common shares upon the requests of the bondholders while the purchaser is obligated to hold the bonds or converted shares, if converted, until one and a half year after the issuance date.

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

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

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

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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

	Contract date	Maturity date	Contracted amount		Interest rates and terms of payment
			2004	2003	
Swap 1	Nov. 7, 2001	Nov. 2, 2004	US\$ -	US\$ 50,000	Receipt: LIBOR (6 months) + 1.6%
			US\$ -	64,650	Payment: annual rate of 6.90% in every 3 months
Swap 2	Nov. 18, 2001	Nov. 2, 2004	US\$ -	US\$ 99,496	Receipt: LIBOR (6 months) + 1.6%
			-	128,888	Payment: CD interest rate (3 months) + 1.5%
Swap 3	Jan. 28, 2002	Jan. 16, 2004	-	JPY 14,925	Receipt: annual rate of 1.74% in every 6 months
			-	147,754	Payment: CD interest rate (91 days) + 1.59%
Swap 4	Sep. 27, 2002	Sep. 27, 2005	US\$ 36,000	US\$ 36,000	Receipt: compound interest rate of 2.9245% (6 months)
			44,136	44,136	Payment: annual rate of 5%
Swap 5	Dec. 20, 2002	Dec. 20, 2005	US\$ 16,000	US\$ 16,000	Receipt: compound interest rate of 2.7335% (6 months)
			19,248	19,248	Payment: annual rate of 4.84%
Swap 6	Mar. 26, 2003	Mar. 26, 2006	US\$ -	US\$ 39,000	Receipt: compound interest rate of 2.215% (6 months)
			-	48,633	Payment: annual rate of 3.04%
Swap 7	Jul. 9, 2003	Jul. 10, 2006	US\$ 1,000	US\$ 1,000	Receipt: compound interest rate of 2.034% (6 months)
			1,179	1,179	Payment: annual rate of 3.93%

Loss on valuation of swaps of ₩ 13,111 million (US\$ 12,561 thousand) for the year ended December 31, 2004, and gain on valuation of ₩ 17,078 million (US\$ 16,361 thousand) and loss on valuation of ₩ 3,410 million (US\$ 3,267 thousand) for the year ended December 31, 2003 were recorded in connection with the above swap contracts.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

10. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies of the Company as of December 31, 2004 and 2003 are summarized as follows:

	(US\$:In thousands, JPY:In millions)		(In millions)	
	Foreign currencies		Korean won equivalent	
	2004	2003	2004	2003
(Assets)				
Currency swaps	JPY -	JPY 1,470	₩ -	₩ 16,463
(Liabilities)				
Debentures in foreign currencies	US\$ 53,000	US\$ 241,796	55,321	289,624
"	JPY -	JPY 14,998	-	167,922
Long-term accrued interest payables	US\$ 3,352	US\$ 1,799	3,499	2,155
Redemption premium	US\$ 63	US\$ 2,727	65	3,258
Reconciliation for conversion rights	US\$ (51)	US\$ (3,489)	(53)	(4,179)
Accrued expenses	US\$ -	US\$ 920	-	1,101
	JPY -	JPY 55	-	611
Currency swaps	US\$ 13,383	US\$ 15,360	13,969	18,398
	US\$ 69,747	US\$ 259,113	₩ 72,801	₩ 478,890
	JPY -	JPY 15,053		

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

11. ACCRUED SEVERANCE BENEFITS

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company. The accrued severance benefits that would be payable assuming all eligible employees and directors were to terminate amounted to ₩ 1,230 million (US\$ 1,179 thousand) and ₩ 1,582 million (US\$ 1,516 thousand) as of December 31, 2004 and 2003, respectively.

The details of changes in the accrued severance benefits for years ended December 31, 2004 and 2003 are as follows:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Beginning balance	₩ 1,582	₩ 967	US\$ 1,516	US\$ 927
Provision for severance benefits	215	626	206	600
Payment for severance benefits	(567)	(11)	(543)	(11)
Ending balance	₩ 1,230	₩ 1,582	US\$ 1,179	US\$ 1,516

The Company has purchased an employee retirement trust and made deposits at Woori Bank. As of December 31, 2004 and 2003, the deposits, amounting to ₩ 1,230 million (US\$ 1,179 thousand) and ₩ 954 million (US\$ 914 thousand), respectively, are presented as a deduction from accrued severance indemnities.

12. OTHER LIABILITIES

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

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Accrued severance benefits (Note 11)	₩ 1,230	₩ 1,582	US\$ 1,179	US\$ 1,516
Deposits with employee retirement trust (Note 11)	(1,230)	(954)	(1,179)	(914)
Other payables	163	507	157	486
Accrued expenses	10,839	9,017	10,384	8,638
Withholdings	384	188	368	180
Currency swaps (Notes 9 and 10)	13,969	18,398	13,383	17,626
	₩ 25,355	₩ 28,738	US\$ 24,292	US\$ 27,532

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13. SHAREHOLDERS' EQUITY

(1) The Company has 2,400,000,000 authorized shares of common stock with ₩ 5,000 par value, of which 796,455,558 shares [₩ 3,982,278 million (US\$ 3,815,173 thousand)] and 775,504,910 shares [₩ 3,877,525 million (US\$ 3,714,816 thousand)] are issued and outstanding as of December 31, 2004 and 2003, respectively.

(2) The changes in the capital stock of the Company for the period from its incorporation to December 31, 2004 are as follows (Unit: Korean won in millions):

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	Issuance of new shares	36,000,000	180,000	58,645
In 2002	Exercise of warrants	4,356,188	21,781	-
2002.12.31		767,814,797	3,839,074	58,645
In 2003	Exercise of warrants	7,690,113	38,451	(574)
2003.12.31		775,504,910	3,877,525	58,071
In 2004	Issuance of new shares(*1)	8,571,262	42,856	14,126
	Exercise of convertible bond(*2)	12,379,386	61,897	12,118
2004.12.31		796,455,558	₩ 3,982,278	₩ 84,315

(*1) On June 18, 2004, the Company issued new common shares to Woori Securities, a wholly owned subsidiary. Those new common shares were offered to exchange for 15,584,113 common shares of Woori Securities.

(*2) On November 4, December 2 and December 21, 2004, convertible bonds were converted (Note 9).

(3) As of December 31, 2004 and 2003, other capital surplus is recorded for consideration of conversion rights relating to convertible bonds issued in 2003, of which details are as follows (Unit: Korean won in millions):

	In Millions of Korean Won	
	2004	2003
Convertible bond in foreign currency issued on March 26, 2003	₩ -	2,215
Convertible bond in local currency issued on March 26, 2003	-	997
Convertible bond in foreign currency issued on July 10, 2003	41	41
	₩ 41	3,253

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

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FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(5) As of December 31, 2004, the Company held 2,547 shares of treasury stock amounting to ₩18 million.

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

	In Millions of Korean Won except for par value		In Thousands of U.S. Dollars (note 2) except for par value	
	2004	2003	2004	2003
The number of issued shares	796,455,558	775,504,910	796,455,558	775,504,910
Par value	₩ 5,000	₩ 5,000	US\$ 4.79	US\$ 4.79
Contributed capital	₩ 3,982,278	₩ 3,877,525	US\$ 3,815,173	US\$ 3,714,816
Dividend ratio per share	3.0%	2.0%	3.0%	2.0%
Dividend	₩ 119,468	₩ 77,550	US\$ 114,455	US\$ 74,296
Net income	₩ 1,292,493	₩ 202,565	US\$ 1,238,257	US\$ 194,065
Dividend ratio by net income	9.24%	38.28%	9.24%	38.28%

14. STOCK OPTIONS

(1) On December 4, 2002, the Company granted stock options to 62 directors of the Company and its subsidiaries. The exercise price of 60 percent of the total number of stock options granted will be determined depending on the Korean banking industry stock index (at minimum ₩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 (300,000 shares) granted to 10 directors of the Company and its subsidiaries, who subsequently retired, were cancelled based on the resolutions of the Company's board of directors in 2003 and 2004.

(3) The summary of stock options granted as of December 31, 2004 is summarized as follows:

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

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

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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	₩ 780	₩ 1,842	₩ 2,622
Recorded in 2002 and 2003	507	1,015	1,522
Recorded in 2004	273	827	1,100

(6) Each subsidiary is responsible for absorbing the respective stock option cost for its management. The subsidiaries recorded the related cost as stock compensation expense and other payables, and the Company recorded the same amount as other receivables and capital adjustments.

15. INCOME TAX EXPENSE

(1) Differences between financial accounting income and taxable income for year ended December 31, 2004 are as follows:

	In Millions of Korean Won	In Thousands of U.S. Dollars (note 2)
Net income	₩ 1,292,493	US\$ 1,238,257
Permanent differences		
Additions:		
Gain on valuation of investment securities	633,139	606,571
Deemed interest income	12,275	11,760
Paid-in capital in excess of par value	10,674	10,226
Other	1,355	1,298
	657,443	629,855
Deductions:		

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	In Millions of Korean Won	In Thousands of U.S. Dollars (note 2)
Dividend	(646,259)	(619,140)
Investment securities	(138,387)	(132,580)
Deferred tax income	(33,743)	(32,327)
	(818,389)	(784,047)
	(160,946)	(154,192)
Temporary differences		
Additions:		
Investment securities	33,744	32,328
Other	24,522	23,493
	58,266	55,821
Deductions:		
Investment securities	(1,226,729)	(1,175,253)
Other	(19,420)	(18,605)
	(1,246,149)	(1,193,858)
	(1,187,883)	(1,138,037)
Taxable loss after tax adjustments	(56,336)	(53,972)

(2) The changes in cumulative temporary differences and tax loss carry-forwards for the year ended December 31, 2004 are as follows (Unit: Korean won in millions):

	Jan. 1, 2004 (*1)	Increase	Decrease	Dec. 31, 2004	Deferred tax assets (liabilities)(*2)
Investment securities	₩ (1,426,634)	₩(1,226,729)	₩ -	₩(2,653,363)	₩ (6,945)
Swap contracts	1,935	13,969	1,935	13,969	3,841
Accrued income	(461)	(296)	(461)	(296)	(81)
Accrued severance benefits	950	207	418	739	203
Depreciation	19	21	12	28	8
Accrued expenses	2,200	1,466	2,200	1,466	403
Accounts receivable	(1,014)	(827)	-	(1,841)	(506)
Employee retirement deposits	(950)	(207)	(418)	(739)	(203)
Long-term accrued interest payables	2,154	1,344	-	3,498	962
Long-term accrued interest income	(30,232)	(8,018)	(33,744)	(4,506)	(1,239)
Premiums on debentures	5,572	-	5,507	65	18
Adjustment of conversion rights	(6,688)	-	(6,636)	(52)	(15)
	(1,453,149)	(1,219,070)	(31,187)	(2,641,032)	(3,554)
Tax loss carry-forwards	196,702	56,336	-	253,038	69,585
	₩ (1,256,447)	₩ (1,162,734)	₩ (31,187)	₩ (2,387,994)	₩ 66,031

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(*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 carry-forwards and their expirations are as follows (Unit: Korean won in millions):

Year incurred	Amount(*1)	Utilized	Remaining	Expiration
2001	₩ 25,288	₩ -	₩ 25,288	Dec. 31, 2006
2002	13,899	-	13,899	Dec. 31, 2007
2003	157,515	-	157,515	Dec. 31, 2008
2004	56,336	-	56,336	Dec. 31, 2009
	₩ 253,038	₩ -	₩ 253,038	

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

(4) For the year ended December 31, 2004, there is no income tax expense reflected in the statement of income as there is no tax currently payable under the Corporate Tax Act and there are no changes in net deferred tax assets or liabilities.

16. STATEMENTS OF CASH FLOWS

For the years ended December 31, 2004 and 2003, the transactions without cash flows are as follows:

Transactions	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Changes in capital adjustments due to the equity method of accounting	₩ 633,139	₩ 353,902	US\$ 606,571	US\$ 339,052
Changes in retained earnings due to the equity method of accounting	138,387	7,955	132,580	7,621
Decrease in loans	-	127,400	-	122,054
Increase in other receivables and stock options	827	918	792	879
Increase in dividend receivables	18,140	-	17,379	-
Increase in consideration for conversion rights	-	3,253	-	3,116
Capital increase due to conversion of convertible bonds in local currency	21,861	-	20,944	-
Capital increase due to conversion of convertible bonds in foreign currencies	53,071	-	50,844	-
Increase in investment securities and capital	56,983	-	54,592	-
Increase in payables by acquisition of treasury stock	36	-	34	-

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

17. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended December 31, 2004 and 2003 are summarized as follows:

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Salaries, wages and bonuses	₩ 8,296	₩ 8,068	US\$ 7,948	US\$ 7,730
Provision for severance benefits	215	626	206	600
Fringe benefits	708	422	678	404
Rent	2,293	2,318	2,197	2,221
Expenditure for business purpose	255	524	244	502
Depreciation	165	153	158	147
Amortization on intangible assets	19	14	18	13
Taxes and dues	51	68	49	65
Advertising	3,285	12,181	3,147	11,670
Travel	132	218	126	209
Telecommunications	58	66	56	63
Service fees	4,472	1,854	4,284	1,776
Suppliers	112	103	107	99
Stock compensation (Note 14)	273	468	262	448
Other	1,654	1,466	1,585	1,404
	₩ 21,988	₩ 28,549	US\$ 21,065	US\$ 27,351

18. FINANCIAL INFORMATION OF SUBSIDIARIES

(1) The condensed balance sheets of subsidiaries as of December 31, 2004 are as follows (Unit: Korean won in millions):

Company	Total assets	Total liabilities	Total shareholders' equity (capital deficiency)
Woori Bank	₩ 108,509,370	₩ 100,898,665	₩ 7,610,705
Kwangju Bank	9,890,728	9,470,293	420,435
Kyongnam Bank	12,042,684	11,433,903	608,781
Woori Finance Information System	322,234	314,129	8,105
Woori F&I	239,504	177,394	62,110
Woori Second Asset Securitization Specialty	1,624	7,354	(5,730)
Woori Third Asset Securitization Specialty	34,784	77,877	(43,093)
Woori Investment Trust Management	35,611	538	35,073
Woori Securities	580,337	214,915	365,422
LG Securities	5,386,281	3,790,082	1,596,199
	₩ 137,043,157	₩ 126,385,150	₩ 10,658,007

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(2) The condensed statements of operations of subsidiaries for the year ended December 31, 2004 are as follows (Unit: Korean won in millions):

Company	Operating revenue	Operating expenses	Net operating income (loss)	Ordinary income (loss)	Net income (loss)
Woori Bank	₩ 11,600,790	₩ 10,125,914	₩ 1,474,876	₩ 1,603,289	₩ 1,996,043
Kwangju Bank	585,830	495,409	90,421	99,946	72,271
Kyongnam Bank	767,171	641,718	125,453	111,930	109,334
Woori Credit Card (*1)	220,798	609,694	(388,896)	(465,879)	(465,879)
Woori Finance Information System	312,629	312,536	93	941	401
Woori F&I	23,057	18,537	4,520	31,230	19,965
Woori Second Asset Securitization Specialty	14,535	6,398	8,137	8,098	8,098
Woori Third Asset Securitization Specialty	10,802	3,021	7,781	7,790	7,790
Woori Investment Trust Management	5,853	5,124	729	3,640	2,495
Woori Securities	164,429	169,131	(4,702)	(11,757)	(12,611)
	₩ 13,705,894	₩ 12,387,482	₩ 1,318,412	₩ 1,389,228	₩ 1,737,907

(*1) The condensed statement of operations of Woori Credit Card was prepared for the three-month period ended March 31, 2004 prior to the merger with Woori Bank.

(3) Major debt and assets of the Company and its subsidiaries as of December 31, 2004 are summarized as follows (Unit: Korean won in millions):

1) Major debt

Company	Deposits	Borrowings	Debentures	Total
Woori Finance Holdings	₩ -	₩ 120,000	₩ 2,154,637	₩ 2,274,637
Woori Bank	73,977,556	9,417,318	10,741,551	94,136,425
Kwangju Bank	7,092,771	1,590,173	346,837	9,029,781
Kyongnam Bank	9,073,049	1,611,539	307,053	10,991,641
Woori Finance Information System	-	210,000	-	210,000
Woori F&I	-	167,550	-	167,550
Woori Second Asset Securitization Specialty	-	100	-	100
Woori Third Asset Securitization Specialty	-	17,790	-	17,790
Woori Securities	151,236	7,022	-	158,258
LG Securities	2,110,677	418,489	196,902	2,726,068
	₩ 92,405,289	₩ 13,559,981	₩ 13,746,980	₩ 119,712,250

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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2) Major assets

Company	Cash and due			Total
	from bankss	Securities	Loans	
Woori Finance Holdings	₩ 56,099	₩ 9,425,381	₩ 218,641	₩ 9,700,121
Woori Bank	3,763,789	19,871,503	77,455,499	101,090,791
Kwangju Bank	558,296	2,915,638	5,945,160	9,419,094
Kyongnam Bank	746,428	3,315,201	7,441,191	11,502,820
Woori Finance Information System	11,609	519	-	12,128
Woori F&I	43,467	64,405	121,801	229,673
Woori Second Asset Securitization Specialty	940	-	-	940
Woori Third Asset Securitization Specialty	4,754	30,025	-	34,779
Woori Investment Trust Management	28,588	338	-	28,926
Woori Securities	213,421	254,377	35,254	503,052
LG Securities	1,659,525	2,114,744	864,795	4,639,064
	₩ 7,086,916	₩ 37,992,131	₩ 92,082,341	₩ 137,161,388

(4) Allowances for possible loan losses of each subsidiary as of December 31, 2004 are summarized as follows (Unit: Korean won in millions):

Company	Loans subject to allowance for possible loan losses		Percentage of allowance to loans (%)
		Allowance	
Woori Bank	₩ 79,074,540	₩ 1,619,041	₩ 2.05
Kwangju Bank	6,034,719	89,559	1.48
Kyongnam Bank	7,565,018	123,827	1.64
Woori F&I	122,413	612	0.50
Woori Securities	42,581	7,327	17.21
LG Securities	1,052,061	187,266	17.80
	₩ 93,891,332	₩ 2,027,632	₩ 2.16

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

Company	Loans subject to allowance for possible loan losses		Percentage of allowance to loans (%)
		Allowance	
Woori Bank	₩ 74,343,819	₩ 1,550,988	₩ 2.09
Kwangju Bank	5,409,972	72,042	1.33
Kyongnam Bank	6,550,115	103,556	1.58
Woori Credit Card	1,809,395	379,651	20.98

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Company	Loans subject to allowance for possible loan losses	Allowance	Percentage of allowance to loans (%)
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
	₩ 88,306,545	₩ 2,139,466	₩ 2.42

19. CONTRIBUTIONS TO NET INCOME BY SUBSIDIARIES

Contributions to net income of the Company by subsidiaries after elimination of unrealized inter-company incomes or losses for the year ended December 31, 2004 are as follows:

Companies	In Millions of Korean Won	In Thousands of U.S. Dollars (note 2)	Ratio(%)
Woori Bank	₩ 1,708,094	US\$ 1,636,419	119.5
Kwangju Bank	55,728	53,390	3.9
Kyongnam Bank	101,751	97,481	7.1
Woori Credit Card	(466,410)	(446,838)	(32.6)
Woori Finance Information System	329	315	0.0
Woori F&I	19,935	19,099	1.4
Woori Second Asset Securitization Specialty	8,098	7,758	0.6
Woori Third Asset Securitization Specialty	7,740	7,415	0.5
Woori Investment Trust Management	2,498	2,393	0.2
Woori Securities	(8,106)	(7,766)	(0.6)
Gain on valuation using the equity method of accounting	1,429,657	1,369,666	100.0
Other income	51,404	49,247	
Other expenses	(188,568)	(180,656)	
Net income	₩ 1,292,493	US\$ 1,238,257	

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AS OF DECEMBER 31, 2004 AND 2003

20. TRANSACTIONS AND ACCOUNT BALANCES WITH RELATED PARTIES

(1) Account balances with the subsidiaries as of December 31, 2004 and 2003 are as follows:

Companies	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)		Account
	2004	2003	2004	2003	
<Assets> Woori Bank	₩ 35,852	₩ 322,145	US\$ 34,348	US\$ 308,627	Cash and bank deposits
"	-	600,000	-	574,823	Loans
"	4,153	3,846	3,979	3,685	Guarantee deposits
"	1,591	652	1,524	624	Other receivables
"	118	28,379	113	27,188	Accrued income
"	-	16,463	-	15,772	Currency swaps (assets)
Kwangju Bank	10,309	11,236	9,876	10,765	Cash and bank deposits
"	50,000	50,000	47,902	47,902	Loans
"	4,511	2,253	4,322	2,158	Accrued income
Kyongnam Bank	9,938	16,204	9,521	15,524	Cash and bank deposits
"	11	14	11	13	Accrued income
Woori Credit Card	-	8	-	8	Other receivables
Woori Finance Information System	30,000	30,000	28,741	28,741	Loans
"	230	101	220	97	Other receivables
"	366	363	351	348	Accrued income
Woori F&I	121,850	126,850	116,737	121,527	Loans
Woori Second Asset Securitization Specialty	100	100	96	96	Loans
"	2	2	2	2	Accrued income
Woori Third Asset Securitization Specialty	17,790	27,790	17,043	26,624	Loans
"	294	459	282	440	Accrued income
Woori Investment Trust Management	73	39	70	37	Other receivables
Woori Credit Information	166	90	159	86	Other receivables
Woori CA Asset Management	229	124	219	119	Other receivables
Principal guaranteed trust accounts of Woori Bank	1,230	954	1,178	914	Deposits with employee retirement trust
	₩ 288,813	₩ 1,238,072	US\$ 276,694	US\$ 1,186,120	
<Liabilities> Woori Bank	₩ 58	₩ -	US\$ 56	US\$ -	Accounts payable
"	1,498	-	1,435	-	Accrued expenses
"	13,969	18,398	13,383	17,626	Currency swaps (liabilities)
Woori Credit Card	-	93	-	89	Other payables
Woori Finance Information System	443	-	424	-	Accrued expenses
	₩ 15,968	₩ 18,491	US\$ 15,298	US\$ 17,715	

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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(2) Transactions with the subsidiaries for the years ended December 31, 2004 and 2003 are as follows:

Companies	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)		Account
	2004	2003	2004	2003	
<Revenues> Woori Bank	₩ 9,231	₩ 4,162	US\$ 8,844	US\$ 3,987	Interest income
"	5,762	24,153	5,520	23,140	Interest income
"	-	17,078	-	16,361	Gain on valuation of swap contracts
"	405	-	388	-	Other non-operating revenue
Kwangju Bank	2,811	2,642	2,693	2,531	Interest income
Kyongnam Bank	781	507	748	486	Interest income
Woori Credit Card	-	3,163	-	3,030	Interest income
Woori Finance Information System	2,199	11,028	2,107	10,565	Interest income
"	42	-	40	-	Other income
Woori F&I	9,163	7,746	8,779	7,421	Interest income
Woori Second Asset Securitization Specialty	8	1,121	8	1,074	Interest income
Woori Third Asset Securitization Specialty	2,028	2,537	1,943	2,431	Interest income
Principal guaranteed trust accounts of Woori Bank	39	-	37	-	Interest income
	₩ 32,469	₩ 74,137	US\$ 31,107	US\$ 71,026	
<Expenses> Woori Bank					Loss on valuation of swap contracts
"	₩ 10,994	₩ 3,410	US\$ 10,533	US\$ 3,267	
"	2,018	1,984	1,933	1,901	Rent
"	1,362	-	1,305	-	Other administrative expenses
Woori Finance Information System	1,438	882	1,378	845	Other administrative expenses
"	1,255	1,058	1,202	1,013	Fees
	₩ 17,067	₩ 7,334	US\$ 16,351	US\$ 7,026	

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

21. EARNINGS PER COMMON SHARE

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

	In Millions of Korean Won except for earning per share data		In Thousands of U.S. Dollars (note 2) except for earning per share data	
	2004	2003	2004	2003
Net income on common shares	₩ 1,292,493	₩ 202,565	US\$ 1,238,257	US\$ 194,065
Extraordinary gain	-	-	-	-
Income tax effect on extraordinary gain	-	-	-	-
Ordinary income on common shares	₩ 1,292,493	₩ 202,565	US\$ 1,238,257	US\$ 194,065
Weighted average number of common shares outstanding	780,946,131	771,723,994	780,946,131	771,723,994
Basic ordinary income per common shares	₩ 1,655	₩ 262	US\$ 1.586	US\$ 0.251
Basic net income per common shares	₩ 1,655	₩ 262	US\$ 1.586	US\$ 0.251

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

	In Millions of Korean Won except for earning per share data		In Thousands of U.S. Dollars (note 2) except for earning per share data	
	2004	2003	2004	2003
Diluted net income on common shares	₩ 1,298,338	₩ 204,230	US\$ 1,243,857	US\$ 195,660
Extraordinary gain	-	-	-	-
Income tax effect on extraordinary gain	-	-	-	-
Diluted ordinary income on common shares	₩ 1,298,338	₩ 204,230	US\$ 1,243,857	US\$ 195,660
Weighted average number of common and dilutive common shares outstanding	798,428,507	783,760,412	798,428,507	783,760,412
Diluted ordinary income per common shares	₩ 1,626	₩ 261	US\$ 1.558	US\$ 0.250
Diluted net income per common shares	₩ 1,626	₩ 261	US\$ 1.558	US\$ 0.250

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

Item	Face value	Exercise period	Common stock to be issued (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	US\$ 1,000	Jul. 10, 2004 ~ Jun. 10, 2006	164,429	Using exchange rate of ₩1,188.5, convert 1 share at ₩7,228
Stock options	-	Dec. 5, 2005 ~ Dec. 4, 2008	1,260,000	(Note 14)

22. INSURANCE

As of December 31, 2004, the Company has insurance for liability of reparation of directors with Dongbu Insurance Co., Ltd. The insurance coverage is ₩ 30,000 million (US\$ 28,741 thousand).

23. OPERATIONAL RESULTS FOR THE THREE-MONTH PERIODS ENDED DECEMBER 31, 2004 and 2003

	In Millions of Korean Won except for earning per share data (Unaudited)		In Thousands of U.S. Dollars (note 2) except for earning per share data (Unaudited)	
	Three months ended Dec.31, 2004	Three months ended Dec. 31, 2003	Three months ended Dec. 31, 2004	Three months ended Dec. 31, 2003
Operating revenue	₩ 1,371,013	₩ 12,028	US\$ 1,313,482	US\$ 11,523
Operating expenses	519,085	179,387	497,303	171,860
Operating income (loss)	851,928	(167,359)	816,179	(160,337)
Net income (loss)	₩ 852,336	₩ (167,526)	US\$ 816,570	US\$ (160,496)
Basic net income (loss) per common share	₩ 1,082	₩ (216)	US\$ 1,037	US\$ (207)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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24. CREDITS TO LG CARD

Woori Bank, Kyongnam Bank and Kwangju Bank, subsidiaries of the Company, have loans receivable, equity securities and debt securities from LG Card in the total amount of ₩ 193.1 billion (US\$ 185.0 million), ₩ 351.8 billion (US\$ 337.0 million) and ₩ 179.4 billion (US\$ 171.9 million), respectively, as of December 31, 2004. In connection therewith, the banks provided ₩ 350.4 billion (US\$ 335.7 million) as allowances for credit losses and cumulative impairment losses on securities, and recorded ₩ 145.5 billion (US\$ 139.4 million) of gains on valuation of available-for-sale securities as capital adjustments. In addition, Woori Bank recorded ₩ 15.0 billion (US\$ 14.4 million) of related losses on trust accounts, for which repayment of principal or interest is guaranteed by Woori Bank. Such trust accounts have Commercial Paper in total amount of ₩ 69.7 billion (US\$ 66.8 million) as of December 31, 2004. However, the Company's bank subsidiaries' actual losses on LG Card credit may differ from the current estimate.

25. WOORI BANK'S MERGER WITH WOORI CREDIT CARD

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

26. ACQUISITION OF WOORI SECURITIES' STOCK

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

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

On October 26 and December 24, 2004, the Company acquired 7,000,000 and 25,877,487 shares of LG Securities' common stock for ₩ 54,980 million (US\$ 52,672.9 thousand) and ₩ 297,591 million (US\$ 285,103.5 thousand), respectively. As a result, the Company has 26.92% of voting rights of LG Securities.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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28. AGREEMENT ON THE IMPLEMENTATION OF A MANAGEMENT IMPROVEMENT PLAN

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

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

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

29. SUBSEQUENT EVENT

a. Approval of financial statements

The non-consolidated balance sheet of the Company as of December 31, 2004 and the related non-consolidated income statements, appropriations of retained earnings and cash flows for the year ended December 31, 2004 are subject to approval by the board of directors.

b. Capital Reduction of Woori Securities

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

c. Resolution of merger LG Securities and Woori Securities

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

**Deloitte HanaAnjin LLC**

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Independent Auditors' Report

To the Board of Directors and Shareholders of Woori Finance Holdings Co., Ltd.

We have audited the accompanying consolidated balance sheets of Woori Finance Holdings Co., Ltd. (the "Company") and its subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years ended December 31, 2004 and 2003, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of LG Investment Securities Co., Ltd., a consolidated subsidiary of the Company, which statements reflect total assets constituting 3.9% (₩ 5,386 billion) of consolidated total assets as of December 31, 2004. The financial statements of LG Investment Securities Co., Ltd. were audited by the other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for LG Investment Securities Co., Ltd., is based solely on the report of such other auditors.

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

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2004 and 2003, and the results of their operations, changes in shareholders' equity and their cash flows for the years then ended, in conformity with financial accounting standards generally accepted in the Republic of Korea.

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

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

As explained in Notes 1 and 35, Woori Bank, a subsidiary of the Company, merged with Woori Credit Card Co., Ltd. ("WCC"), also a subsidiary of the Company, on March 31, 2004. Woori Bank took over substantially all of the assets and liabilities of WCC by exchanging one common share of WCC with 0.3581 share of Woori Bank and ₩ 330.4 billion (US\$ 316.5 million) of the difference between ₩ 657.3 billion (US\$ 629.8 million) of net assets acquired from WCC and ₩ 326.9 billion (US\$ 313.2 million) of consideration for the merger was recorded as capital surplus of Woori Bank. As a result, the number of issued common shares and contributed capital of Woori Bank increased from 570.6 million and ₩ 2,852.8 billion (US\$ 2,733.1 million) to 636.0 million and ₩ 3,179.8 billion (US\$ 3,046.4 million).

As explained in Notes 1 and 36, on June 18, 2004 the Company issued 8.6 million new common shares in exchange for 15.6 million common shares of Woori Securities, a subsidiary of the Company, in order to wholly own the subsidiary. As a result, the number of issued common shares and contributed capital of the Company increased from 775.5 million and ₩ 3,877.5 billion (US\$ 3,714.8 million) to 784.1 million and ₩ 3,920.4 billion (US\$ 3,755.9 million).

As explained in Notes 1 and 37, on October 26, and December 24, 2004, the Company acquired 7,000,000 and 25,877,487 shares of LG Investment Securities Co., Ltd. ("LG Securities")'s common stock for ₩ 55.0 billion (US\$ 52.7 million) and ₩ 297.6 billion (US\$ 285.1 million), respectively. As a result, the Company has 26.92% of the voting rights of LG Securities and is able to govern LG Securities; therefore, the Company includes it as a consolidated subsidiary. LG Securities was established in January 1969 to engage in trading, agency, brokerage and underwriting of securities, and on September 30, 1975, listed its shares on the stock market opened by the Korea Exchange (formerly known as the Korea Stock Exchange). On October 1, 1999, LG Securities merged with LG Merchant Banking Co., Ltd. As of December 31, 2004, its common stock amounts to ₩ 625,458 million (US\$ 599,212 thousand) consisting of 122,116,369 issued shares and its preferred stock amounts to ₩ 99,354 million (US\$ 95,185 thousand) consisting of 19,870,968 issued shares.

As explained in Note 34, Woori Bank, Kyongnam Bank and Kwangju Bank, subsidiaries of the Company, have loans receivable, equity securities and debt securities from LG Card Co., Ltd. ("LG Card") in the total amount of ₩ 193.1 billion (US\$ 185.0 million), ₩ 351.8 billion (US\$ 337.0 million) and ₩ 179.4 billion (US\$ 171.9 million), respectively as of December 31, 2004. In connection therewith, the banks provided ₩ 350.4 billion (US\$ 335.7 million) as allowances for credit losses and cumulative impairment losses on securities, and recorded ₩ 145.5 billion (US\$ 139.4 million) of gains on valuation of available-for-sale securities as capital adjustments. In addition, Woori Bank recorded ₩ 15.0 billion (US\$ 14.4 million) in related losses on trust accounts, for which repayment of principal or interest is guaranteed by Woori Bank. Such trust accounts have Commercial Paper amounting to ₩ 69.7 billion (US\$ 66.8 million) as of December 31, 2004. However, the actual losses on LG Card credit may differ from the current estimate.

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

Deloitte Hama Anjin LLC

February 25, 2005

Notice to Readers

This report is effective as of February 25, 2005, the auditors' report date. Certain subsequent events or circumstances may have occurred between this audit report date and the time the audit report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2004 AND 2003

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
ASSETS				
Cash and due from banks (Notes 3, 17, 30 and 31)	₩ 6,850,115	₩ 6,471,855	US\$ 6,562,670	US\$ 6,200,283
Trading securities (Notes 4, 9, 17 and 31)	6,701,173	2,727,843	6,419,978	2,613,377
Available-for-sale securities (Notes 5, 9, 10, 11, 17 and 31)	12,571,618	14,144,478	12,044,087	13,550,947
Held-to-maturity securities (Notes 6, 10, 11, 17 and 31)	8,485,280	9,991,914	8,129,220	9,572,633
Equity linked securities (Notes 7 and 9)	609,557	-	583,979	-
Investments accounted for using the equity method of accounting (Notes 8 and 9)	185,540	142,442	177,754	136,465
Loans, net of allowances for possible loan losses and present value discounts (Notes 12, 13, 17, 30 and 31)	91,768,615	86,077,297	87,917,815	82,465,316
Fixed assets (Notes 14, 16, 17 and 31)	2,646,979	2,734,616	2,535,906	2,619,866
Other assets, net of present value discounts (Notes 15, 30 and 31)	6,811,684	6,477,275	6,525,852	6,205,474
	₩ 136,630,561	₩ 128,767,720	US\$130,897,261	US\$ 123,364,361
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Deposits (Notes 18, 30 and 31)	₩ 92,148,907	₩ 89,049,625	US\$ 88,282,149	US\$ 85,312,919
Borrowings (Notes 19, 30 and 31)	13,285,773	12,813,104	12,728,275	12,275,440
Debentures, net of discounts and reconciliation for conversion rights, and added redemption premium and long-term accrued interest (Notes 20 and 31)	13,687,295	12,195,159	13,112,948	11,683,425
Other liabilities (Notes 21, 30 and 31)	8,814,901	9,011,532	8,445,009	8,633,389
	127,936,876	123,069,420	122,568,381	117,905,173
SHAREHOLDERS' EQUITY				
Capital stock (Note 23)	3,982,278	3,877,525	3,815,173	3,714,816
Capital surplus	170,960	57,844	163,786	55,417
Retained earnings (Net income of ₩ 1,292,493 million in 2004 and ₩ 56,279 million in 2003)	2,363,713	1,152,053	2,264,527	1,103,710
Capital adjustments	923,794	414,969	885,030	397,556
Minority interests	1,252,940	195,909	1,200,364	187,689
	8,693,685	5,698,300	8,328,880	5,459,188
	₩ 136,630,561	₩ 128,767,720	US\$130,897,261	US\$ 123,364,361

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	In Millions of Korean Won except for income per common share data		In Thousands of U.S. Dollars (note 2) except for income per common share data	
	2004	2003	2004	2003
OPERATING REVENUE				
INTEREST INCOME (Note 30):				
Interest on due from banks	₩ 28,008	₩ 49,573	US\$ 26,833	US\$ 47,493
Interest and dividends on trading securities	136,964	139,429	131,217	133,578
Interest and dividends on available-for-sale securities	515,916	1,288,420	494,267	1,234,355
Interest and dividends on held-to-maturity securities	781,545	806,734	748,750	772,882
Interest on loans	5,454,631	5,190,680	5,225,743	4,972,868
Other	68,737	89,115	65,852	85,376
	<u>6,985,801</u>	<u>7,563,951</u>	<u>6,692,662</u>	<u>7,246,552</u>
FEES (Note 30):				
Commissions	629,222	631,608	602,819	605,104
Commissions received on credit cards	543,551	466,281	520,742	446,715
Guarantee fees	40,344	26,286	38,651	25,183
Other	24,299	25,512	23,279	24,442
	<u>1,237,416</u>	<u>1,149,687</u>	<u>1,185,491</u>	<u>1,101,444</u>
OTHER OPERATING REVENUE (Note 30):				
Gain on trading securities	130,480	154,185	125,005	147,715
Gain on redemption of available-for-sales securities	67,504	77,151	64,671	73,914
Gain on equity linked securities	685	-	656	-
Gain on securitized assets	25,006	19,227	23,957	18,420
Gain on foreign exchange	1,612,212	469,900	1,544,560	450,182
Gain on derivatives (Note 33)	3,022,767	826,405	2,895,925	791,727
Trust management fees	40,583	50,359	38,880	48,246
Reversal of allowance for possible losses	144,380	66,950	138,322	64,141
Other	92,381	25,630	88,506	24,554
	<u>5,135,998</u>	<u>1,689,807</u>	<u>4,920,482</u>	<u>1,618,899</u>
	<u>13,359,215</u>	<u>10,403,445</u>	<u>12,798,635</u>	<u>9,966,895</u>
OPERATING EXPENSES				
INTEREST EXPENSE (Note 30):				
Interest on deposits	(2,553,214)	(2,744,776)	(2,446,076)	(2,629,600)
Interest on borrowings	(342,268)	(387,098)	(327,906)	(370,855)
Interest on debentures	(698,060)	(641,968)	(668,768)	(615,030)
Interest on others	(53,290)	(68,560)	(51,053)	(65,682)
	<u>(3,646,832)</u>	<u>(3,842,402)</u>	<u>(3,493,803)</u>	<u>(3,681,167)</u>

See accompanying notes to non-consolidated financial statements.

(Continued)

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	In Millions of Korean Won except for income per common share data		In Thousands of U.S. Dollars (note 2) except for income per common share data	
	2004	2003	2004	2003
OTHER OPERATING EXPENSES (Note 30):				
Commissions	₩ (201,605)	₩ (250,750)	US\$ (193,145)	US\$ (240,228)
Loss on trading securities	(65,666)	(96,406)	(62,911)	(92,361)
Loss on redemption of available-for-sales securities	(1,301)	(31,866)	(1,246)	(30,529)
Loss on equity linked securities	(1,078)	-	(1,033)	-
Loss on foreign exchange	(1,451,908)	(259,573)	(1,390,983)	(248,681)
Loss on derivatives (Note 33)	(3,021,310)	(876,823)	(2,894,530)	(840,030)
Subsidy for trust accounts adjustment	(1,583)	(17)	(1,517)	(16)
Loss on securitized assets	(4,625)	(1,515)	(4,431)	(1,451)
Provision for possible losses	(1,408,949)	(2,478,209)	(1,349,827)	(2,374,218)
Salaries, employee benefits and provision for severance benefits	(1,307,721)	(1,176,158)	(1,252,846)	(1,126,804)
Rent	(72,478)	(83,471)	(69,437)	(79,968)
Entertainment expense	(10,803)	(11,957)	(10,350)	(11,455)
Depreciation and amortization	(247,969)	(212,408)	(237,564)	(203,495)
Taxes and dues	(101,790)	(92,465)	(97,519)	(88,585)
Advertising	(33,945)	(52,046)	(32,521)	(49,862)
Telecommunications	(51,520)	(41,868)	(49,358)	(40,111)
Service fees	(119,306)	(68,783)	(114,300)	(65,897)
IT operating expenses	(82,688)	(76,080)	(79,217)	(72,888)
Stock compensation (Note 24)	(1,100)	(1,460)	(1,054)	(1,399)
Other administrative expenses	(100,944)	(157,224)	(96,708)	(150,627)
Deposit insurance fee	(129,898)	(129,484)	(124,447)	(124,050)
Other expenses	(126,933)	(119,244)	(121,606)	(114,240)
	(8,545,120)	(6,217,807)	(8,186,550)	(5,956,895)
	(12,191,952)	(10,060,209)	(11,680,353)	(9,638,062)
OPERATING INCOME	1,167,263	343,236	1,118,282	328,833
NON-OPERATING INCOME (Note 25)	458,277	639,883	439,047	613,032
NON-OPERATING EXPENSES (Note 25)	(390,804)	(752,057)	(374,405)	(720,499)
ORDINARY INCOME	1,234,736	231,062	1,182,924	221,366
EXTRAORDINARY ITEM	-	-	-	-
INCOME BEFORE INCOME TAX EXPENSE AND MINORITY INTERESTS	1,234,736	231,062	1,182,924	221,366
INCOME TAX EXPENSE (BENEFITS)(Note 26)	(56,884)	178,688	(54,497)	171,190
INCOME BEFORE MINORITY INTERESTS	1,291,620	52,374	1,237,421	50,176
MINORITY INTERESTS LOSS	873	3,905	836	3,741
NET INCOME	₩ 1,292,493	₩ 56,279	US\$ 1,238,257	US\$ 53,917
BASIC ORDINARY INCOME PER COMMON SHARE (Note 27)	₩ 1,655	₩ 73	US\$ 1.586	US\$ 0.070
BASIC NET INCOME PER COMMON SHARE (Note 27)	₩ 1,655	₩ 73	US\$ 1.586	US\$ 0.070
DILUTED ORDINARY INCOME PER COMMON SHARE (Note 27)	₩ 1,612	₩ 72	US\$ 1.544	US\$ 0.069
DILUTED NET INCOME PER COMMON SHARE (Note 27)	₩ 1,612	₩ 72	US\$ 1.544	US\$ 0.069

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(In Millions of Korean Won)

	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	Total
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
Valuation of available-for-sale securities	-	-	-	351,479	-	351,479
Gain (Loss) on valuation using the equity method on subsidiaries	-	-	(1,517)	9,642	-	8,125
Stock options	-	-	-	1,460	-	1,460
Valuation on derivative instruments	-	-	-	3,495	-	3,495
Discounts on stock issuance	-	-	-	(4,050)	-	(4,050)
Changes in minority interests	-	211	-	(10,884)	(49,136)	(59,809)
Others	-	(298)	3,440	(352)	-	2,790
December 31, 2003	3,877,525	57,844	1,152,053	414,969	195,909	5,698,300
January 1, 2004	3,877,525	57,844	1,152,053	414,969	195,909	5,698,300
Net income	-	-	1,292,493	-	-	1,292,493
Dividend	-	-	(77,550)	-	-	(77,550)
Issuance of new shares	104,753	23,032	-	-	-	127,785
Additional acquisition of subsidiaries' stocks	-	90,544	-	-	(155,575)	(65,031)
Disposal of subsidiaries' treasury stocks	-	-	-	16,787	-	16,787
Gain on valuation of available-for-sale securities	-	-	-	474,325	-	474,325
Valuation using the equity method on subsidiaries	-	-	(1,698)	(1,820)	-	(3,518)
Stock options	-	73	-	1,027	-	1,100
Valuation on derivative instruments	-	-	-	2,055	-	2,055
Acquisition of treasury stock	-	-	-	(3,077)	-	(3,077)
Discounts on stock issuance	-	-	-	(3,849)	-	(3,849)
Amortization of discount on stock issuance	-	-	(40)	40	-	-
Changes in scope of consolidation	-	-	-	-	1,245,693	1,245,693
Changes in minority interests	-	-	-	23,337	(33,094)	(9,757)
Others	-	(533)	(1,545)	-	7	(2,071)
December 31, 2004	₩ 3,982,278	₩ 170,960	₩ 2,363,713	₩ 923,794	₩ 1,252,940	₩ 8,693,685

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	₩ 1,292,493	₩ 56,279	US\$ 1,238,257	US\$ 53,917
Adjustments to reconcile net income to net cash provided by operating activities:				
Loss on trading securities	65,666	96,406	62,911	92,361
Loss on redemption of available-for-sale securities	1,301	31,866	1,246	30,529
Loss on derivatives	3,021,310	876,823	2,894,530	840,030
Provision for possible losses	1,408,949	2,478,209	1,349,827	2,374,218
Interest expense (without cash outflows)	2,289	3,937	2,192	3,771
Provision for severance benefits	110,151	98,535	105,529	94,400
Depreciation and amortization	247,969	212,408	237,564	203,495
Stock compensation cost	1,100	1,460	1,054	1,399
Loss on disposal of tangible assets	4,748	1,661	4,549	1,591
Loss on valuation using the equity method of accounting	351	-	336	-
Loss on disposal of available-for-sale securities	8,272	26,502	7,924	25,390
Loss on impairment of available-for-sale securities	32,995	270,390	31,610	259,044
Loss on impairment of held-to-maturity securities	23,291	63,762	22,314	61,086
Loss on sale of loans	179,994	271,418	172,441	260,029
Loss on valuation of the Stock Market Stabilization Fund	-	1,250	-	1,198
Loss on impairment of intangible assets	5,247	37,052	5,027	35,497
Gain on trading securities	(130,480)	(154,185)	(125,005)	(147,715)
Gain on redemption of available-for-sale securities	(67,504)	(77,151)	(64,671)	(73,914)
Gain on derivatives	(3,022,767)	(826,405)	(2,895,925)	(791,727)
Reversal of allowance for possible losses	(144,380)	(66,950)	(138,322)	(64,141)
Gain on disposal of tangible assets	(17,934)	(17,718)	(17,181)	(16,975)
Gain on valuation using the equity method of accounting	(34,683)	(33,980)	(33,228)	(32,554)
Gain on disposal of available-for-sale securities	(171,184)	(76,323)	(164,001)	(73,120)
Reversal of loss on impairment of available-for-sale securities	(73,125)	(212,873)	(70,057)	(203,940)
Reversal of loss on impairment of held-to-maturity securities	-	(2,620)	-	(2,510)
Gain on sale of loans	(33,837)	(54,601)	(32,417)	(52,310)
Minority interests loss	(873)	(3,905)	(836)	(3,741)
	<u>1,416,866</u>	<u>2,944,968</u>	<u>1,357,411</u>	<u>2,821,391</u>
Changes in operating assets and liabilities:				
Decrease in present value discounts	(44,230)	(80,203)	(42,374)	(76,838)
Decrease in guarantee deposits	10,600	294,277	10,155	281,929
Decrease (increase) in other accounts receivable	1,429,656	(1,716,418)	1,369,665	(1,644,394)
Decrease (increase) in accrued income	170,022	(50,218)	162,888	(48,111)
Decrease (increase) in prepaid expenses	(3,135)	23,035	(3,003)	22,068
Decrease (increase) in deferred income tax assets	(467,949)	150,563	(448,313)	144,245
Decrease in accounts receivable-other	1,245	3,486	1,193	3,340
Decrease in domestic exchange settlements debits	₩ 84,943	₩ 457,858	US\$ 81,378	US\$ 438,646

(Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
Decrease (increase) in sundry assets	₩ (103,945)	₩ 12,744	US\$ (99,583)	US\$ 12,209
Payment of accrued severance benefits	(21,416)	(12,859)	(20,517)	(12,319)
Increase in deposits in employee retirement trust	(57,750)	(51,902)	(55,327)	(49,724)
Decrease in transfers to the National Pension Fund	77	38	74	36
Decrease in allowance for possible losses on confirmed acceptances and guarantees	-	(6,356)	-	(6,089)
Decrease in other allowances	(36,887)	(231,384)	(35,339)	(221,675)
Increase (decrease) in foreign exchange remittance pending	(116,389)	44,408	(111,505)	42,545
Decrease in domestic exchange remittance pending	(165,520)	(89,109)	(158,575)	(85,370)
Increase (decrease) in borrowings from trust accounts	(1,373,990)	1,438,630	(1,316,335)	1,378,262
Increase (decrease) in accounts payable	(1,000,658)	1,715,093	(958,668)	1,643,124
Increase (decrease) in accrued expenses	78,816	(56,366)	75,509	(54,001)
Decrease in income tax payable	(689)	(2,893)	(660)	(2,772)
Decrease in unearned revenue	(5,547)	(34,952)	(5,314)	(33,485)
Increase (decrease) in deposits for letter of guarantees and others	(28,698)	6,688	(27,494)	6,407
Increase in deferred income tax liabilities	2,250	1,930	2,156	1,849
Decrease in accounts for agency businesses	(55,594)	(16,720)	(53,262)	(16,017)
Increase in liabilities incurred by agency relationship	112,169	203,073	107,462	194,552
Increase (decrease) in sundry liabilities	115,795	(78,811)	110,936	(75,504)
	<u>(1,476,824)</u>	<u>1,923,632</u>	<u>(1,414,853)</u>	<u>1,842,913</u>
Net cash provided by operating activities	<u>1,232,535</u>	<u>4,924,879</u>	<u>1,180,815</u>	<u>4,718,221</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease (increase) in trading securities	(2,650,602)	273,736	(2,539,378)	262,250
Net decrease (increase) in available-for-sale securities	2,533,222	(756,668)	2,426,923	(724,917)
Net decrease in held-to-maturity securities	1,483,343	357,485	1,421,099	342,484
Net decrease (increase) in investments accounted for using the equity method	(314,705)	982	(301,499)	941
Net increase in equity linked securities	(592)	-	(567)	-
Net increase in loans	(6,292,404)	(15,089,082)	(6,028,362)	(14,455,913)
Net increase in tangible assets	(112,891)	(58,006)	(108,154)	(55,572)
Net increase in leased assets	(29,988)	(4,252)	(28,730)	(4,074)
Net decrease (increase) in intangible assets	174,381	(110,383)	167,064	(105,751)
Net decrease in non-operating assets	178	805	171	771
Net decrease in operating lease assets	221	5,219	212	5,000
Net decrease in sold equity linked securities	42,601	-	40,813	-
Net decrease in derivative instruments assets	2,151,280	629,029	2,061,008	602,634
Net decrease in derivative instruments liabilities	<u>(1,806,996)</u>	<u>(719,235)</u>	<u>(1,731,171)</u>	<u>(689,054)</u>
Net cash used in investing activities	<u>₩ (4,822,952)</u>	<u>₩ (15,470,370)</u>	<u>US\$ (4,620,571)</u>	<u>US\$ (14,821,201)</u>

See accompanying notes to non-consolidated financial statements.

(Continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	2004	2003	2004	2003
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net increase in deposits	₩ 988,605	₩ 10,113,271	US\$ 947,121	US\$ 9,688,897
Net increase (decrease) in borrowings	54,180	(1,026,510)	51,906	(983,436)
Net increase in debentures in local currency	1,381,770	35,792	1,323,788	34,290
Net increase (decrease) in debentures in foreign currencies	(26,263)	1,365,751	(25,161)	1,308,441
Issuance of new shares	-	37,877	-	36,288
Disposal of treasury stocks by subsidiaries	58,509	16,788	56,054	16,084
Payment of dividends	(77,550)	(57,262)	(74,296)	(54,859)
Issuance cost of new shares	(934)	-	(895)	-
Increase in discount on stock issuance	(3,849)	(4,050)	(3,687)	(3,880)
Acquisition of treasury stocks by a subsidiary	(44,799)	(7,468)	(42,919)	(7,155)
Net decrease in minority interests	(20,727)	(25,681)	(19,857)	(24,603)
Net cash provided by financing activities	2,308,942	10,448,508	2,212,054	10,010,067
INCREASE (DECREASE) IN CASH DUE TO				
CHANGE IN THE SCOPE OF CONSOLIDATION	1,659,735	(14)	1,590,089	(13)
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS				
	378,260	(96,997)	362,387	(92,926)
CASH AND DUE FROM BANKS, BEGINNING OF THE YEAR				
	6,471,855	6,568,852	6,200,283	6,293,209
CASH AND DUE FROM BANKS, END OF THE YEAR				
	₩ 6,850,115	₩ 6,471,855	US\$ 6,562,670	US\$ 6,200,283

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

1. GENERAL

(1) Woori Finance Holdings Co., Ltd.

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

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

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

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

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

Parent companies	Subsidiaries	2004		2003		Financial statements as of
		Number of shares owned	Percentage of ownership (%)	Number of shares owned	Percentage of ownership (%)	
Woori Finance Holdings Co., Ltd.	Woori Bank (*1)	635,956,580	100.0	570,567,520	100.0	Dec. 31
"	Kwangju Bank	34,080,000	99.9	34,080,000	99.9	Dec. 31
"	Kyongnam Bank	51,800,000	99.9	51,800,000	99.9	Dec. 31
"	Woori Credit Card Co., Ltd. (*1)	-	-	22,600,000	100.0	Dec. 31
"	Woori Finance Information System Co., Ltd.	900,000	100.0	900,000	100.0	Dec. 31
"	Woori F&I Co., Ltd.	2,000,000	100.0	2,000,000	100.0	Dec. 31
"	Woori Second Asset Securitization Specialty Co., Ltd.	1,900	95.0	1,900	95.0	Dec. 31
"	Woori Third Asset Securitization Specialty Co., Ltd.	2,000	100.0	2,000	100.0	Dec. 31

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

(*1) Woori Bank, a subsidiary of the Company, merged with WCC, also a subsidiary of the Company, on March 31, 2004. Woori Bank issued 0.3581 new common shares per one common share of WCC. Accordingly, the number of issued common shares and contributed capital of Woori Bank increased from 570.6 million and ₩ 2,852.8 billion (US\$ 2,733.1 million) to 636 million and ₩ 3,179.8 billion (US\$ 3,046.4 million).

(*2) On June 18, 2004, the Company acquired Woori Securities Co., Ltd.'s 15,584,113 shares of common stock, which represent 47.3% ownership. As a result, the number of issued common shares and contributed capital of the Company increased from 775.5 million and ₩ 3,877.5 billion (US\$ 3,714.8 million) to 784.1 million ₩ 3,920.4 billion (US\$ 3,755.9 million) and Woori Securities Co., Ltd. became a wholly owned subsidiary.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(*3) On October 26, and December 24, 2004, the Company acquired 7,000,000 and 25,877,487 shares of LG Investment Securities Co., Ltd. ("LG Securities")'s common stock for ₩ 54,980 million (US\$ 52,673 thousand) and ₩ 297,591 million (US\$ 285,103 thousand), respectively. As a result, the Company owns 26.92% of the voting rights of LG Securities and is able to govern LG Securities; therefore, the Company includes it as a consolidated subsidiary.

(*4) In 2004, Woori Bank acquired PT. Bank Woori Indonesia's 231 shares of common stock, which represent 13.6% ownership interest.

(*5) On December 28, 2004, Woori Bank acquired 52.38% ownership interest in Woori First Private Equity Fund for ₩ 22,110 million (US\$ 21,182 thousand).

(*6) As a result of the consolidation of LG Securities, the subsidiaries of LG Securities are included as 2nd-tier subsidiaries of the Company.

(3) General information pertaining to the Company's subsidiaries as of December 31, 2004 is set forth below.

a. Woori Bank

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

b. Kwangju Bank

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

c. Kyongnam Bank

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

d. Woori Finance Information System Co., Ltd.

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

e. Woori F&I Co., Ltd.

Woori F&I Co., Ltd. ["WF&I", formerly Woori Asset Management Co., Ltd. ("WAMC")] was established on November 16, 2001 to engage in the business of management, operation and disposition of securitization assets. On September 13, 2002, WF&I split off the asset management business segment and established Woori CA Asset Management Co., Ltd. ("WCAAMC"). As a result, WF&I is engaged in the business of acquisition and disposition of securities issued by asset securitization specialty corporations, which are established based on the Act on Asset-Backed Securitization for the purpose of non-performing assets securitization, and in the business of acquisition and disposition of equity of asset management corporations, which are established for the purpose of non-performing assets management. On September 16, 2002, WAMC changed its name to Woori F&I Co., Ltd. As of December 31, 2004, its common stock amounts to ₩ 10,000 million (US\$ 9,580 thousand) consisting of 2,000,000 shares issued and outstanding, all of which are owned by the Company. The office of WF&I is located in Seoul, Korea.

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

h. Woori Investment Trust Management Co., Ltd.

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

i. Woori Securities Co., Ltd.

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

j. LG Investment Securities Co., Ltd.

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

k. Woori Credit Information Co., Ltd.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

l. Woori America Bank

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

m. P.T. Bank Woori Indonesia

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

n. Woori CA Asset Management Co., Ltd.

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

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

Subsidiaries	Main business	Capital	Number of issued shares	Date of establishment	Location
Woori First Private Equity Fund	Securities investments	₩ 42,210	-	2004. 12. 20	Seoul, Korea
LG Futures Co., Ltd.	Futures trading	₩ 25,000	5,000,000	1992. 07. 10	Seoul, Korea
LG Investment Trust Management Co., Ltd.	Investment advisory service	₩ 30,000	6,000,000	1988. 03. 26	Seoul, Korea
LG Securities Int'l Ltd	Securities	USD 5,788	5,788,000	1991. 08. 15	London, UK
LG Securities (H.K.) Limited	Securities	USD 22,500	22,500,000	1995. 03. 06	Hong Kong, China
LG Securities America, Inc.	Securities	USD 3 dollar	300	1992. 06. 18	New York, United State
High Technology Venture Investment	Securities investments	USD 35	3,500,000	2000. 02. 28	Malaysia
Global Technology Investment	Securities investments	USD 30	3,000,000	1999. 06. 28	Malaysia
LG Investment Holding B.V. (Amsterdam) GG	Securities investments	EURO 16,424	1,642,398,242	1996. 10. 18	Amsterdam, Holland

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

Investors	Investees	2004		2003		Financial statements as of
		Number of shares owned	Percentage of ownership (%)	Number of shares owned	Percentage of ownership (%)	
Woori Bank & Kyongnam Bank	BC Card Co., Ltd.	1,303,920	29.6	1,303,920	29.6	Dec. 31
	Byucksan E&C Co., Ltd. (*1)	-	-	11,552,500	30.6	Dec. 31
	Kyongun Mutual Saving Bank	685,268	15.3	-	-	Sep. 30 (*6)
Woori Bank	Korea Finance Security Co., Ltd.	233,070	16.7	233,070	16.7	Dec. 31 (*6)
Woori First Private Equity Fund	Woo Bang Housing Co., Ltd	8,400,000	30.9	-	-	Dec. 31 (*6)
LG Securities	Connacht Capital Market Investment (*2)	15,000,000	100.0	-	-	Dec. 31 (*6)
High Technology Venture Investment	Athena Fund I (*3)	-	65.1	-	-	Dec. 31 (*6)
Global Technology Venture Investment	Athena Fund II (*3)	-	69.0	-	-	Dec. 31 (*6)
Woori F&I	Woori LB First Asset Securitization Specialty	15,000	30.0	480,000	30.0	Dec. 31
"	Woori LB Second Asset Securitization Specialty	66,000	30.0	138,000	30.0	Dec. 31
"	Woori LB Third Asset Securitization Specialty	264,000	30.0	414,000	30.0	Dec. 31
"	Woori LB Fourth Asset Securitization Specialty	432,000	30.0	432,000	30.0	Dec. 31
"	Woori LB Fifth Asset Securitization Specialty	2,340,000	30.0	2,340,000	30.0	Dec. 31
"	Woori LB Sixth Asset Securitization Specialty	234,000	30.0	234,000	30.0	Dec. 31
"	Woori LB Eighth Asset Securitization Specialty	12,000	30.0	120,000	30.0	Dec. 31
"	Woori F&I First Asset Securitization Specialty	12,768	30.0	12,768	30.0	Dec. 31
"	Woori F&I Second Asset Securitization Specialty	10,824	30.0	10,824	30.0	Dec. 31
"	Woori F&I Fourth Asset Securitization Specialty	360	30.0	2,070	30.0	Dec. 31

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

Investors	Investees	2004		2003		Financial statements as of
		Number of shares owned	Percentage of ownership (%)	Number of shares owned	Percentage of ownership (%)	
Woori F&I	Woori SB First Asset Securitization Specialty (*4)	1,867,800	30.0	-	-	Dec. 31
"	Woori SB Second Asset Securitization Specialty (*4)	210,912	30.0	-	-	Dec. 31
"	Woori BC Pegasus Asset Securitization Specialty (*5)	581,580	30.0	-	-	Dec. 31

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

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

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

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

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

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

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

a. BC Card Co., Ltd.

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

b. Korea Finance Security Co., Ltd.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidated Financial Statement Presentation

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

(1) Consolidation accounting

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

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

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

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

b. Overseas consolidated subsidiaries' financial statements' conversion rate

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

d. Date of the consolidated financial statements

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

e. Minority interests

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

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

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

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

a. Trading securities

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

b. Available-for-sale securities

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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 in capital adjustments. For equity securities without readily determinable fair value, which were impaired based on the net asset value, the reversal is recorded up to their acquisition cost. For held-to-maturity securities, the reversal is recorded in current operations up to the amount previously recognized impairment loss as a reversal of loss on impairment of held-to-maturity securities.

e. Reclassification of securities

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

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

(3) Convertible securities

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

(4) Interest income recognition

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

(5) Allowance for possible losses on credits

a. Financial Supervisory Service regulatory criteria.

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(6) Restructuring of loans

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

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

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

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

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

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

(8) Valuation of receivables and payables at present value

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(9) Tangible assets and depreciation

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

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

(10) Intangible assets and amortization

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

(11) Valuation allowance for non-business use property

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

(12) Amortization of discount (premium) on debentures

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

(13) Recognition of asset impairment

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

(14) Accrued severance benefits

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

(15) Bonds under resale or repurchase agreements

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

(16) Accounting for derivative instruments

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

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

(17) Income tax expense

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(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. (₩ 1,043.80 and ₩ 1,197.80 to \$ 1.00 at December 31, 2004 and 2003, respectively) or cross rates as of the balance sheets date. Translation gains and losses on foreign currencies denominated assets and liabilities are credited or charged to operations.

(19) Stock options

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

(20) Earnings per common share

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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3. CASH AND DUE FROM BANKS

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

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

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

Financial institution	Dec. 31, 2004	Dec. 31, 2003	Reason of restriction
Due from banks in local currency			
Bank of Korea	₩ 1,900,388	₩ 2,634,748	Banking law
Korea Stock Exchange and others	5,845	400	Indemnity fund and others
Korea Securities Finance Corporation and others	1,260,881	146,450	Regulation of securities supervision
Korea Securities Depository	315	190	Indemnity fund and others
Samsung Securities and others	23,166	-	Subscription for futures
ING Bank	39,798	-	Collateral for borrowing
Others	₩ 565	₩ 48	Collateral for guarantees and others
	3,230,958	2,781,836	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Financial institution	Dec. 31, 2004		Dec. 31, 2003		Reason of restriction
Due from banks in foreign currencies					
Bank of Korea	₩	68,621	₩	209,230	Banking law
Bank of Japan		316		970	Reserve deposits on overseas banks
Lehman Brothers		25,217		47,912	Collateral for credit derivatives
Bangladesh Bank and others		17,471		17,966	Reserve deposits on overseas banks
Bank of Indonesia and others		7,689		6,964	Reserve deposits on overseas banks
Federal Reserve Bank (FRB)		-		3,593	Guarantee for FRB discount window
Industrial & Commercial Bank of China and others		16,792		17,841	Reserve deposits on overseas banks
Federal Tennessee National Bank		-		11,978	Line of credit
HSBC		913		-	Collateral for guarantees
Broadcorf Capital		2,402		-	Collateral for overdraft
		139,421		316,454	
	₩	3,370,379	₩	3,098,290	

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

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

4. TRADING SECURITIES

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

	Face value	Acquisition cost	Fair value
<2004>			
<In local currency>			
Equity securities		₩ 232,624	₩ 252,206
Government bonds	₩ 2,450,090	2,642,818	2,652,352
Financial debentures	1,939,805	1,939,818	1,947,298
Corporate bonds	815,467	813,921	768,316
Beneficiary certificates		386,945	316,444
Others		707,385	705,487
		6,723,511	6,642,103
<In foreign currencies>			
Equity securities		11,534	11,534
Bonds and others	47,411	50,044	47,536
		61,578	59,070
		₩ 6,785,089	₩ 6,701,173
<2003>			
<In local currency>			
Equity securities		99,136	108,091
Government bonds	692,270	686,287	684,432
Financial debentures	652,012	640,267	626,851
Corporate bonds	583,273	581,104	580,765
Beneficiary certificates		574,147	600,471
Others		102,137	103,017
		2,683,078	2,703,627
<In foreign currencies>			
Bonds	24,332	24,245	24,216
		₩ 2,707,323	₩ 2,727,843

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

5. AVAILABLE-FOR-SALE SECURITIES

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

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

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

	No. of shares owned	Percentage of ownership (%)	Acquisition cost	Net asset value/market value	Book value
<2004>					
<Marketable equity Securities>					
Kia Motors Corporation	201,301	0.06	₩ 2,852	₩ 2,194	₩ 2,194
Daerim Corporation (*1)	5,217	20.52	14,022	35,632	35,632
Daewoo Engineering & Construction Co., Ltd.	19,022	5.61	73,371	120,029	120,029
Daewoo International Corporation	1,875	1.97	4,602	19,497	19,497
Ssangyong Engineering & Construction Co., Ltd.	192	0.65	5,907	1,281	1,281
Ssangyong Cement Industrial Co., Ltd.	885,917	0.24	1,707	1,432	1,432
Ssangyong Motor Company	39,833	6.06	32,601	43,915	43,915
LG Insurance Co., Ltd.	1,665	2.78	11,098	9,491	9,491
KP Chemical Corporation	8,383	8.63	17,256	41,497	41,497
Kocref-Cr-Reit 1 (*2)	403,700	15.41	20,500	26,855	26,855
Hynix Semiconductor Inc.	3,327,374	11.25	182,643	475,802	474,821
Hyundai Eng. & Const. Co., Ltd.	15,952	14.61	232,204	248,061	248,061
Hyundai Corporation (*1)	3,923	17.09	10,015	13,495	13,495

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	No. of shares owned	Percentage of owner- ship (%)	Acquisition- cost	Net asset value/market value	Book value
<2004>					
LG Card Co., Ltd.	53,146	10.28	₩ 65,925	₩ 211,415	₩ 211,415
SK Networks Co., Ltd.	11,009	3.10	47,265	74,155	74,155
Others	-	-	117,770	79,920	79,830
			839,738	1,404,671	1,403,600
<Non-marketable securities>					
Stocks subject to fair value valuation;					
The Kyongnam Shinmun	300,000	12.63	1,070	1,054	1,054
Korea Housing Guarantee Co., Ltd	5,006,940	0.82	5,753	11,771	11,771
Renault Samsung Motors Co., Ltd.	142,103	0.16	524	922	922
Moogoonghwa Restructuring Fund	5,400	8.10	12,611	9,509	9,509
Seoul Debt Restructuring Fund	9,800	8.18	12,010	8,510	8,510
Shinwoo Corporate Restructuring Vehicles	25	4.44	1,266	435	435
Arirang Restructuring Fund	5,400	8.10	14,806	10,757	10,757
Korea Securities Finance Corporation	8,818	12.97	44,781	55,136	47,985
Korea Aerospace Industries Ltd.	4,468	4.83	22,338	16,539	16,539
SK Networks Co., Ltd. (preferred stock)	920	0.27	33,957	50,865	50,865
Others	-	-	59,901	84,662	84,662
Stocks excluded from fair value valuation;					
Kwangju Information Center	42	10.00	210	210	210
Realty Advisor Korea	200,000	14.29	1,000	728	1,000
ChonNam Corporation Co., Ltd.	60	9.77	300	300	300
KOSDAQ Stock MKT	112	2.66	560	3,812	3,812
The Korea Economics	540	4.33	2,709	1,439	1,439
Kyongnam Trading Inc.	60,000	10.00	300	450	300
Kohap Corp.	574,200	1.54	-	-	-
Kyobo Investment Trust Management	300	5.00	1,500	2,553	2,553
Kookmin Asset Invest Trust Co., Ltd.	24	1.32	236	1,563	1,563
KiHyup Technology Banking Corp.	400	6.90	2,000	2,295	2,295
My Asset Invest Management Advisory Co., Ltd	230,000	7.45	1,150	650	1,150
Samsung Life Insurance Co., Ltd.	59,601	2.78	159,262	278,604	159,262
I Venture Capital	140,000	7.00	700	642	700
I Investment Trust Management	100,000	3.16	500	408	500
Eagon Floor Co., Ltd.	80	8.00	1,360	1,212	1,212
Taekwang Investment Trust Management Co., Ltd.	100,000	5.00	500	598	500
Korea Securities Depository	124	2.07	1,094	7,161	7,161
Korea Securities Computer Corporation	218	4.07	₩ 1,097	₩ 4,925	₩ 4,925

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	No. of shares owned	Percentage of owner- ship (%)	Acquisition- cost	Net asset value/market value	Book value
<2004>					
Korea ECN Securities Co., Ltd.	159,999	3.12	₩ 800	₩ 416	₩ 800
Badbank Harmony (preferred stock)	219	-	219	-	219
Capital Partner	100,000	7.1	500	555	500
CJ Investment Securities Co., Ltd.	317,777	0.61	407	133	133
KIDB Bonds Brokerage Corp.	100,000	12.50	500	589	500
MVP Capital	200,000	10.00	1,000	1,075	1,000
Others	-	-	255,089	24,830	17,754
			642,010	585,308	452,797
			₩ 1,481,748	₩ 1,989,979	₩ 1,856,397

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

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

	No. of shares owned	Percentage of owner- ship (%)	Acquisition- cost	Net asset value/market value	Book value
<2003>					
<Marketable equity securities>					
Kia Motors Corporation	201	0.05	₩ 2,852	₩ 2,194	₩ 2,194
Kia Steel Co., Ltd.	16	0.04	209	158	158
Nam-Kwang Engineering & Construction Co., Ltd.	642	2.53	3,212	1,522	1,522
Daerim Corporation (*1)	2,669	23.20	6,981	10,675	10,675
Daewoo Engineering & Construction Co., Ltd.	19,022	5.80	73,371	105,953	105,953
Daewoo International Corporation	1,875	2.00	4,602	13,685	13,685
Daewoo Precision Industries Co., Ltd.	736	7.60	3,057	11,410	11,410
Daewoo Securities Co. Ltd.	3,130	1.50	55,215	13,303	13,303
Ssangyong Corporation (*1)	2,831	16.30	38,821	11,040	11,040
Ssangyong Engineering & Construction Co., Ltd.	74	0.25	202	176	176
Ssangyong Cement Industrial Co., Ltd.	886	0.41	1,084	1,302	1,302
Ssangyong Motor Company	3,433	3.10	9,512	35,355	35,355
Woobang Housing & Construction Co., Ltd.	515	3.96	2,474	598	598
KP Chemical Corporation (*1)	15,819	16.72	25,412	32,350	32,350
Kocref — Cr- Reit 1	4,100	15.40	20,500	21,197	21,197
Kocref — Cr- Reit 2	1,400	12.50	7,000	6,958	6,958
Kocref — Cr- Reit 3	2,000	14.70	10,000	10,200	10,200
Hynix Semiconductor Inc.	64,529	13.60	248,060	361,360	361,360
HanKang Restructuring Fund	4,160	3.30	7,392	7,571	7,571

(Continued)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	No. of shares owned	Percentage of owner- ship (%)	Acquisition- cost	Net asset value/market value	Book value
<2003>					
Hyundai Eng & Const Co., Ltd.	14,235	9.56	₩ 130,943	₩ 52,572	₩ 52,572
Hyundai Corporation (*1)	3,923	17.10	10,015	11,847	11,847
INI Steel Co., Ltd.	175	0.20	628	1,839	1,839
SK Networks Co., Ltd.	13,691	4.10	27,383	46,784	46,784
YTN	3,190	7.60	15,950	4,594	4,594
Others	-	-	44,188	18,341	18,341
			749,063	782,984	782,984
<Non-marketable equity securities>					
The Kyongnam Shinmun	200	14.07	970	1,072	970
Korea Housing Guarantee Co., Ltd.	5,007	0.86	5,053	8,782	3,504
DongWon Capital Co., Ltd.	1,200	9.23	6,000	4,687	4,687
Renault Samsung Motors Co., Ltd.	142	0.16	524	792	524
Realty Advisors	200	14.28	1,000	798	1,000
My Asset Investment Management Advisory Co., Ltd.	230	7.45	1,150	689	1,150
Moogoonghwa Restructuring Fund	5,400	8.13	17,156	13,443	13,443
Samsung Life Insurance Co., Ltd.	555	2.80	159,262	216,688	159,262
Seoul Debt Restructuring Fund	9,800	8.23	15,248	13,974	13,974
Arirang Restructuring Fund	5,400	8.13	17,372	15,216	15,216
CJ Investment Trust & Securities Co., Ltd.	318	0.61	1,189	407	407
K-WON	200	2.00	1,000	1,298	1,298
Kiwoon.com Securities Co., Ltd.	180	1.80	900	1,000	900
Korea Securities Corporation	5,908	8.68	30,356	39,833	30,356
Korea Aerospace Industries, Ltd. (Preferred stocks)	4,468	4.80	22,338	14,842	14,842
Korea ECN Securities Co., Ltd.	160	3.12	800	603	800
Capital Partner	100	7.10	500	456	900
MVP capital	200	10.00	1,000	1,078	1,000
SK Networks Co., Ltd. (Preferred stocks)	1,433	0.40	28,663	42,575	42,575
Others	-	-	105,523	69,372	60,183
			416,004	447,605	366,991
			₩ 1,165,067	₩ 1,230,589	₩ 1,149,975

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

	Dec. 31, 2004		Dec. 31, 2003	
	Percentage of ownership(%)	Book value	Percentage of ownership(%)	Book value
Korea Stock Exchange	6.96	₩ 4,096	3.38	₩ 2,438
Stock Market Stabilization Fund	6.89	11,777	12.05	35,736
Korea Futures Exchange	0.4	3,000	-	-
Korea Asset Management Corp.	4.29	6,923	4.33	6,473
LG Investment Seventh Fund	8	1,000	-	-
Others	-	10,039	-	14,258
		₩ 36,835		₩ 58,905

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

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

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

	Dec. 31, 2004		Dec. 31, 2003
	Acquisition cost	Fair value	Fair value
Management			
Kyobo Investment Trust Management	770	845	61,482
Daehan Investment Trust Management	₩ -	₩ -	₩ 20,483
Deutsche Securities Korea Co.	-	-	61,771
Dongbu Securities	138	180	-
Dongwon Investment Trust Management	-	-	77,687
Landmark Investment Trust Management	2,794	2,794	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

	Dec. 31, 2004		Dec. 31, 2003
	Acquisition cost	Fair value	Fair value
Korea Development Bank	₩ 54,011	₩ 49,691	₩ -
KDB Asset Management	4,219	4,643	-
LG Investment Trust Management	222	335	-
Korea Foreign Exchange Bank	6,015	5,635	-
Woori Investment Trust Management	37,506	43,157	1,386,716
I Investment Trust Management	-	-	60,141
Korea Investment Trust Management	-	-	649
Hanil Investment Trust Management	9,193	8,083	-
Hyundai Investment Trust Management	-	-	176
CJ Investment Trust Management	2,051	4,765	-
Others	2,789	2,250	428,893
	₩ 119,708	₩ 122,378	₩ 2,097,998

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

	Acquisition cost	Fair value
Bills bought in local currency	₩ 41,971	₩ 41,525
Commercial paper	2,356	1,944
Corporate restructuring vehicle	19,226	15,786
	₩ 63,553	₩ 59,255

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

	Face value	Acquisition cost	Fair value
<2004>			
Equity securities		₩ 1,899	₩ 536
Bonds	₩ 1,229,648	1,126,751	1,037,133
		₩ 1,128,650	₩ 1,037,669
<2003>			
Equity securities		₩ 39,957	₩ 7,297
Bonds	₩ 1,366,521	1,332,061	1,330,563
		₩ 1,372,018	₩ 1,337,860

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

6. HELD-TO-MATURITY SECURITIES

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

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	Dec 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
<Bonds in local currency>				
Government bonds	₩ 2,189,077	₩ 1,728,484	US\$2,097,219	US\$1,655,953
Financial debentures	786,127	1,067,045	753,139	1,022,270
Corporate bonds	5,159,687	6,830,143	4,943,176	6,543,536
Other	16,200	-	15,520	-
<Bonds in foreign currencies>	313,611	263,061	300,451	252,022
<Loaned securities>	20,578	103,181	19,715	98,852
	₩ 8,485,280	₩ 9,991,914	US\$ 8,129,220	US\$ 9,572,633

(2) Details of held-to-maturity securities as of December 31, 2004 and 2003 are as follows (unit: Korean won in millions):

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

7. EQUITY LINKED SECURITIES

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

	Acquisition cost		Fair value
Equity linked securities	₩	594,048	₩ 609,557

8. 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, 2004 are as follows (unit: Korean won in millions):

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

	Face value	cost	(book value)	Fair value
BC Card	₩ 208	₩ -	₩ 208	₩ -
Byucksan E&C	(36,096)	-	(36,096)	-
Woo Bang Housing Co., Ltd.	-	(52,874)	142	(52,732)
	₩ (35,888)	₩ (52,874)	₩ (35,746)	₩ (52,732)

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

	Acquisition cost	Jan. 1 2003	Gain (loss) on valuation	Other increase (decrease)	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

9. CLASSIFICATION OF SECURITIES

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

	Dec. 31, 2004	Ratio (%)
<Trading securities>		
Korea	₩ 34,908	59.09
United States	3	0.01
Other	24,159	40.90
	₩ 59,070	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

	In local currency		In foreign currencies		Total	
	Dec.31, 2004	Ratio(%)	Dec.31, 2004	Ratio(%)	Dec.31, 2004	Ratio(%)
<Trading securities>						
Others excluding bonds:						
Manufacturing	₩ 59,696	₩ 4.74	₩ 14,313	₩ 99.98	₩ 74,009	₩ 5.82
Construction	4,481	0.36	-	-	4,481	0.35
Retail	1,841	0.15	-	-	1,841	0.14
Finance & Insurance	947,732	75.32	3	0.02	947,735	74.48
Others	244,458	19.43	-	-	244,458	19.21
	₩ 1,258,208		₩ 14,316		₩ 1,272,524	
Bonds:						
Government & Government owned corporate	₩ 3,310,276	₩ 61.49	₩ 5,204	₩ 11.63	₩ 3,315,480	₩ 61.07
Financial institutions	1,355,654	25.18	39,550	88.37	1,395,204	25.7
Corporations	581,646	10.8	-	-	581,646	10.72
Others	136,319	2.53	-	-	136,319	2.51
	₩ 5,383,895		₩ 44,754		₩ 5,428,649	
<Available-for-sales securities>						
Others excluding bonds:						
Manufacturing	₩ 692,072	33.36	₩ -	-	₩ 692,072	33.35
Construction	392,581	18.92	-	-	392,581	18.91
Retail	740	0.04	-	-	740	0.04
Finance & Insurance	688,526	33.18	536	100	689,062	33.2
Others	300,946	14.5	-	-	300,946	14.5
	₩ 2,074,865		₩ 536		₩ 2,075,401	
Bonds:						
Government & Government owned corporate	₩ 6,069,443	64.17	₩ 180,138	17.37	₩ 6,249,581	59.54
Financial institutions	1,957,431	20.69	310,949	29.98	2,268,380	21.61
Corporations	373,349	3.95	329,364	31.76	702,713	6.7
Others	1,058,861	11.19	216,682	20.89	1,275,543	12.15
	₩ 9,459,084		₩ 1,037,133		₩ 10,496,217	
<Held-to-maturity securities>						
Government & Government owned corporate	7,589,701	92.88	93,809	29.91	7,683,510	90.55
Financial institutions	461,977	5.65	31,529	10.06	493,506	5.82
Corporations	110,000	1.35	35,226	11.23	145,226	1.71
Others	9,991	0.12	153,047	48.8	163,038	1.92
	₩ 8,171,669		₩ 313,611		₩ 8,485,280	
<Equity linked securities>						
	₩ 609,557	100	₩ -	-	₩ 609,557	100

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

	Currencies	Amounts in currencies	Translation to USD	Korean won equivalent
<Available-for-sales securities>				
Equity securities	USD	514	US\$ 514	₩ 536
Bonds	USD	978,547	978,547	1,021,407
"	JPY	1,180	11,441	11,942
"	CNY	30,000	3,625	3,784
			US\$ 994,127	₩ 1,037,669
<Held-to-maturity securities>				
Bonds	USD	211,617	US\$ 211,617	₩ 220,886
"	IDR	775,371	83,198	86,842
"	SGD	3,250	2,011	2,099
"	CNY	30,000	3,625	3,784
			US\$ 300,451	₩ 313,611

10. MATURITY STRUCTURE OF DEBT SECURITIES

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

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

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FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

11. LOSS ON IMPAIRMENT OF SECURITIES AND RECOVERY OF IMPAIRMENT

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

	Before	Loss	Recovery	After
<Available-for-sales securities>				
Equity securities in local currency:				
Ssangyong Corporation	₩ 11,040	₩ 1,359	₩ -	₩ 9,681
Hyundai Eng. & Const Co., Ltd.	124,000	5,414	-	118,586
Nano & Giga	510	384	-	126
Seahan Industries Inc.	91	28	-	63
Ssangyong Dement Industrial Co., Ltd.	1,302	248	-	1,054
CJ Investment Securities	407	274	-	133
Korea Housing Guarantee Co., Ltd.	5,053	-	1,868	6,921
Dongwon Capital	4,687	4,143	-	544
Daewon Culture Industry Inc.	700	633	-	67
Seah Besteel Corporation	986	851	-	135
Others	3,105	3,387	-	102
Debt securities in local currency:				
LG Card 1022	9,556	1,162	-	6,860
LG Card 1023	2,300	4,602	-	1,863
LG Card 928	-	5,200	-	-
Daewoo Motors 135	-	-	588	-
Hanvit 7th Securitization	-	-	10,830	-
Hanvit 11th Securitization	-	-	52,688	-
Hynix Semiconductor Inc.	-	-	894	-
Credipia 37th Securitization	-	-	3,798	-
Shinwoo Corporate Restructuring Vehicles	19,023	3,334	-	15,689
Hyundai Eng. & Const. 253-4	2,886	549	-	2,337
Other	6,871	111	195	-
Equity securities in foreign currencies:				
Han-ea Joint Bank	1,591	1,316	-	275
Debt securities in foreign currencies:				
Hycon Tech Co., Ltd.	-	-	199	-
S.P.I.C	1,132	-	952	-
Laisun Development	1,251	-	1,113	-
	₩ 196,491	₩ 32,995	₩ 73,125	₩ 164,436
<Held-to-maturity securities>				
Debt securities in local currency:				
Kyonggeun 2nd Securitization1-5	₩ 7,650	₩ 7,650	₩ -	₩ -
Kyonggeun 2nd Securitization1-6	15,641	15,641	-	-
	₩ 23,291	₩ 23,291	₩ -	₩ -
	₩ 219,782	₩ 56,286	₩ 73,125	₩ 164,436

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

12. LOANS AND ALLOWANCE FOR POSSIBLE LOAN LOSSES

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

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

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

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

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

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

(*1) Present value discount is excluded.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

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

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

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

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

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

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

Seller	Buyers	amount	Nominal date	Allowance at disposition Consideration	loans	Gain on sales of
Woori Bank & Kwangju Bank		Korea Asset Management Corporation	₩ 767	₩ 86	₩ 512	₩ (169)
Woori Bank Woori		SB First Asset Securitization Specialty	296	97	207	8
"		Woori SB Second Asset Securitization Specialty	200	90	124	14
"		ABN- AMRO	62	11	59	8
"		Lippo Securities Ltd.	39	8	34	3
"		Deutsche Bank	5	2	3	-
		Total	₩ 1,369	₩ 294	₩ 939	₩ (136)

13. RESTRUCTURING OF LOANS

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

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

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

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

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

(*2) To be liquidated

14. FIXED ASSETS INCLUDING INTANGIBLE ASSETS

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

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
Tangible assets	₩ 2,369,351	₩ 2,242,965	US\$ 2,269,928	US\$ 2,148,846
Leased assets	40,755	10,749	39,045	10,298
Intangible assets	236,690	480,498	226,758	460,335
Non-operating assets	183	404	175	387
	₩ 2,646,979	₩ 2,734,616	US\$ 2,535,906	US\$ 2,619,866

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

<2004>	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value
Fixed assets:				
Land	₩ 1,308,422	₩ -	₩ 874	₩ 1,307,548
Buildings	995,795	216,271	128	779,396
Structures in leased office	148,649	99,323	-	49,326
Equipment and furniture	950,075	718,871	-	231,204
Construction in process	1,877	-	-	1,877
	₩ 3,404,818	₩ 1,034,465	₩ 1,002	₩ 2,369,351
Leased assets	₩ 56,404	₩ 15,649	₩ -	₩ 40,755

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

<2003>	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value
Fixed assets:				
Land	₩ 1,219,222	₩ -	₩ 992	₩ 1,218,230
Buildings	915,158	172,245	146	742,767
Structures in leased office	113,155	82,077	-	31,078
Equipment and furniture	712,488	466,264	-	246,224
Construction in process	4,666	-	-	4,666
	₩ 2,964,689	₩ 720,586	₩ 1,138	₩ 2,242,965
Leased assets	₩ 16,908	₩ 6,159	₩ -	₩ 10,749

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Acquisition date	Amortiza- tion	Jan. 1, 2004	Increase	Amortiza- tion	Adjusted in tax expense(*1)	Dec. 31, 2004
Woori Bank	₩ 363,023	₩ (74,583)	₩ 288,440	₩ -	₩ (16,963)	₩ (271,477)	₩ -
Kwangju Bank	19,343	(2,901)	16,442	-	(967)	(15,475)	-
Kyongnam Bank	8,900	(1,335)	7,565	-	(445)	(7,120)	-
WFIS	(110)	110	-	-	-	-	-
WF&I	94	(10)	84	-	(4)	-	80
Woori Securities	473	(473)	-	-	-	-	-
WITM	(5)	5	-	-	-	-	-
LG Securities (*2)	-	-	-	(15,405)	-	-	(15,405)
	₩ 391,718	₩ (79,187)	₩ 312,531	₩ (15,405)	₩ (18,379)	₩ (294,072)	₩ (15,325)

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

15. OTHER ASSETS

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

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

16. INSURANCE

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

17. COLLATERALIZED ASSETS

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

Financial institution	Collateralized assets	Dec. 31, 2004	Dec. 31, 2003	Reason
Bank of Korea	Securities	₩ 5,377,042	₩ 4,803,431	Borrowings, settlement risk and other
Deutsche Bank and others	Securities	-	1,104,800	Borrowings in foreign currencies
Lehman Brothers and others	Securities	129,311	322,036	Trading credit derivatives
Federal Reserve Bank	Securities	3,131	3,593	Guarantee for FRB discount window
HSBC and other	Due from banks in foreign currencies	913	1,577	Guarantee for receivables
Dongwon Securities Co., Ltd. and other	Securities	97,966	28,600	Futures maintenance margin
Samsung Futures Trading Co. and other	Securities	-	1,003	Futures maintenance margin
Nova Scotia Bank	Securities	33,033	60,010	Borrowings in foreign currency
Sumitomo Mitsui Banking Co.	Securities	308,576	131,923	Borrowings in foreign currency
American Express Bank	Securities	-	15,000	Borrowings in foreign currency
Bank of America	Securities	15,000	15,000	Borrowings in foreign currency
Hana Bank	MMDA & loans	99,909	-	Borrowings
Mizuho Corporate Bank	Securities	130,113	-	Borrowings in foreign currency
Korea Futures Inc.	Securities	3,855	-	Futures maintenance margin
First Tennessee National Bank	Securities	5,219	-	Collateral for credit line
Trust accounts of Kwangju Bank and Kyongnam Bank	Securities	2,470,501	915,468	Repurchase agreed transactions
Citibank	Land and buildings	103,881	-	Leasehold deposits
Others	Securities	39,264	-	Futures maintenance margin
Total		₩ 8,817,714	₩ 7,402,441	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

18. DEPOSITS

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

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

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

<2004>	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)	₩ 26,275	₩ 10,418	₩ 17,188	₩ 3,922	₩ 25,094	₩ 82,897
Deposits in foreign currencies (*2)	1,813	158	943	30	488	3,432
	₩ 28,088	₩ 10,576	₩ 18,131	₩ 3,952	₩ 25,582	₩ 86,329

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

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

<2003>	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)	₩ 28,801	₩ 9,994	₩ 15,316	₩ 4,378	₩ 22,315	₩ 80,804
Deposits in foreign currencies	2,511	117	673	49	506	3,856
Negotiable certificates of deposits (*2)	1,303	2,203	370	4	-	3,880
	₩ 32,615	₩ 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

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

19. BORROWINGS

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Bank of Korea	General bank	Other financial institution	Total
<2004>				
Borrowings in local currency	₩ 1,229,695	₩ 429,409	₩ 3,357,012	₩ 5,016,116
Borrowings in foreign currencies	-	5,114,223	74,158	5,188,381
Bonds sold under repurchase agreements	-	115,932	34,630	150,562
Due to the Bank of Korea in foreign currencies	120	-	-	120
Call money	-	626,350	73,700	700,050
	₩ 1,229,815	₩ 6,285,914	₩ 3,539,500	₩ 11,055,229
<2003>				
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 the Bank of Korea in foreign currencies	4,715	-	86	4,801
Call money	-	191,461	238,844	430,305
	₩ 1,244,139	₩ 3,053,158	₩ 6,220,877	₩ 10,518,174

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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<2003>	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	476	74	4,946
Bonds sold under repurchase agreements (*2)	853	701	117	1	-	1,672
Due to the Bank of Korea in foreign currencies	92	17	6	-	-	115
Due to the Bank of Korea in foreign currencies	2	-	2	1	-	5
Call money	430	-	-	-	-	430
Total	₩ 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.

20. DEBENTURES

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

	Currencies	Face value in foreign currencies	Korean won equivalent	Interest rate (%)
<2004>				
Ordinary bonds	USD	1,100,000	₩ 1,148,180	3.60 ~ 5.40
	JPY	43,000	435,190	1.20 ~ 1.50
Convertible bonds	USD	53,000	55,322	-
Subordinated bonds	USD	1,450,000	1,513,510	-
			3,152,202	
Gains on hedging for fair value			2,595	
			₩ 3,154,797	
<2003>				
Ordinary bonds	USD	2,491,855	₩ 2,984,744	1.2 ~ 12.8
	JPY	150,000	168,009	-
Convertible bonds	USD	92,001	110,198	-
Subordinated bonds	USD	-	-	-
			₩ 3,262,951	

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

	Convertible bond 6-1	Convertible bond 6-2	Convertible bond 6-5
Issuance date	Sep. 27, 2002	Dec. 20, 2002	Jul. 10, 2003
Maturity date	Sep. 27, 2005	Dec. 20, 2005	Jul. 10, 2006
Face value	USD 36,000	USD16,000	USD 1,000
Purchaser	Lehman Brothers International Europe	Lehman Brothers International Europe	Lehman Brothers International Europe
Shares to be converted	Common share of the Company	Common share of the Company	Common share of the Company
Conversion price per share	₩ 7,313	₩ 5,588	₩ 7,228
Conversion-exchange rate	₩ 1,201.4	₩ 1,215.8	₩ 1,188.5
Convertible duration	From one year after the issuance date to one month before the maturity date	From one year after the issuance date to one month before the maturity date	From one year after the issuance date to one month before the maturity date
Holding obligation of purchaser	One and half year after issuance date	One and half year after issuance date	Until Jan. 10, 2005
Yield to maturity	2.9245%	2.7335%	2.0340%
Number of convertible shares	5,914,180 shares	3,481,173 shares	164,429 shares

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

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

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

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21. OTHER LIABILITIES

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

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
Accrued severance benefits (Note 22)	₩ 365,154	₩ 219,672	US\$ 349,831	US\$ 210,454
Less: deposits in employee retirement trust	(211,490)	(127,932)	(202,615)	(122,564)
Less: transfers to the National Pension Fund	(371)	(436)	(355)	(418)
Allowances for possible losses on confirmed acceptances and guarantees (Note 32)	11,443	38,641	10,963	37,020
Other allowances (Note 32)	177,114	223,347	169,682	213,975
Foreign exchange remittances pending	277,296	393,685	265,660	377,165
Domestic exchange remittances pending	274,283	439,803	262,774	421,348
Borrowings from trust accounts	841,503	2,215,493	806,192	2,122,526
Sold equity linked securities	920,572	-	881,943	-
Accounts payable	1,414,071	2,375,409	1,354,734	2,275,732
Accrued expenses	1,626,239	1,530,542	1,557,999	1,466,317
Income taxes payable	13,955	13,384	13,369	12,822
Unearned revenues	96,393	99,993	92,348	95,797
Deposits for letter of guarantees and other	137,357	143,636	131,592	137,609
Derivative liabilities (Note 33)	1,635,804	420,508	1,567,162	402,863
Deferred income tax liabilities (Note 26)	6,613	4,363	6,336	4,180
Accounts for agency businesses	207,865	263,459	199,143	252,404
Liabilities incurred by agency relationship	702,903	590,466	673,407	565,689
Sundry liabilities	318,197	167,499	304,844	160,470
	₩ 8,814,901	₩ 9,011,532	US\$ 8,445,009	US\$ 8,633,389

22. ACCRUED SEVERANCE BENEFITS

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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23. SHAREHOLDERS' EQUITY

(1) The Company has 2,400,000,000 authorized shares of common stock with ₩ 5,000 par value, of which 796,455,558 shares ₩ 3,982,278 million (US\$ 3,815,173 thousand) and 775,504,910 shares ₩ 3,877,525 million (US\$ 3,714,816 thousand) are issued and outstanding as of December 31, 2004 and 2003, respectively.

(2) The changes in the capital stock of the Company during the period from the incorporation to December 31, 2004 are as follows (unit: Korean won in millions):

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

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

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

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

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

	In Millions of Korean Won except for par value		In Thousands of U.S. Dollars (note 2) except for par value	
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
The number of issued shares	796,455,558	775,504,910	796,455,558	775,504,910
Par value	₩ 5,000	₩ 5,000	US\$ 4.79	US\$ 4.79
Contributed capital	₩ 3,982,278	₩ 3,877,525	US\$ 3,815,173	US\$ 3,714,816
Dividend ratio per share	3.0%	2.0%	3.0%	2.0%
Dividend	₩ 119,468	₩ 77,550	US\$ 114,455	US\$ 74,296
Net income	₩ 1,292,493	₩ 56,279	US\$ 1,238,257	US\$ 53,917
Dividend to net income ratio	9.24%	137.80%	9.24%	137.80%

24. STOCK OPTIONS

(1) On December 4, 2002, the Company granted stock options to 62 directors of the Company and its subsidiaries. The exercise price of 60 percent of the total number of stock options granted will be determined depending on the Korean banking industry stock index (at minimum ₩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 (300,000 shares) granted to 10 directors of the Company and its subsidiaries, who subsequently retired, were cancelled by the resolutions of the Company's board of directors in 2003 and 2004.

(3) The summary of stock options granted as of December 31, 2004 is summarized as follows:

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

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

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

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

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

25. NON-OPERATING INCOME AND EXPENSES

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

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
Gain on disposal of tangible assets	₩ 17,934	₩ 17,718	US\$ 17,181	US\$ 16,975
Gain on valuation using the equity method of accounting (Note 8)	34,683	33,980	33,228	32,554
Rental income	6,779	6,664	6,495	6,384
Gain on disposal of available-for-sale securities	171,184	76,323	164,001	73,120
Reversal of loss on impairment of available-for-sale securities (Note 11)	73,125	212,873	70,057	203,940
Reversal of loss on impairment of held-to-maturity securities (Note 11)	-	2,620	2,510	-
Gain on sale of loans (Notes 2 and 12)	33,837	54,601	32,417	52,310
Other	120,735	235,104	115,668	225,239
	₩ 458,277	₩ 639,883	US\$ 439,047	US\$ 613,03

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

	In Millions of Korean Won		In Thousands of U.S. Dollars (note 2)	
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
Loss on disposal of tangible assets	₩ 4,748	₩ 1,661	US\$ 4,549	US\$ 1,591
Loss on valuation using the equity method of accounting	351	-	336	-
Loss on disposal of available-for-sale securities	8,272	26,502	7,924	25,390
Loss on impairment of available-for-sale securities (Note 11)	32,995	270,390	31,610	259,044
Loss on impairment of held-to-maturity securities (Note 11)	23,291	63,762	22,314	61,086
Loss on sale of loans (Notes 2 and 12)	179,994	271,418	172,441	260,029
Loss on valuation of investment in funds	-	1,250	-	1,198
Loss on impairment of intangible assets	5,247	37,052	5,027	35,497
Donations	7,107	2,013	6,809	1,929
Loss on impairment of other assets	-	2,193	-	2,101
Others	128,799	75,816	123,395	72,634
	₩ 390,804	₩ 752,057	US\$ 374,405	US\$ 720,499

26. INCOME TAX EXPENSE

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

	Income		
	tax expense (benefits)	Deferred income tax assets	Deferred income tax liabilities
<2004>			
Woori Bank	₩ (121,780)	₩ 707,947	₩ -
Kwangju Bank	43,151	-	3,165
Kyongnam Bank	9,715	27,898	-
Woori Securities	854	4,831	-
WFIS	540	1,234	-
WF&I	9,491	77	3,448
WITM	1,145	330	-
LG Securities	-	99,216	-
	₩ (56,884)	₩ 841,533	₩ 6,613
<2003>			
Woori Bank	105,515	211,395	430
WCC	120,960	-	-
Kwangju Bank	(24,510)	24,510	-
Kyongnam Bank	(30,493)	30,493	-
Woori Securities	(3,997)	6,448	-
WFIS	1,865	310	-
WF&I	8,741	35	3,933
WITM	607	1,177	-
	₩ 178,688	₩ 274,368	₩ 4,363

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27. EARNINGS PER COMMON SHARE

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

	In Millions of Korean Won except for per share data		In Thousands of U.S. Dollars (note 2) except for per share data	
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
Consolidated net income on common shares	₩ 1,292,493	₩ 56,279	US\$ 1,238,257	US\$ 53,917
Extraordinary gain	-	-	-	-
Income tax effect on extraordinary gain	-	-	-	-
Consolidated ordinary income on common shares	₩ 1,292,493	₩ 56,279	US\$ 1,238,257	US\$ 53,917
Weighted average number of common shares (in shares)	780,946,131	771,723,994	780,946,131	771,723,994
Basic ordinary income per common share	₩ 1,655	₩ 73	US\$ 1.586	US\$ 0.070
Basic net income per common share	₩ 1,655	₩ 73	US\$ 1.586	US\$ 0.070

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

	In Millions of Korean Won except for per share data		In Thousands of U.S. Dollars (note 2) except for per share data	
	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2004	Dec. 31, 2003
Diluted consolidated net income on common shares	1,287,345	56,279	1,233,325	53,917
Extraordinary gain	₩ -	₩ -	US\$ -	US\$ -
Income tax effect on extraordinary gain	-	-	-	-
Diluted consolidated ordinary income on common shares	₩ 1,287,345	₩ 56,279	US\$ 1,233,325	US\$ 53,917
Weighted average number of diluted common shares equivalents (in shares)	798,428,507	776,091,925	798,428,507	776,091,925
Diluted ordinary income per common share	₩ 1,612	₩ 72	US\$ 1.544	US\$ 0.069
Diluted net income per common share	₩ 1,612	₩ 72	US\$ 1.544	US\$ 0.069

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

28. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

	In Millions of Korean Won except for income per share data (Unaudited)		In Thousands of U.S. Dollars (note 2) except for income per share data (Unaudited)	
	Three months ended Dec. 31, 2004	Three months ended Dec. 31, 2003	Three months ended Dec. 31, 2004	Three months ended Dec. 31, 2003
Operating revenue	₩ 4,955,555	₩ 2,566,674	US\$ 4,747,610	US\$ 2,458,971
Operating expense	(4,231,095)	(2,648,954)	(4,053,550)	(2,537,798)
Operating income (loss)	724,460	(82,280)	694,060	(78,827)
Non-operating revenue	152,404	14,526	146,009	13,916
Non-operating expense	(203,008)	(245,607)	(194,489)	(235,301)
Income (loss) before income tax expense and minority interests	673,856	(313,361)	645,580	(300,212)
Tax benefits	192,538	9,827	184,458	9,415
Income before minority interests	866,394	(303,534)	830,038	(290,797)
Minority interests loss (gain) net	(684)	181	(655)	173
Net income (loss)	₩ 865,710	₩ (303,353)	US\$ 829,383	US\$ (290,624)
Net income (loss) per common share	₩ 1,099	₩ (393)	US\$ 1,053	US\$ (377)

30. INTERCOMPANY TRANSACTIONS

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

(1) Assets and liabilities

1) Due from Banks

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

2) Deposits

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

3) Loans

	The Company	Woori Bank	Kwangju Bank	Kyongnam Bank	Others
Woori Bank	₩ -	₩ -	₩ 22,542	₩ 29,736	₩ 126,195
Kwangju Bank	50,000	-	-	-	-
WFIS	30,000	-	-	-	-
WF&I	121,850	-	-	-	-
Others	17,890	54,270	-	-	12,377
	₩ 219,740	₩ 54,270	₩ 22,542	₩ 29,736	₩ 138,572

4) Borrowings

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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5) Other assets

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

6) Other liabilities

	The Company	Woori Bank	Kwangju Bank	Kyongnam Bank	WFIS	WITM	Woori Securities	WCI	Others
The Company	₩ -	₩ 5,862	₩ 4,511	₩ 11	₩ 596	₩ 73	₩ -	₩ 166	₩ 525
Woori Bank	15,525	-	5,819	79	167	16	-	22	143,871
Kwangju Bank	-	37	-	952	-	-	-	-	754
Kyongnam Bank	-	26,781	-	-	-	-	-	-	426
WFIS	443	26,275	1,322	1,911	-	-	127	-	-
WF&I	-	14	-	176	-	-	-	-	123,697
WITM	-	184	270	74	-	-	-	-	-
Woori Securities	-	4,801	-	93	-	-	-	-	-
WCI	-	6,046	2	9	-	-	-	-	-
Others	-	296,974	23,135	23,856	-	-	-	-	5,509
	₩ 15,968	₩ 366,974	₩ 35,059	₩ 27,161	₩ 763	₩ 89	₩ 127	₩ 188	₩ 274,782

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(2) Income and Expenses

1) Interest income

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

2) Interest expense

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

3) Fees (income)

	Woori Bank	Kwangju Bank	Kyongnam Bank	WITM	Woori Securities	WCI	Others
Woori Bank	₩ -	₩ -	₩ 21	₩ 272	₩ 944	₩ 11,391	₩ -
Kwangju Bank	-	-	-	-	10	32	-
Kyongnam Bank	-	-	-	-	4	88	-
WITM	-	-	-	-	81	-	-
Woori Securities	80	-	-	-	-	10	-
Other	16,923	1,029	-	-	-	1,963	16,883
	₩ 17,003	₩ 1,029	₩ 21	₩ 272	₩ 1,039	₩ 13,484	₩ 16,883

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4) Fees (expense)

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

5) Other income

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

6) Other expenses

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

31. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

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

		U.S. dollars (*1)	Korean won equivalent
<2004>			
Assets;	Cash in foreign currencies	US\$ 161,227	₩ 168,289
	Due from bank in foreign currencies	496,097	517,826
	Trading securities	56,591	59,070
	Available-for-sale securities	994,126	1,037,669
	Held-to-maturities securities	300,451	313,611
	Loans in foreign currencies	6,793,691	7,091,255
	Bills bought in foreign currencies	3,762,739	3,927,547
	Call loans	725,610	757,392
	Tangible assets	30,482	31,817
	Other assets	US\$ 751,351	₩ 784,260
	US\$14,072,365	₩ 14,688,736	
Liabilities;	Deposit in foreign currencies	3,285,664	3,429,576
	Borrowing in foreign currencies	5,007,428	5,226,753
	Payable in foreign currencies	265,660	277,296
	Deposits for letter of guarantees and others	62,486	65,223
	Bonds sold with repurchase agreements	75,000	78,285
	Call money	101,178	105,610
	Bonds	3,022,415	3,154,797
	Others	939,988	981,159
	US\$12,759,819	₩ 13,318,699	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

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

32. CONTINGENCIES AND COMMITMENTS

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

		Dec. 31, 2004	Dec. 31, 2003
Confirmed acceptances and guarantees:			
Local currency:	Guarantees for debenture issuance	₩ 92,918	₩ 72,273
	Guarantees for loans	91,414	105,620
	Guarantees for bills	18,886	19,121
	Others	468,670	443,842
	Total	₩ 671,888	₩ 640,856

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

32. CONTINGENCIES AND COMMITMENTS

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

		Dec. 31, 2004	Dec. 31, 2003
Foreign currencies:	Acceptance	₩ 337,596	₩ 422,683
	Guarantee in acceptance of imported goods	75,946	76,972
	Credit derivatives sold	83,504	62,416
	Others	396,425	788,904
		893,471	1,350,975
	₩ 1,565,359	₩ 1,991,831	
Non-confirmed acceptances and guarantees:	Local letter of credit in foreign currencies	586,609	697,476
	Local letter of credit in local currency	333,959	223,624
	Letter of credit	2,032,491	2,242,753
	Others	65,047	150,496
		₩ 3,018,106	₩ 3,314,349

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

33. DERIVATIVES

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

<2003>	For trading	For hedging	Total
Interest rate:			
Interest rate forwards	₩ 50,000	₩ -	₩ 50,000
Interest rate swaps	4,991,636	3,509,984	8,501,620
CD interest rate futures	268,363	-	268,363
Government bond futures	54,180	-	54,180
	5,364,179	3,509,984	8,874,163
Currency:			
Currency forwards	13,354,273	-	13,354,273
Currency swaps	₩ 4,879,380	₩ 15,116	₩ 4,894,496
Currency futures	49,888	-	49,888
Long currency options	148,527	-	148,527
Short currency options	123,373	-	123,373
	18,555,441	15,116	18,570,557
Stock Index:			
Stock index futures	8,557	-	8,557
Long stock index options	78,290	9,059	87,349
Short stock index options	699,943	9,059	709,002
	786,790	18,118	804,908
	₩ 24,706,410	₩ 3,543,218	₩ 28,249,628

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

<2004>	Gains on valuation in income statement			Losses on valuation in income statement			Gains (losses) in capital adjustments	Cumulative gains (losses) in balance sheet	
	Trading	Hedge	Total	Trading	Hedge	Total	Hedge	Asset	Liability
Interest rate:									
Interest rate forward	₩ 348	₩ -	₩ 348	₩ (287)	₩ -	₩ (287)	₩ -	₩ 348	₩ 287
Interest rate swaps	130,119	8,105	138,224	(122,031)	(120,235)	(242,266)	(746)	158,210	154,787
Long interest options	-	-	-	(86)	-	(86)	-	130	-
Short interest options	10	-	10	(130)	-	(130)	-	-	130
	₩ 130,477	₩ 8,105	₩ 138,582	₩ (122,534)	₩ (120,235)	₩ (242,769)	₩ (746)	₩ 158,688	₩ 155,204

continued;

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

34. CREDITS TO LG CARD

Woori Bank, Kyongnam Bank and Kwangju Bank, subsidiaries of the Company, have loans receivable, equity securities and debt securities from LG Card in the total amount of ₩ 193.1 billion (US\$ 185.0 million), ₩ 351.8 billion (US\$ 337.0 million) and ₩ 179.4 billion (US\$ 171.9 million), respectively as of December 31, 2004. In connection therewith, the banks provided ₩ 350.4 billion (US\$ 335.7 million) as allowances for credit losses and cumulative impairment losses on securities and recorded ₩ 145.5 billion (US\$ 139.4 million) of gains on valuation of available-for-sale securities as capital adjustments. In addition, Woori Bank recorded ₩ 15.0 billion (US\$ 14.4 million) of related losses on trust accounts, for which repayment of principal or interest is guaranteed by Woori Bank. Such trust accounts have Commercial Paper amounting to ₩ 69.7 billion (US\$ 66.8 million) as of December 31, 2004. However, the actual losses on LG Card credit may differ from the current estimate.

35. WOORI BANK'S MERGER WITH WOORI CREDIT CARD

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

36. ACQUISITION OF WOORI SECURITIES' STOCK

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003

38. AGREEMENT ON THE IMPLEMENTATION OF A MANAGEMENT IMPROVEMENT PLAN

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

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

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

39. SUBSEQUENT EVENTS

a. Capital Reduction of Woori Securities

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

b. Resolution of Merger of LG Securities and Woori Securities

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

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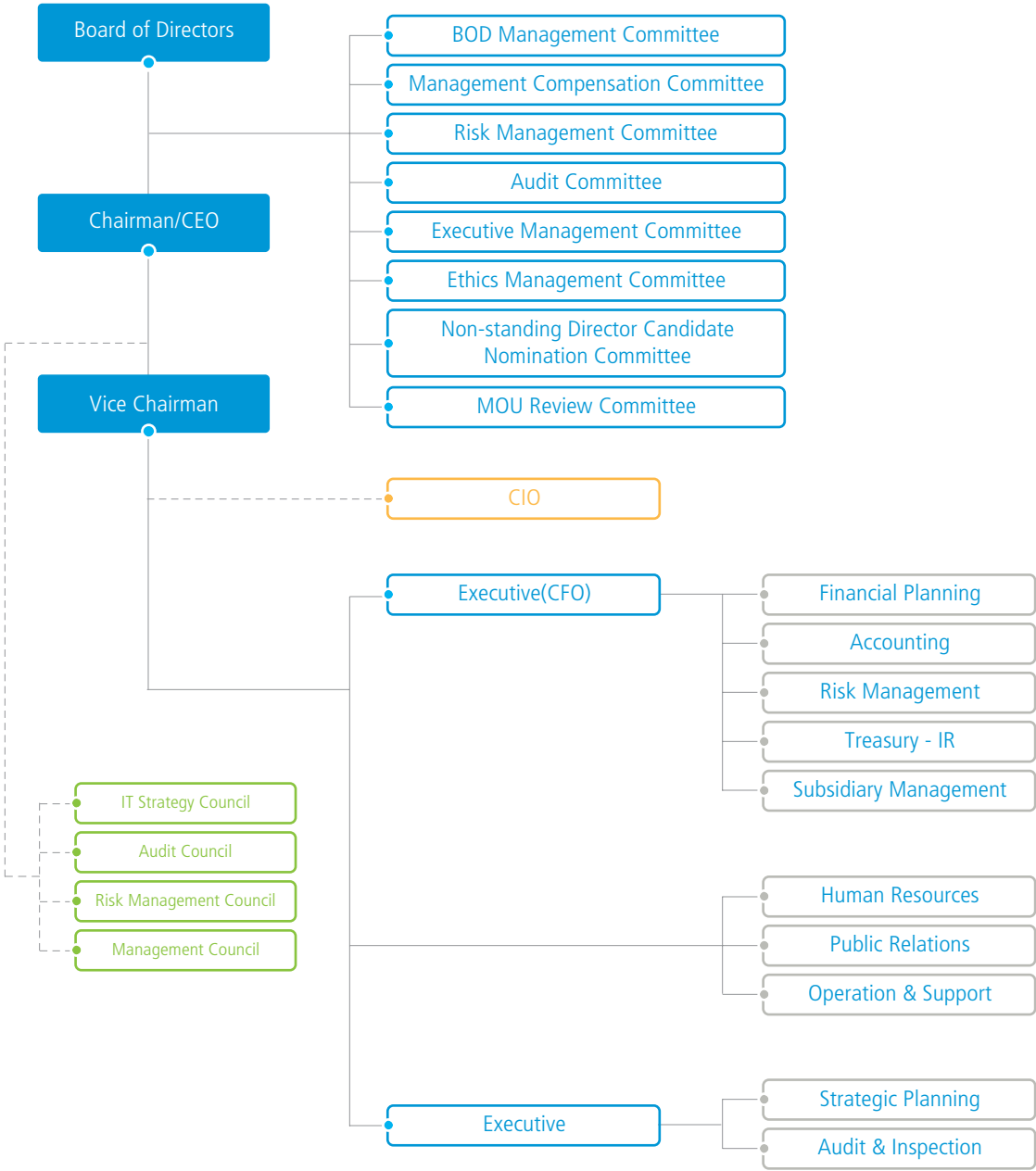
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Swift: HVBKIDJA
- **Hochiminh Representative Office**
Rm 1808, Sun Wah Tower, 115
Nguyen Hue Blvd., Dist 1, Hochiminh
City, Vietnam
Tel: 84-8-8219-839/840
Fax: 84-8-8219-838
- **Moscow Representative Office**
Ducal Placa Gasheka Street Suite 81
Moscow Russia 123056
Tel: 1-7-095-783-9787
Fax: 1-7-095-783-9788

- **Gaesung Br.**
Busok-Dong 1st Floor 101
Gaesunggongdan, Bondong-Ri
Gaesung City, Hwanghae-Do
Democratic People's Republic of Korea
Tel: 008-850-9118
Fax: 008-850-9119

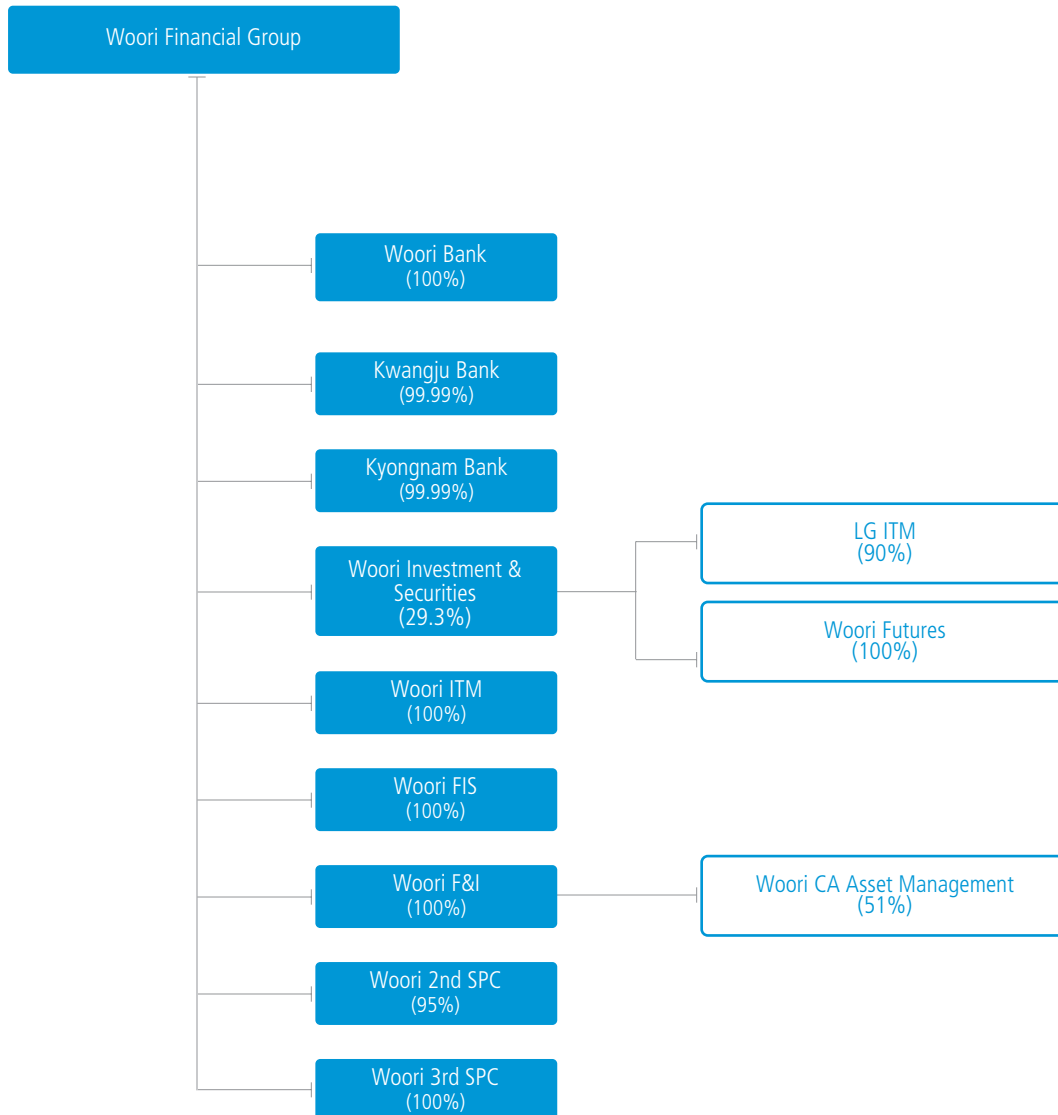
Woori Investment & securities

- **Woori Investment & Securities International Ltd.**
4th Floor, 48 Gracechurch Street, London
EC3V 0EJ
Tel: 44-207-959-7300
Fax: 44-207-959-7301
- **Woori Investment & Securities America, Inc.**
120 West 45th Street, Suite 3010 New
York NY 10036
Tel: 1-212-391-4000
Fax: 1-212-391-8363
- **Woori Investment & Securities (H.K.) Ltd.**
Suites 613-4, One International Finance
Centre, 1 Harbour View Street, Central,
Hong Kong
Tel: 852-2532-6300
Fax: 852-2525-4204
- **Shanghai Representative Office**
N-1206, Shanghai Stock Exchange
Building 528 Pudong Road(S), Pudong
New Area District, Shanghai, China Post
Code 200120
Tel: 8621-6875-4380
Fax: 8621-6875-4382

Organization Chart



Group Structure



Directory & Network

1. Head Office

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

2. Date of Establishment

April 2, 2001

3. Paid-in Capital

KRW 3,982,278 million as of December 31, 2004

4. Number of Common Shares

796,455,558 shares as of December 31, 2004

5. Securities Listings

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

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>

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 Depository 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

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203, Hoehyun-Dong, 1-Ga, Chung-Gu, Seoul 100-792, Korea
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- Seong Min Kwak 82-2-2125-2136 kwaksm@woorifg.com
- Beum Joo Kim 82-2-2125-2137 bj.kim@woorifg.com

***Forward-Looking Statements_** *Woori Financial Group's 2004 Annual Report may contain forward-looking statements to provide value-added account of Woori Financial Group's businesses and results of operations. These forward-looking statements reflect our current views with respect to future events and performance, and are generally identified by the use of forward-looking terminology, such as "expect", "plan", "intend", and similar expressions. A detailed description of certain risks and uncertainties, which can cause actual results to differ, can be found in the section captioned "Risk Factors" in our annual Form 20-F filed with the U.S. Securities and Exchange Commission. You are cautioned not to place undue reliance in these forward-looking statements, which reflect management's current analysis of future events. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.*



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