

WOORI FINANCE HOLDINGS CO LTD
Form 20-F
June 30, 2005
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As filed with the Securities and Exchange Commission on June 30, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 001-31811

Woori Finance Holdings Co., Ltd.

(Exact name of Registrant as specified in its charter)

Woori Finance Holdings Co., Ltd.

(Translation of Registrant's name into English)

The Republic of Korea

(Jurisdiction of incorporation or organization)

203 Hoehyon-dong, 1-ga, Chung-gu, Seoul 100-792, Korea

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class

Name of each exchange on which registered

American Depositary Shares, each representing three shares of Common
Stock

New York Stock Exchange Inc.

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Common Stock, par value (Won)5,000 per share

New York Stock Exchange Inc.*

*Not for trading, but only in connection with the registration of the American Depositary Shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

795,993,011 shares of Common Stock, par value (Won)5,000 per share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless indicated otherwise, the financial information in this annual report as of and for the years ended December 31, 2000, 2001, 2002, 2003 and 2004 has been prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP.

Under U.S. GAAP, Woori Bank is deemed the predecessor to Woori Finance Holdings for periods prior to March 27, 2001, the date on which the shares of Woori Bank held by the Korea Deposit Insurance Corporation, which we refer to as the KDIC, were transferred to Woori Finance Holdings. The KDIC acquired 100% of the outstanding shares of Kyongnam Bank, Kwangju Bank and Woori Credit Card (formerly Peace Bank of Korea) effective December 29, 2000. The KDIC subsequently transferred these shares to Woori Finance Holdings on March 27, 2001. In November 2000, the KDIC established Woori Investment Bank (formerly Hanaro Merchant Bank) to restructure substantially all of the assets and liabilities of four failed merchant banks that the KDIC had previously acquired, which were transferred to Woori Investment Bank effective November 21, 2000. Accordingly, financial information in this annual report as of and for the year ended December 31, 2000 reflects the impact of those acquisitions under the purchase accounting method. Woori Investment Bank and Woori Credit Card were subsequently merged with Woori Bank effective August 1, 2003 and March 31, 2004, respectively.

On October 26 and December 24, 2004, we acquired in the aggregate a 27.3% controlling voting interest in LG Investment & Securities, or LGIS. As a result of the acquisition, LGIS became an equity method investee as of December 24, 2004. On March 31, 2005, we merged Woori Securities, our wholly-owned subsidiary, into LGIS and renamed the surviving subsidiary Woori Investment & Securities, which became an equity method investee.

In this annual report:

references to we, us or Woori Finance Holdings are to Woori Finance Holdings Co., Ltd. and, unless the context otherwise requires, its subsidiaries;

references to Korea or to the Republic are to the Republic of Korea;

references to the government are to the government of Korea;

references to Won or (Won) are to the currency of Korea; and

references to U.S. dollars, US dollars, \$ or US\$ are to United States dollars.

Discrepancies between totals and the sums of the amounts contained in any table may be as a result of rounding.

For your convenience, this annual report contains translations of Won amounts into U.S. dollars at the noon buying rate of the Federal Reserve Bank of New York for Won in effect on December 31, 2004, which was (Won)1,035.1 = US\$1.00.

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FORWARD-LOOKING STATEMENTS

The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This annual report contains forward-looking statements.

Words and phrases such as aim, anticipate, assume, believe, contemplate, continue, estimate, expect, future, goal, intend, predict, positioned, project, risk, seek to, shall, should, will, will likely result, will pursue, plan and words and terms of similar nature in connection with any discussion of future operating or financial performance or our expectations, plans, projections or business prospects identify forward-looking statements. In particular, the statements under the headings Item 3D. Risk Factors, Item 5. Operating and Financial Review and Prospects and Item 4B. Business Overview regarding our financial condition and other future events or prospects are forward-looking statements. All forward-looking statements are management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

In addition to the risks related to our business discussed under Item 3D. Risk Factors, other factors could cause actual results to differ materially from those described in the forward-looking statements. These factors include, but are not limited to:

our ability to successfully implement our strategy;

our growth and expansion;

future levels of non-performing loans;

the adequacy of allowance for credit and investment losses;

technological changes;

interest rates;

availability of funding and liquidity;

our exposure to market risks; and

adverse market and regulatory conditions.

By their nature, certain disclosures relating to these and other risks are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on our income or results of operations could materially differ from those that have been estimated. For example, revenues could decrease, costs could increase, capital costs could increase, capital investment could be

delayed and anticipated improvements in performance might not be fully realized.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this annual report could include, but are not limited to:

general economic and political conditions in Korea;

the monetary and interest rate policies of Korea;

inflation or deflation;

unanticipated volatility in interest rates;

foreign exchange rates;

prices and yields of equity and debt securities;

the performance of the financial markets in Korea and globally;

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changes in domestic and foreign laws, regulations and taxes;

changes in competition and the pricing environments in Korea; and

regional or general changes in asset valuations.

For further discussion of the factors that could cause actual results to differ, see the discussion under Item 3D. Risk Factors contained in this annual report. We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this annual report. Except as required by law, we are not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

All subsequent forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this annual report.

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGERS AND ADVISERS

Not Applicable

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable

Item 3. KEY INFORMATION

Item 3A. Selected Financial Data

Unless otherwise indicated, the selected consolidated financial and operating data set forth below as of and for the years ended December 31, 2000, 2001, 2002, 2003 and 2004 have been derived from our audited consolidated financial statements, which have been prepared in accordance with U.S. GAAP and audited by Deloitte HanaAnjin LLC, an independent registered public accounting firm.

You should read the following data together with the more detailed information contained in Item 5. Operating and Financial Review and Prospects and our consolidated financial statements included elsewhere in this annual report. Historical results do not necessarily predict future results.

Table of Contents**Consolidated Income Statement Data**

	Year ended December 31,					
	2000 ⁽¹⁾	2001	2002	2003	2004	2004 ⁽²⁾
	(in billions of Won except per share data)					(in millions of US\$ except per share data)
Interest and dividend income	(Won) 5,919	(Won) 7,180	(Won) 6,950	(Won) 7,520	(Won) 7,235	US\$ 6,990
Interest expense	4,406	4,764	3,991	4,117	3,809	3,680
Net interest income	1,513	2,416	2,959	3,403	3,426	3,310
Provision for loan losses	1,434	1,114	1,247	2,313	652	630
Provision for guarantees and acceptances (reversal of provision) ⁽³⁾	(239)	(159)	106	201	43	41
Other provision (reversal of provision) ⁽⁴⁾	68	173	146	102	(6)	(6)
Non-interest income	736	1,046	1,784	1,435	1,953	1,887
Non-interest expense	1,736	2,080	2,579	2,636	2,809	2,714
Income tax expense (benefit)	62	323	363	254	(392)	(378)
Minority interest income	3	4	6	4	1	1
Income (loss) from continuing operations	(815)	(73)	296	(672)	2,272	2,195
Income (loss) from discontinued operations ⁽⁵⁾		(59)	718			
Extraordinary gain					63	61
Net income (loss)	(815)	(132)	1,014	(672)	2,335	2,256
Other comprehensive income (loss), net of tax	(89)	41	(182)	97	107	104
Comprehensive income (loss)	(Won) (904)	(Won) (91)	(Won) 832	(Won) (575)	(Won) 2,442	US\$ 2,360
Per common share data:						
Net income (loss) per share basic	(Won) (1,120)	(Won) (182)	(Won) 1,353	(Won) (871)	(Won) 3,001	US\$ 2.90
Income (loss) per share from continuing operations basic	(1,121)	(100)	395	(871)	2,920	2.82
Income (loss) per share from discontinued operations basic	1	(82)	958			
Extraordinary item basic					81	0.08
Weighted average common shares outstanding basic (in thousands)	727,459	727,459	749,383	771,724	778,167	778,167
Net income (loss) per share diluted ⁽⁶⁾	(1,120)	(182)	1,349	(871)	2,926	2.83
Income (loss) per share from continuing operations diluted	(1,121)	(100)	394	(871)	2,848	2.75
Income (loss) per share from discontinued operations diluted	1	(82)	955			
Extraordinary item diluted					78	0.08
Weighted average common shares outstanding diluted (in thousands)	727,459	730,963	751,785	778,392	799,233	799,233
Cash dividends paid per share ⁽⁷⁾			(Won) 250	(Won) 100	(Won) 150	US\$ 0.14

(1) Because the acquisitions occurred toward the end of 2000, data for 2000 does not fully reflect the effects of our acquisitions of Woori Investment Bank, effective November 21, 2000, Kyongnam Bank, Kwangju Bank and Peace Bank of Korea, effective December 29, 2000, each of which was accounted for using the purchase method of accounting. See Item 5. Operating and Financial Review and Prospects Overview Acquisitions and Dispositions.

(2)

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Won amounts are expressed in U.S. dollars at the rate of (Won)1,035.1 to US\$1.00, the noon buying rate in effect on December 31, 2004 as quoted by the Federal Reserve Bank of New York in the United States.

- (3) The reversals of provisions in 2000 and 2001 resulted from subsequent changes in our estimation of losses related to our guarantees and acceptances. We determined in each of 2000 and 2001 that a portion of our allowances for losses on guarantees and acceptances were no longer needed, and accordingly reversed the related portions of the provisions we had initially allocated during those years.
- (4) Mainly consists of provisions relating to (a) repurchase obligations with respect to loans sold to the Korea Asset Management Corporation and (b) trade receivables. The reversal of provision in 2004 resulted from subsequent changes in our estimation of losses related to loans sold to the Korea Asset Management Corporation.
- (5) Discontinued operations consisted of Hanvit Leasing and its three subsidiaries, which were sold in June and December 2002, and a subsidiary of Woori Investment Bank, which we entered into an agreement to sell in December 2002. See Note 29 of the notes to our consolidated financial statements.

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- (6) In the diluted earnings per share calculation, our convertible bonds and warrants outstanding as of December 31, 2002 and, in the case of convertible bonds, outstanding as of December 31, 2004 are assumed to have been converted into shares of our common stock, while outstanding options to purchase our common stock as of December 31, 2002, 2003 and 2004 are not deemed to have been exercised. See Note 33 of the notes to our consolidated financial statements.
- (7) U.S. GAAP requires that dividends be recorded in the period in which they are declared rather than the period to which they relate unless those periods are the same. With respect to the 2002 fiscal year, we paid dividends in 2003 of (Won)250 per common share (\$0.21 per common share at the noon buying rate in effect on December 31, 2003) to our stockholders other than the KDIC. With respect to the 2003 fiscal year, we paid dividends in 2004 of (Won)100 per common share (\$0.08 per common share at the noon buying rate in effect on December 31, 2003) to our stockholders, including the KDIC. With respect to the 2004 fiscal year, we paid dividends in 2005 of (Won)150 per common share (\$0.14 per common share at the noon buying rate in effect on December 31, 2004) to our stockholders, including the KDIC. See Item 8A. Consolidated Statements and Other Financial Information Dividends.

Consolidated Balance Sheet Data

	As of December 31,					
	2000	2001	2002	2003	2004	2004 ⁽¹⁾
	(in millions)					
	(in billions of Won)					of US\$)
Assets						
Cash and cash equivalents	(Won) 3,980	(Won) 3,508	(Won) 2,852	(Won) 2,550	(Won) 2,311	US\$ 2,233
Restricted cash	1,975	1,895	3,076	3,222	2,392	2,311
Interest-earning deposits in other banks	535	1,687	1,826	1,640	990	957
Call loans and securities purchased under resale agreements	2,132	3,573	629	1,127	1,499	1,448
Trading assets	3,505	4,130	3,790	4,291	6,989	6,752
Available-for-sale securities	8,233	8,820	10,846	12,408	12,302	11,885
Held-to-maturity securities (fair value of (Won)12,186 billion in 2000, (Won)11,799 billion in 2001, (Won)10,448 billion in 2002, (Won)10,143 billion in 2003 and (Won)8,763 billion (\$8,466 million) in 2004)	11,713	11,202	9,959	9,801	8,406	8,121
Other investment assets ⁽²⁾	532	911	731	793	1,138	1,100
Loans (net of allowance for loan losses of (Won)6,457 billion in 2000, (Won)4,323 billion in 2001, (Won)3,770 billion in 2002, (Won)2,834 billion in 2003 and (Won)1,806 billion (\$1,745 million) in 2004)	53,533	56,817	76,485	85,587	88,705	85,697
Due from customers on acceptances	1,898	569	461	421	338	326
Premises and equipment, net	2,321	2,195	2,249	2,151	2,110	2,038
Accrued interest and dividends receivable	693	694	672	747	558	539
Assets held for sale	1,539	1,207	240		26	25
Goodwill				25	22	21
Other assets ⁽³⁾	4,846	3,475	3,227	2,850	3,128	3,022
Total assets	(Won) 97,435	(Won) 100,683	(Won) 117,043	(Won) 127,613	(Won) 130,914	US\$ 126,475
Liabilities						
Deposits						
Interest-bearing	(Won) 60,988	(Won) 65,511	(Won) 75,190	(Won) 85,482	(Won) 86,339	US\$ 83,412
Non-interest-bearing	4,537	3,582	3,408	3,521	3,714	3,588
Total deposits	65,525	69,093	78,598	89,003	90,053	87,000
Call money	214	503	804	412	689	666
Trading liabilities	321	148	322	473	1,628	1,573
Acceptances outstanding	1,898	569	461	421	338	326

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Other borrowed funds	9,281	7,964	11,326	9,345	9,115	8,806
Secured borrowings	4,207	4,914	4,756	4,321	2,352	2,273
Long-term debt	7,764	8,947	11,305	14,917	15,662	15,131
Accrued interest payable	1,652	1,548	1,528	1,618	1,713	1,655
Liabilities held for sale	2,727	1,584	152			
Other liabilities ⁽⁴⁾	4,451	3,074	3,555	3,218	2,862	2,764
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	98,040	98,344	112,807	123,728	124,412	120,194
Minority interest	30	31	279	229	38	36
Total stockholders equity (deficit)	(635)	2,308	3,957	3,656	6,464	6,245
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, minority interest and stockholders equity	(Won) 97,435	(Won) 100,683	(Won) 117,043	(Won) 127,613	(Won) 130,914	US\$ 126,475
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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- (1) Won amounts are expressed in U.S. dollars at the rate of (Won)1,035.1 to US\$1.00, the noon buying rate in effect on December 31, 2004 as quoted by the Federal Reserve Bank of New York in the United States.
- (2) For a description of other investment assets, see Note 10 of the notes to our consolidated financial statements.
- (3) For a description of other assets, see Note 16 of the notes of our consolidated financial statements.
- (4) For a description of other liabilities, see Note 21 of the notes to our consolidated financial statements.

Profitability Ratios and Other Data

	Year ended December 31,				
	2000 ⁽¹⁾	2001	2002	2003	2004
	(in billions of Won, except percentages)				
Return on average assets ⁽²⁾	(1.11)%	(0.14)%	0.95%	(0.56)%	1.81%
Return on average equity ⁽²⁾⁽³⁾	N/M	(61.68)	21.21	(17.17)	50.69
Net interest spread ⁽⁴⁾	1.83	2.65	2.93	2.88	2.68
Net interest margin ⁽⁵⁾	2.26	2.81	3.07	3.01	2.84
Cost-to-income ratio ⁽⁶⁾	77.19	60.08	54.37	54.49	52.20
Average stockholders' equity as a percentage of average total assets	(0.60)	0.23	4.47	3.25	3.56
Total revenue ⁽⁷⁾	(Won) 6,655	(Won) 8,226	(Won) 8,734	(Won) 8,955	(Won) 9,188
Operating expense ⁽⁸⁾	6,142	6,844	6,570	6,753	6,617
Operating margin ⁽⁹⁾	513	1,382	2,164	2,202	2,571
Operating margin as a percentage of total revenue	7.71%	16.80%	24.78%	24.59%	27.98%

- (1) Because the acquisitions occurred toward the end of 2000, data for 2000 does not fully reflect the effects of our acquisitions of Woori Investment Bank, effective November 21, 2000, Kyongnam Bank, Kwangju Bank and Peace Bank of Korea, effective December 29, 2000, each of which was accounted for using the purchase method of accounting. See Item 5. Operating and Financial Review and Prospects Overview Acquisitions and Dispositions.
- (2) Represents net income (loss) as a percentage of average total assets. Average balances are based on daily balances for all of our subsidiaries, except for Woori F&I, Woori CA Asset Management, Woori Finance Information System, Woori Credit Information and our special purpose companies, which are based on quarterly balances.
- (3) Represents net income (loss) as a percentage of average stockholders' equity. N/M = not meaningful.
- (4) Represents the difference between the yield on average interest-earning assets and cost of average interest-bearing liabilities.
- (5) Represents the ratio of net interest income to average interest-earning assets.
- (6) Represents the ratio of non-interest expense to the sum of net interest income and non-interest income.
- (7) Total revenue represents interest and dividend income plus non-interest income.

The following table shows how total revenue is calculated:

	Year ended December 31,				
	2000	2001	2002	2003	2004
	(in billions of Won)				
Interest and dividend income	(Won) 5,919	(Won) 7,180	(Won) 6,950	(Won) 7,520	(Won) 7,235
Non-interest income	736	1,046	1,784	1,435	1,953

Total revenue	<u>(Won) 6,655</u>	<u>(Won) 8,226</u>	<u>(Won) 8,734</u>	<u>(Won) 8,955</u>	<u>(Won) 9,188</u>
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⁽⁸⁾ Operating expense represents interest expense plus non-interest expense, excluding provisions of (Won)1,263 billion, (Won)1,128 billion, (Won)1,499 billion, (Won)2,616 billion and (Won)689 billion for 2000, 2001, 2002, 2003 and 2004, respectively.

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The following table shows how operating expense is calculated:

	Year ended December 31,				
	2000	2001	2002	2003	2004
	(in billions of Won)				
Interest expense	(Won) 4,406	(Won) 4,764	(Won) 3,991	(Won) 4,117	(Won) 3,809
Non-interest expense	1,736	2,080	2,579	2,636	2,809
Operating expense	(Won) 6,142	(Won) 6,844	(Won) 6,570	(Won) 6,753	(Won) 6,618

⁽⁹⁾ Operating margin represents total revenue less operating expenses.

Asset Quality Data

	As of December 31,				
	2000	2001	2002	2003	2004
	(in billions of Won)				
Total loans	(Won) 60,086	(Won) 61,192	(Won) 80,226	(Won) 88,392	(Won) 90,489
Total non-performing Loans ⁽¹⁾	9,664	6,015	3,576	2,594	2,071
Other impaired loans not included in non-performing loans	2,483	3,435	3,143	1,861	1,129
Total non-performing loans and other impaired loans	12,147	9,450	6,719	4,455	3,200
Total allowance for loan losses	6,457	4,323	3,770	2,834	1,806
Non-performing loans as a percentage of total loans	16.08%	9.83%	4.46%	2.93%	2.29%
Non-performing loans as a percentage of total assets	9.92	5.97	3.05	2.03	1.58
Total non-performing loans and other impaired loans as a percentage of total loans	20.22	15.44	8.37	5.04	3.54
Allowance for loan losses as a percentage of total loans	10.75	7.07	4.70	3.21	2.00

⁽¹⁾ Non-performing loans are defined as those loans that are classified as substandard or below based on the Financial Supervisory Commission's asset classification criteria. See Item 4B. Business Overview Assets and Liabilities Asset Quality of Loans Loan Classifications.

Table of Contents**Segment Information Under Korean GAAP**

The following table sets forth financial data under Korean GAAP as of or for the year ended December 31, 2004 for our business segments:

	<u>Woori Bank</u> ⁽¹⁾	<u>Kyongnam Bank</u>	<u>Kwangju Bank</u>	<u>Credit card operations</u>	<u>Securities brokerage services</u> ⁽²⁾	<u>Other</u>	<u>Elimination</u> ⁽³⁾	<u>Total</u>
	(in billions of Won)							
Interest and dividend income	(Won) 5,587	(Won) 657	(Won) 531	(Won) 301	(Won) 26	(Won) 46	(Won) (162)	(Won) 6,986
Interest expense	2,847	315	279	82	4	172	(52)	3,647
Net interest income (loss)	2,740	342	252	219	22	(126)	(110)	3,339
Provision for loan losses, guarantees and acceptances (reversal of provision)	553	101	60	547	3	(2)	147	1,409
Non-interest income	5,866	134	82	300	153	1,848	(1,551)	6,832
Non-interest expenses	6,562	256	166	228	160	271	(364)	7,279
Net non-interest income (loss)	(696)	(122)	(84)	72	(7)	1,577	(1,187)	(447)
Depreciation and amortization	96	7	8	2	10	109	16	248
Net income (loss) before tax	1,395	112	100	(258)	2	1,344	(1,460)	1,235
Income tax expense (benefit)	(393)	3	28		1	11	293	(57)
Minority interest	1					2	(4)	(1)
Net income (loss) for the period under Korean GAAP	1,787	109	72	(258)	1	1,331	(1,749)	1,293
U.S. GAAP adjustments	158	6	(30)	499	1	(1,326)	1,734	1,042
	(Won) 1,945	(Won) 115	(Won) 42	(Won) 241	(Won) 2	(Won) 5	(Won) (15)	(Won) 2,335

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Consolidated net income								
Segments total assets under								
Korean GAAP	(Won) 106,743	(Won) 12,043	(Won) 9,891	(Won) 1,766	(Won) 6,153	(Won) 10,370	(Won) (10,335)	(Won) 136,631
U.S. GAAP adjustments	(705)	(41)	17	(28)	(5,223)	(2,698)	2,961	(5,717)
Segments total assets								
	(Won) 106,038	(Won) 12,002	(Won) 9,908	(Won) 1,738	(Won) 930	(Won) 7,672	(Won) (7,374)	(Won) 130,914

- (1) Does not include the former credit card operations of Woori Credit Card, which was merged with Woori Bank in March 2004. Such operations are included in the credit card operations segment.
- (2) Includes the operations of Woori Securities and LGIS, in which we acquired a 27.3% controlling voting interest in October and December 2004. As a result of this acquisition, LGIS became a consolidated subsidiary under Korean GAAP (but not under U.S. GAAP) effective December 24, 2004. Because the acquisition occurred toward the end of 2004, income statement data under Korean GAAP for this segment does not reflect the full-year results of operations of LGIS for 2004.
- (3) Includes eliminations for consolidation, intersegment transactions and certain differences in classification under the management reporting system.

Table of Contents**Selected Financial Information****Average Balance Sheets and Related Interest**

The following tables show our average balances and interest rates for 2002, 2003 and 2004:

Year ended December 31,

	2002			2003			2004		
	Average Balance ⁽¹⁾	Interest Income ⁽²⁾⁽³⁾	Average Yield	Average Balance ⁽¹⁾	Interest Income ⁽²⁾⁽³⁾	Average Yield	Average Balance ⁽¹⁾	Interest Income ⁽²⁾⁽³⁾	Average Yield
(in billions of Won)									
Assets									
Interest-earning assets									
Interest-earning deposits in other banks	(Won) 2,058	(Won) 86	4.18%	(Won) 2,161	(Won) 73	3.38%	(Won) 1,208	(Won) 37	3.06%
Call loans and securities purchased under resale agreements	1,267	42	3.31	1,507	45	2.99	1,590	42	2.64
Trading securities ⁽⁴⁾	4,062	215	5.29	3,950	202	5.11	4,478	163	3.64
Investment securities ⁽⁴⁾	18,481	1,458	7.89	20,465	1,378	6.73	23,451	1,319	5.62
Loans									
Commercial and industrial	32,401	2,081	6.42	39,420	2,466	6.26	43,799	2,738	6.25
Lease financing	432	18	4.17	223	12	5.38	158	8	5.30
Trade financing	5,962	366	6.14	6,828	321	4.70	7,191	233	3.25
Other commercial	5,466	403	7.37	4,889	356	7.28	4,623	319	6.90
General purpose household ⁽⁵⁾	20,799	1,523	7.32	26,874	1,814	6.75	28,370	1,834	6.47
Mortgage	1,713	123	7.18	3,066	196	6.39	4,086	233	5.70
Credit cards ⁽³⁾	3,844	635	16.52	3,567	657	18.42	1,559	309	19.82
Total Loans ⁽⁶⁾	70,617	5,149	7.29	84,867	5,822	6.86	89,786	5,674	6.32
Total average interest-earning assets	96,485	6,950	7.20	112,950	7,520	6.66	120,513	7,235	6.00
Non-interest-earning assets									
Cash and cash equivalents	3,165			3,818			4,080		
Foreign exchange contracts and derivatives	262			403			565		
Premises and equipment	2,316			2,171			2,116		
Due from customers on acceptance	1,287			426			379		
Allowance for loan losses	(4,374)			(3,209)			(2,477)		
Other non-interest-earning assets ⁽⁷⁾	7,908			4,034			4,101		
Total average non-interest-earning assets	10,564			7,643			8,764		

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Total average assets	(Won) 107,049	(Won) 6,950	6.49	(Won) 120,593	(Won) 7,520	6.24	(Won) 129,277	(Won) 7,235	5.60
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Year ended December 31,

	2002			2003			2004		
	Average Balance ⁽¹⁾	Interest Expense	Average Cost	Average Balance ⁽¹⁾	Interest Expense	Average Cost	Average Balance ⁽¹⁾	Interest Expense	Average Cost
(in billions of Won)									
Liabilities									
Interest-bearing liabilities									
Deposits:									
Demand deposits	(Won) 18,862	(Won) 216	1.15%	(Won) 20,443	(Won) 136	0.67%	(Won) 19,498	(Won) 106	0.54%
Savings deposits	7,514	278	3.70	9,178	294	3.20	10,418	289	2.77
Certificate of deposit accounts	626	30	4.79	1,716	75	4.37	4,705	194	4.12
Other time deposits	41,296	2,104	5.09	48,159	2,178	4.52	50,936	1,949	3.83
Mutual installment deposits	944	72	7.63	959	60	6.26	859	41	4.77
Total deposits	69,242	2,700	3.90	80,455	2,743	3.41	86,416	2,579	2.98
Call money	1,160	38	3.28	1,077	35	3.25	1,000	30	3.00
Borrowings from the Bank of Korea									
Other short-term borrowings	6,640	277	4.17	8,024	280	3.49	8,328	213	2.56
Secured borrowings	5,001	287	5.74	4,995	259	5.19	2,415	125	5.18
Long-term debt	10,122	659	6.51	13,157	767	5.83	15,301	831	5.43
Total average interest-bearing liabilities	93,383	3,991	4.27	109,015	4,117	3.78	114,752	3,809	3.32
Non-interest-bearing liabilities									
Demand deposits	3,020			2,814			3,533		
Foreign exchange contracts and derivatives	198			355			638		
Acceptances outstanding	1,287			426			379		
Other non-interest-bearing liabilities	4,381			4,069			5,369		
Total average non-interest-bearing liabilities	8,886			7,664			9,919		
Total average liabilities	102,269	3,991	3.90	116,679	4,117	3.53	124,671	3,809	3.06
Average stockholders equity	4,780			3,914			4,606		
Total average liabilities and stockholders equity	(Won) 107,049	(Won) 3,991	3.73	(Won) 120,593	(Won) 4,117	3.41	(Won) 129,277	(Won) 3,809	2.95

(1) Average balances are based on daily balances for all of our subsidiaries, except for Woori F&I, Woori CA Asset Management, Woori Finance Information System, Woori Credit Information and our special purpose companies, which are based on quarterly balances.

(2) Includes dividends received on securities, as well as cash interest received on non-accruing loans.

(3) Interest income from credit cards is derived from interest-earning credit card receivables, and consists principally of interest on cash advances and card loans.

(4) We do not invest in any tax-exempt securities.

(5) Includes home equity loans.

(6) Includes non-accrual loans.

(7) Includes non-interest-earning credit card receivables, principally monthly lump-sum purchase receivables, the entire balances of which are subject to repayment on the following payment due date.

Table of Contents**Analysis of Changes in Net Interest Income Volume and Rate Analysis**

The following tables provide an analysis of changes in interest income, interest expense and net interest income between changes in volume and changes in rates for 2003 compared to 2002 and 2004 compared to 2003. Information is provided with respect to: (1) effects attributable to changes in volume (changes in volume multiplied by prior rate) and (2) effects attributable to changes in rate (changes in rate multiplied by prior volume). Changes attributable to the combined impact of changes in rate and volume have been allocated proportionately to the changes due to volume changes and changes due to rate changes.

	2003 vs. 2002			2004 vs. 2003		
	Increase/(decrease)			Increase/(decrease)		
	due to changes in			due to changes in		
	Volume	Rate	Total	Volume	Rate	Total
(in billions of Won)						
Interest-earning assets						
Interest-earning deposits in other banks	(Won) 5	(Won) (18)	(Won) (13)	(Won) (32)	(Won) (4)	(Won) (36)
Call loans and securities purchased under resale agreements	6	(3)	3	3	(6)	(3)
Trading securities	(6)	(7)	(13)	27	(66)	(39)
Investment securities	220	(300)	(80)	200	(259)	(59)
Loans						
Commercial and industrial	437	(52)	385	276	(4)	272
Lease financing	(14)	8	(6)	(3)	(1)	(4)
Trade financing	74	(119)	(45)	17	(105)	(88)
Other commercial	(42)	(5)	(47)	(19)	(18)	(37)
General purpose household ⁽¹⁾	397	(106)	291	101	(81)	&nb