

WOORI FINANCE HOLDINGS CO LTD

Form 6-K

April 02, 2007

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## Form 6-K

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REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 UNDER

THE SECURITIES EXCHANGE ACT OF 1934

For the month of March 2007

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## Woori Finance Holdings Co., Ltd.

(Translation of Registrant's name into English)

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

(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  Form 40-F

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

*Note:* Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

*Note:* Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submission to furnish a report or other document that the registration foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

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Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

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**Summary of 2006 Business Report**

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<b><u>All financial information contained in this document (including the attached financial statements) have been prepared accordance with generally accepted accounting principles in Korea, which differ in certain important respects from generally accepted accounting principles in the United States.</u></b>	

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**I. Company Overview**

**1. Purpose of the Company**

**a. Scope of Business**

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

(1) Corporate Management

1. Setting management targets for and approving business plans of the subsidiaries;
2. Evaluation of the subsidiaries' business performance and establishment of compensation levels;
3. Formulation of corporate governance structures of the subsidiaries;
4. Inspection of operation and assets of the subsidiaries; and
5. Other activities complementary to the items mentioned in numbers 1 to 4.

(2) Corporate Management Support Activities

1. Funding for the affiliate companies (including direct and indirect subsidiaries, the Affiliates );
2. Capital investment in subsidiaries or procurement of funds for the Affiliates;
3. Joint development, marketing and use of facilities and computer system with the Affiliates; and
4. Activities ancillary to the above items, for which authorization, permission or approval is not required under the relevant laws and regulations.

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

**b. Scope of Business of Subsidiaries**

(1) Woori Bank

1. Primary Businesses

Banking business

Ancillary business

2. Supplementary Businesses

Trust business

Credit card business

Other authorized businesses

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(2) Kwangju Bank

1. Primary Businesses

Banking business

Ancillary business

2. Supplementary Businesses

Trust business

Credit card business

Other authorized businesses

(3) Kyongnam Bank

1. Primary Businesses

Banking business

Ancillary business

2. Supplementary Businesses

Trust business

Credit card business

Other authorized businesses

(4) Woori Investment & Securities



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1. Securities dealing;
2. Consignment sales of securities;
3. Brokering and/or proxy transactions of securities;
4. Underwriting of securities;
5. Offering of securities;
6. Conscription for securities sales;
7. Brokering of securities in domestic and overseas securities markets;
8. Credit services related to securities trading;
9. Securities-backed loans;
10. Lending of securities;
11. Securities saving services;
12. Rating of securities and equity stakes;
13. Payment guarantees for principal and interests of corporate bonds;

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14. Trustee services for bond offerings;
  15. Trading and brokering of marketable certificates of deposits;
  16. Lottery sales;
  17. Real estate leasing;
  18. Lending of securities, and related brokerage, arrangement and agency services;
  19. Trading of leased securities and related brokerage, arrangement and agency services;
  20. Depositary of securities;
  21. Asset management and trustee services for securitization specialty companies under asset securitization regulations;
  22. Securities dealing in the ECN market;
  23. Underwriting, brokerage and agency services for securities issued on a private placement basis;
  24. Leasing and sales of IT systems and software related to securities business;
  25. Advertisement in the form of electronic document through communication network;
  26. Other businesses and activities related to the items listed above; and
  27. Other businesses approved by relevant regulatory agencies.
- (5) Woori Credit Suisse Asset Management
1. Creation/cancellation of investment trusts;
  2. Management of investment trust assets;

3. Management of mutual funds;
4. Sales and redemption of indirect investment securities;
5. Investment advisory;
6. Investment executions;
7. Administration of invested companies;
8. Futures trading;
9. Call trading;
10. Bill purchases;

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11. Domestic and global economy and capital markets research;
  12. Securities dealing;
  13. Publishing investment related books;
  14. Real estate leasing;
  15. Other activities approved by the Indirect Investment Asset Management Business Act; and
  16. Other businesses and activities related to the items listed above.
- (6) Woori Finance Information System
1. Development, distribution and management of computer systems;
  2. Consulting services in computer installation and usage;
  3. Distribution, brokerage and lease of computer systems;
  4. Maintenance of computer-related equipment;
  5. Publication and distribution of IT-related reports and books;
  6. Educational services related to computer usage;
  7. Research and outsourcing information processing services;
  8. Internet-related businesses;
  9. Information processing, telecommunications and information distribution services;
  10. Manufacturing and distribution of audio-visual media;

11. Information-processing operations and service systems; and
12. All activities directly or indirectly related to the items listed above.

(7) Woori F&I

1. Purchase and disposition of ABSs, issued primarily to securitize distressed assets, pursuant to the Asset Securitization Law;
2. Purchase and disposition of asset management companies that had been initially set up to manage distressed assets pursuant to the Asset securitization Law;
3. Purchase and disposition of troubled assets;
4. Investment activity with respect to indirect investment instruments under the Indirect Investment Asset Management Business Act and other investment activity with respect to other securities, bonds or similar financial assets under the Corporate Restructuring Promotion Act; and

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5. All businesses or activities directly or indirectly related to the businesses listed in 1 and 4.

(8) Woori LB Third Asset Securitization Specialty Co., Ltd.

1. Transfer, management and disposition of the securities and other assets (the securitized assets ) and all rights related to the securitized asset of Hanvit Bank (now Woori Bank) and Kyongnam Bank pursuant to the Asset Securitization Law;

2. Offering and redemption of the securitized assets;

3. Preparation and registration of asset securitization plans to the Financial Supervisory Service;

4. Execution of agreements required for the asset securitization plan;

5. Provisional borrowing and other similar procedures for ABS redemption;

6. Investment of surplus funds; and

7. Other activities related to the items listed above.

(9) Woori Private Equity

1. Private equity business;

2. Other activities approved by the Indirect Investment Asset Management Business Act; and

3. Other activities related to the items listed above.

**Table of Contents****2. History of the Company****a. Company History**

(1) Background: From the establishment and major developments.

December 23, 2000	Enactment of the Financial Holding Company Act
December 30, 2000	KDIC invested public funds of Won 8.5 trillion in Hanvit Bank, Peace Bank, Kwangju Bank, Kyongnam Bank and Hanaro Merchant Bank
March 14, 2001	Filed application for the incorporation of Woori Finance Holdings
March 24, 2001	Official approval from the Financial Supervisory Service for Woori Finance Holdings
March 27, 2001	Incorporated as Woori Finance Holdings, Co. Ltd (Total Capital: Won 3.6 trillion)
April 2, 2001	Official launch of Woori Finance Holdings
July 16, 2001	Issued bonds with warrants
September 1, 2001	Hanaro Merchant Bank's name changed to Woori Merchant Bank
September 29, 2001	Woori Finance Information System incorporated as a subsidiary
December 3, 2001	Woori Asset Management incorporated as a subsidiary
December 3, 2001	Woori First Asset Securitization Specialty Co., Ltd. incorporated as a subsidiary
December 26, 2001	Woori Second Asset Securitization Specialty Co., Ltd. incorporated as a subsidiary
December 31, 2001	Spin-off and merger of Peace Bank; Launch of Woori Credit Card
March 15, 2002	Woori Third Asset Securitization Specialty Co., Ltd. incorporated as a subsidiary
March 29, 2002	Woori Investment Trust Management incorporated as a subsidiary
May 20, 2002	Hanvit Bank's name changed to Woori Bank
June 11, 2002	Capital increase through public offering (Total capital: Won 3.8 trillion)
June 24, 2002	Listed on the Korea Stock Exchange

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July 29, 2002	Woori Securities incorporated as a subsidiary
September 5, 2002	Executed strategic investment agreement with Lehman Brothers with respect to the management of distressed assets
December 23, 2002	Purchase and acquisition agreement with the credit card division of Kwangju Bank
July 31, 2003	Woori Merchant Bank merged into Woori Bank
September 29, 2003	Listing on the New York Stock Exchange
December 12, 2003	Liquidation of Woori LB First Asset Securitization Specialty Co., Ltd.
March 30, 2004	Appointment of new management
March 31, 2004	Woori Card merged into Woori Bank
June 18, 2004	Woori Securities becomes a wholly-owned subsidiary
December 21, 2004	Capital increase through conversion of CBs (Total capital after conversion: Won 3.9 trillion)
December 24, 2004	Acquired LG Investment & Securities and incorporated as a subsidiary
February 17, 2005	Capital increase through conversion of CBs (Total capital after conversion: Won 3.9 trillion)
March 11, 2005	Capital increase through conversion of CBs (Total capital after conversion: Won 4.0 trillion)
March 31, 2005	Woori Securities and LG Investment & Securities merged (the name of the surviving entity, LG Investment & Securities, changed to Woori Investment & Securities)
May 6, 2005	Incorporated LG Investment Trust Management from 2 <sup>nd</sup> tier subsidiary to 1 <sup>st</sup> tier subsidiary
May 31, 2005	Woori Investment Trust Management and LG Investment Trust Management merged (the name of the surviving entity, LG Investment Trust Management, changed to Woori Asset Management)
August 3, 2005	Dissolution of Woori LB Second Asset Securitization Specialty Co., Ltd.
September 5, 2005	Woori Asset Management becomes a wholly-owned subsidiary through capital reduction and cancellation



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October 21, 2005	Woori Private Equity is established and incorporated as a subsidiary
October 27, 2005	Closure of strategic investment agreement with Lehman Brothers
February 23, 2006	Joint venture arrangement between Woori CA Asset Management, a 2 <sup>nd</sup> tier subsidiary, and Japan's Shinsei Bank (involving a transfer of 49% of Woori F&I's 100% stake in Woori CA Asset Management to Shinsei Bank)
April 11, 2006	Joint venture agreement to transfer 30% of the shares of Woori Asset Management to Credit Suisse Asset Management International Holdings, a wholly owned subsidiary of Credit Suisse.
May 30, 2006	Upon the 30% share transfer to Credit Suisse Asset Management International Holdings, Woori Asset Management was renamed Woori Credit Suisse Asset Management.
March 30, 2007	Appointment of new management

**b. Associated Business Group**

(1) Overview of Business Group

1. **Name of business group:** Woori Financial Group

2. **History**

December 23, 2000	Enactment of the Financial Holding Company Act
December 30, 2000	KDIC invested public funds of Won 8.5 trillion in Hanvit Bank, Peace Bank, Kwangju Bank, Kyongnam Bank and Hanaro Merchant Bank
March 14, 2001	Filed application for the incorporation of Woori Finance Holdings
March 24, 2001	Official approval from the Financial Supervisory Service for Woori Finance Holdings
March 27, 2001	Incorporated as Woori Finance Holdings, Co. Ltd (Total Capital: Won 3.6 trillion)
April 2, 2001	Official launch of Woori Finance Holdings
July 16, 2001	Issued bonds with warrants
September 1, 2001	Hanaro Merchant Bank's name changed to Woori Merchant Bank

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September 29, 2001	Woori Finance Information System incorporated as a subsidiary
December 3, 2001	Woori Asset Management incorporated as a subsidiary
December 3, 2001	Woori First Asset Securitization Specialty Co., Ltd. incorporated as a subsidiary
December 26, 2001	Woori Second Asset Securitization Specialty Co., Ltd. incorporated as a subsidiary
December 31, 2001	Spin-off and merger of Peace Bank; Launch of Woori Credit Card
March 15, 2002	Woori Third Asset Securitization Specialty Co., Ltd. incorporated as a subsidiary
March 29, 2002	Woori Investment Trust Management incorporated as a subsidiary
May 20, 2002	Hanvit Bank's name changed to Woori Bank
June 11, 2002	Capital increase through public offering (Total capital: Won 3.8 trillion)
June 24, 2002	Listed on the Korea Stock Exchange
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December 24, 2004	Acquired LG Investment & Securities and incorporated as a subsidiary

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March 11, 2005	Capital increase through conversion of CBs (Total capital after conversion: Won 4.0 trillion)
March 31, 2005	Woori Securities and LG Investment & Securities merged (the name of the surviving entity, LG Investment & Securities, changed to Woori Investment & Securities)
May 6, 2005	Incorporated LG Investment Trust Management from 2 <sup>nd</sup> tier subsidiary to 1 <sup>st</sup> tier subsidiary
May 31, 2005	Woori Investment Trust Management and LG Investment Trust Management merged (the name of the surviving entity, LG Investment Trust Management, changed to Woori Asset Management)
August 3, 2005	Dissolution of Woori LB Second Asset Securitization Specialty Co., Ltd.
September 5, 2005	Woori Asset Management becomes a wholly-owned subsidiary through capital reduction and cancellation
October 21, 2005	Woori Private Equity is established and incorporated as a subsidiary
October 27, 2005	Closure of strategic investment agreement with Lehman Brothers
February 23, 2006	Joint venture arrangement between Woori CA Asset Management, a 2 <sup>nd</sup> tier subsidiary, and Japan's Shinsei Bank (involving a transfer of 49% of Woori F&I's 100% stake in Woori CA Asset Management to Shinsei Bank)
April 11, 2006	Joint venture agreement to transfer 30% of the shares of Woori Asset Management to Credit Suisse Asset Management International Holdings, a wholly owned subsidiary of Credit Suisse.
May 30, 2006	Upon the 30% share transfer to Credit Suisse Asset Management International Holdings, Woori Asset Management was renamed Woori Credit Suisse Asset Management.
March 30, 2007	Appointment of new management

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(2) Related companies within the business group

Type	Name of Company	Controlling Company	Notes	
Holding Company	Woori Finance Holdings	KDIC		
	Woori Bank Kwangju Bank Kyongnam Bank			
1 <sup>st</sup> Tier Subsidiaries	Woori Finance Information System	Woori Finance Holdings	9 companies	
	Woori F & I			
	Woori Third Asset Securitization Specialty			
	Woori CS Asset Management (1)			
	Woori Investment & Securities			
	Woori Private Equity			
	Woori Credit Information			
	Woori America Bank			
	P.T. Bank Woori Indonesia			Woori Bank
	Korea BTL Infrastructure Fund Woori Global Markets Asia Ltd.			
2 <sup>nd</sup> Tier Subsidiaries	Nexbi Tech	Woori Finance Information System	13 companies	
	Woori SB Asset Management (2)	Woori F&I		
	Woori Private Equity Fund	Woori Private Equity		
	Woori Futures			
	Woori Investment & Securities International Ltd.	Woori Investment & Securities		
	Woori Investment & Securities (HK) Ltd.			
	Woori Investment & Securities America Inc.			
	Mars First Private Hoesa			

(1) On May 30, 2006, Woori Asset Management was renamed Woori Credit Suisse Asset Management.

(2) On February 23, 2006, Woori CA Asset Management was renamed Woori SB Asset Management.

\* Shinwoo Corporate Restructuring Company is no longer a subsidiary due to its liquidation on September 29, 2006.

\* 1<sup>st</sup> tier subsidiary, Woori Private Equity, established Woori Private Equity Fund. Woori Private Equity Fund was included as a 2<sup>nd</sup> tier subsidiary on July 27, 2006.

\* 1<sup>st</sup> tier subsidiary, Woori Bank, established Woori Global Markets Asia Limited in Hong Kong, which was included as a 2<sup>nd</sup> tier subsidiary on August 23, 2006.

\* On March 5, 2007, Mars Second Private Hoesa, with KRW 1,500 million paid-in-capital, was included as our 2<sup>nd</sup> tier subsidiary. Woori Investment & Securities, which owns a 4.76% stake, is its general partner.

\* On March 27, 2007, Nexbi Tech, a subsidiary of Woori Finance Information System, was removed from our list of 2<sup>nd</sup> tier subsidiaries as the company performed a second capital reduction (the first capital reduction was held in Oct. 18, 2006), liquidating all the shares held by Woori Finance Information System.



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

(units: Won, shares)

Date	Category	Type	Quantity	Stock Decrease/Increase		Note
				Par Value	Issue price	
2001.3.27	Establishment	Common	727,458,609	5,000	5,000	
2002.5.31	Exercise B/W	Common	165,782	5,000	5,000	
	Capital increase w/					
2002.6.12	consideration	Common	36,000,000	5,000	6,800	0.0494
2002.6.30	Exercise B/W	Common	1,416,457	5,000	5,000	
2002.9.30	Exercise B/W	Common	2,769,413	5,000	5,000	
2002.12.31	Exercise B/W	Common	4,536	5,000	5,000	
2003.3.31	Exercise B/W	Common	1,122	5,000	5,000	
2003.6.30	Exercise B/W	Common	7,688,991	5,000	5,000	
2004.6.18	Stock Exchange	Common	8,571,262	5,000	8,902 <sup>1)</sup>	Exchange with Woori Sec shares on a 1-to-0.55 basis
2004.11.4	Exercise CB	Common	666,301	5,000	5,380	
2004.12.2	Exercise CB	Common	7,995,613	5,000	5,380	
2004.12.21	Exercise CB	Common	3,717,472	5,000	5,380	
2005.2.17	Exercise CB	Common	3,481,173	5,000	5,588	
2005.3.11	Exercise CB	Common	5,914,180	5,000	7,313	
2005.3.11	Exercise CB	Common	164,429	5,000	7,228	

**b. Anticipated Changes in Capital**

Not applicable

**c. Convertible Bonds**

All issued convertible bonds have been converted as of the date of this report.

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

As of 2006.12.31

(units: shares)

Items	Type		Total
	Common Shares		
Total number of shares authorized	2,400,000,000		2,400,000,000
Total number of issued stock	806,015,340		806,015,340
Treasury stock	2,555		2,555
Free float shares	806,012,785		806,012,785

**b. Capital and Price per Share**

As of 2006.12.31

(units: Won, shares)

Type	Common Stock	Capital		Price per share			
		Par value of issued shares	Par value of free float shares	Par value per share	Capital ÷ number of shares issued	Capital ÷ free float shares	
Registered		4,030,076,700,000	4,030,076,700,000	4,030,063,925,000	5,000	5,000	5,000
Total		4,030,076,700,000	4,030,076,700,000	4,030,063,925,000	5,000	5,000	5,000

**c. Treasury Stock**

As of 2006.12.31

(units: shares)

**Acquisition**

Method	Type of Stock	Beg.	Acquired	Disposal	Canceled	End	Remarks
Direct purchase under Sub-section 1, section 189-2	Common						
Direct purchase other than the conditions under Sub-section 1, section 189-2	Preferred						
Subtotal	Common	2,550	5			2,555	
Indirect acquisition from trust agreement	Preferred						
Total	Common	2,550	5			2,555	
	Preferred						

**Table of Contents****d. Status of Employee Stock Option Program**

(units: shares)

Type of stock	Type of Stock	Initial Balance	Ending Balance
Employee Account			
Employee Union Account	Common stock	44,593	41,403

**5. Voting Rights**

As of 2006.12.31

(units: shares)

Items	Number of stock	Notes
Total number of shares	Common Shares Preferred Shares	806,015,340
Stocks without voting rights	Common Shares Preferred Shares	
Stocks with limited voting rights under the Securities & Exchange Law	-	2,555
Stocks with voting rights restored	-	
Stocks with voting rights	Common Shares Preferred Shares	806,012,785



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

Items		2006	2005	2004
Par value per share (Won)		5,000	5,000	5,000
Net profit (Won in Millions)		2,029,319	1,688,221	1,261,924
Earnings per share (Won)		2,518	2,099	1,616
Profit available for dividend distribution (Won in Millions)		5,017,365	3,514,715	2,120,429
Total cash payout (Won in Millions)		483,608	322,405	119,468
Total stock dividends (Won in Millions)				
Propensity to cash dividends (%)		23.83	19.10	9.47
Cash dividend yield (%)	Common Shares	2.71	1.98	1.81
	Preferred Shares			
Stock dividend yield (%)	Common Shares			
	Preferred Shares			
Cash dividend per share (Won)	Common Shares	600	400	150
	Preferred Shares			
Stock dividend per share (Won)	Common Shares			
	Preferred Shares			

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**II. Description Of Business**

**1. Business Overview**

**a. Organizational Chart**

As of 2006.12.31

**Table of Contents****2. Overview of Operations****a. Performance of Operations**

As a financial holding company under the Financial Holding Company Act, our main income consists of dividend payments made to us by our subsidiaries. We are not involved in any other operations.

**b. Financing of operations**

## (1) Source of Funds

(units: millions of Won)

Items	2006	2005	2004
Shareholders Equity	11,933,072	9,717,364	7,448,052
Capital	4,030,076	4,030,076	3,982,278
Capital Surplus	84,488	84,488	84,356
Retained Earnings	5,597,546	3,891,963	2,328,854
Capital Adjustments	2,220,962	1,710,836	1,052,565
Borrowings	1,860,449	2,314,419	2,299,992
Debtentures	1,847,591	2,296,203	2,154,637
Bank Borrowings			120,000
Commercial Paper			
Other Borrowings			
Other Liabilities	12,858	18,216	25,354
Total	13,793,521	12,031,783	9,748,044

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

(units: millions of Won)

<b>Items</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Subsidiary Stock	13,591,413	11,751,678	9,436,975
Woori Bank	11,297,882	9,695,213	7,589,957
Kyongnam Bank	794,984	694,275	608,802
Kwangju Bank	630,995	561,330	420,595
Woori Financial Information System	11,245	11,903	7,613
Woori F&I	124,874	114,017	58,231
Woori 3 <sup>rd</sup> Asset Securitization Specialty	24,317		
Woori Investment Trust Management			35,076
Woori Securities			361,500
Woori Investment & Securities	649,355	604,543	355,201
Woori CS Asset Management (formerly Woori Asset Management)	47,655	60,600	
Woori Private Equity	10,106	9,797	
Investment Securities			
Loan Obligations	49,750	109,450	218,641
Tangible Assets	630	119	228
Intangible Assets	30	35	54
Cash	89,724	104,072	56,099
Other Assets	61,974	66,428	36,047
<b>Total</b>	<b>13,793,521</b>	<b>12,031,783</b>	<b>9,748,044</b>

**c. Transactions related to Commission Fees**

(units: millions of Won)

<b>Category</b>	<b>Items</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Commission Revenue (A)		0	0	0
Commission Expense (B)		7,613	6,641	8,037
Commission Profit (A-B)		-7,613	-6,641	-8,037

**Table of Contents****3. Other Information Relevant to Investment Decisions**

In accordance with the Financial Holding Company Act, we, as a Financial Holding Company, present current ratio and debt ratio as indices to show capital adequacy and asset quality.

**a. Won-denominated Current Ratio**

(units: millions of Won)

Items	2006	2005	2004	2003
Current Assets (A)	117,037	111,091	57,346	203,202
Current Liabilities (B)	12,496	18,216	11,385	9,711
Current Ratio (A/B)	936.60%	609.85%	503.70%	2,092.5%

\* Current ratio

= assets with maturity of less than 3 months

liabilities with maturity of less than 3 months

**b. Foreign Currency-denominated Current Ratio**

(units: millions of Won)

Items	2006	2005	2004	2003
Current Assets (A)				147,754
Current Liabilities (B)				148,598
Current Ratio (A/B)				99.4%

\* Current ratio

= assets with maturity of less than 3 months

liabilities with maturity of less than 3 months

**c. Debt Ratio**

(units: millions of Won)

Items	2006	2005	2004	2003
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Liabilities (A)	1,860,448	2,314,418	2,299,992	2,649,920
Equity (B)	11,922,274	9,717,364	7,448,052	5,597,895
Debt Ratio (A/B)	15.6%	23.8%	30.9%	47.3%

**Table of Contents****d. Credit ratings for the past three years**

<b>Date of Rating</b>	<b>Evaluated Securities</b>	<b>Credit Rating</b>	<b>Company (Ratings Range)</b>	<b>Evaluation Category</b>
2003.11.13		BBB	R&I (AAA~C)	Periodic evaluation
2003.12.04	Debentures	AAA	NICE (AAA~D)	Case evaluation
2003.12.04	Debentures	AAA	KIS Ratings (AAA~D)	Case evaluation
2004.2.6		BBB	Fitch Rating (AAA~D)	Case evaluation
2004.3.11		BBB-	S&P (AAA~D)	Case evaluation
2004.5.27		Baa3	Moody s (Aaa~C)	Case evaluation
2004.6.9	Debentures	AAA	KIS Ratings (AAA~D)	Case evaluation
2004.6.9	Debentures	AAA	NICE (AAA~D)	Case evaluation
2004.7.16	Debentures	AAA	NICE (AAA~D)	Case evaluation
2004.7.16	Debentures	AAA	Korea Ratings (AAA~D)	Case evaluation
2004.11.15	Debentures	AAA	Korea Ratings (AAA~D)	Case evaluation
2004.11.15	Debentures	AAA	KIS Ratings (AAA~D)	Case evaluation
2005.6.7		BBB	S&P (AAA~D)	Case evaluation
2005.6.9	Debentures	AAA	KIS Ratings (AAA~D)	Case evaluation
2005.6.13	Debentures	AAA	Korea Ratings (AAA~D)	Case evaluation
2005.9.16	Debentures	AAA	NICE (AAA~D)	Case evaluation
2005.9.20	Debentures	AAA	KIS Ratings (AAA~D)	Case evaluation
2005.10.24		BBB+	Fitch Rating (AAA~D)	Case evaluation
2006.08.10		Baa2	Moody s (Aaa~C)	Periodic evaluation
2006.09.07		Baa1	Moody s (Aaa~C)	Case evaluation

**e. Other Important Information**

See our annual report for the BIS capital ratio and non-performing loans of our subsidiaries.

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## III. FINANCIAL INFORMATION

## 1. Condensed Financial Statements (Non-consolidated)

(units: millions of Won)

Items	2006	2005	2004	2003	2002
Cash and Due from Banks	89,724	104,072	56,099	349,585	73,256
Securities	13,591,413	11,751,678	9,436,976	7,007,222	6,062,119
Loans	49,750	109,450	218,641	830,566	1,231,207
Fixed Assets	661	155	282	293	374
Other Assets	61,973	66,428	36,046	60,148	22,195
Total Assets	13,793,521	12,031,783	9,748,044	8,247,814	7,389,151
Borrowings	0	0	120,000	0	300,000
Debentures	1,847,591	2,296,203	2,154,636	2,621,182	1,999,250
Other Liabilities	12,857	18,216	25,355	28,737	25,772
Total Liabilities	1,860,448	2,314,419	2,299,991	2,649,919	2,325,022
Common Stock	4,030,077	4,030,077	3,982,278	3,877,525	3,839,074
Capital Surplus	84,488	84,488	84,356	61,324	58,645
Retained Earnings	5,597,546	3,891,963	2,328,854	1,282,866	1,145,518
Capital Adjustment	2,220,962	1,710,836	1,052,565	376,180	20,892
Total Stockholder s Equity	11,933,073	9,717,364	7,448,053	5,597,895	5,064,129
Operating Income	2,031,610	1,867,488	1,922,849	1,593,251	878,488
Operating Expenses	138,362	179,189	662,975	1,390,154	302,721
Operating Profit	1,893,248	1,688,299	1,259,874	203,097	575,767
Ordinary Income	2,029,318	1,688,221	1,261,925	202,565	589,214
Net profit	2,029,318	1,688,221	1,261,925	202,565	589,214

\* 1. The 2006 figures include non-operating income of KRW 117.0 billion resulting from the accounting treatment and related interpretation of the effect of the sale of securities in prior periods by a related party in which we acquired an interest.

2. The 2006 figures also include KRW 26.6 billion as a result of changes in accounting treatment and related interpretation related to private equity fund.

3. Operating income and operating expenses in the year 2003, 2004, and 2005 are computed by the total amount of gain or loss under the equity method in accordance with the Article 15 of the corporate accounting standard.

4. The 2004 figures have been changed due to changes in accounting standards.



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

(units: millions of Won)

Items	2006	2005	2004	2003	2002
Cash and Due from Banks	10,674,977	11,224,015	6,530,065	6,471,855	6,568,852
Securities	46,313,960	37,693,090	29,175,271	27,006,677	26,452,509
Loans	140,854,505	106,937,970	91,482,647	86,077,297	73,604,113
Fixed Assets	2,840,228	2,684,534	2,646,979	2,734,616	2,796,183
Other Assets	11,313,660	6,003,239	6,767,002	6,477,275	5,421,877
Total Assets	211,997,330	164,542,848	136,601,964	128,767,720	114,843,534
Deposits	129,022,868	107,087,991	92,148,907	89,049,625	78,917,388
Borrowings	23,403,018	16,508,102	13,285,773	12,813,104	13,839,614
Debentures	27,781,022	18,813,020	13,687,295	12,195,159	10,792,932
Other Liabilities	18,365,617	11,028,773	8,774,709	9,011,532	5,978,833
Total Liabilities	198,572,525	153,437,886	127,896,684	123,069,420	109,528,767
Common Stock	4,030,077	4,030,077	3,982,278	3,877,525	3,839,074
Consolidated Capital Surplus	187,955	142,608	170,960	57,844	25,029
Consolidated Retained Earnings	5,601,869	3,896,255	2,333,145	1,152,053	1,151,113
Consolidated Capital Adjustment	2,117,488	1,652,709	965,957	414,969	54,506
Minority Interest	1,487,416	1,383,313	1,252,940	195,909	245,045
Total Stockholder's Equity	13,424,805	11,104,962	8,705,280	5,698,300	5,314,767
Operating Income	19,227,033	14,258,430	13,245,482	10,403,445	9,623,990
Operating Expenses	17,025,853	12,227,877	12,138,088	10,060,209	8,908,732
Operating Profit	2,201,180	2,030,553	1,107,394	343,236	715,258
Non-operating Income	943,763	573,219	482,946	639,883	540,113
Non-operating Expenses	231,231	458,068	397,766	752,057	800,487
Ordinary Income	2,913,712	2,145,704	1,192,574	231,062	454,884
Aggregated Net Profit	2,189,207	1,833,521	1,261,052	52,374	613,576
Consolidated Net Profit	2,029,319	1,688,221	1,261,925	56,279	591,588
No. of Companies Consolidated	24	21	24	15	17

\* 1. The 2006 figures include non-operating income of KRW 117.0 billion resulting from the accounting treatment and related interpretation of the effect of the sale of securities in prior periods by a related party in which we acquired an interest.

2. The 2006 figures also include KRW 26.6 billion as a result of changes in accounting treatment and related interpretation related to private equity fund.

3. Operating income and operating expenses in the year 2003, 2004, and 2005 are computed by the total amount of gain or loss under the equity method in accordance with the Article 15 of the corporate accounting standard.

4. The 2004 figures have been changed due to changes in accounting standards.

**Table of Contents****3. Accounting Information****a. Loan Loss Reserves**

(1) Loan Loss Reserves for the past three years by classification

(units: millions of Won)

Period	Item	Total Credits	Loan Loss Reserves	Provisioning Ratio
2006	Lending			
	Loans	50,000	250	0.5%
	Total	50,000	250	0.5%
2005	Lending			
	Loans	110,000	550	0.5%
	Total	110,000	550	0.5%
2004	Lending	151,850	759	0.5%
	Loans	67,890	339	0.5%
	Total	219,740	1,098	0.5%

(2) Change in Loan Loss Reserves for the past three years

(units: millions of Won)

Item	2006	2005	2004
1. Initial loan loss reserves balance	550	1,098	4,174
2. Net credit costs	0	0	0
1) Write-offs	0	0	0
2) Recovery of written-off assets	0	0	0
3) Other changes	0	0	0
Recovery of credit costs	-300	-548	-3,076
Ending loan loss reserve balance	250	550	1,098

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**4. Notes on Consolidated Financial Statements**

(1) Auditor's opinion

<b>Item</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Auditor	Anjin (Deloitte Anjin)	Anjin (Deloitte Anjin)	HanaAnjin (Deloitte HanaAnjin)
Auditor's Opinion	Unqualified Opinion	Unqualified Opinion	Unqualified Opinion

(2) Companies included in the consolidated financial statements in the last three years

<b>Year</b>	<b>Companies included</b>	<b>Newly included companies</b>	<b>Excluded companies</b>
2006	Woori Finance Holdings and 24 companies	- Korea BTL Infrastructure Fund - Woori Global Markets Asia Limited - Mars First Private Hoesa	
2005	Woori Finance Holdings and 21 companies	- Woori Private Equity	- Woori Investment Trust Management - Woori Securities - Woori Second SPC - Woori First Private Investment Company
2004	Woori Finance Holdings and 24 companies	- Woori First Private Investment Company - LG Investment & Securities - LG Futures - LG Investment Trust Management - LG Investment & Securities Int'l Ltd. - LG Investment & Securities (H.K.) Limited - LG Investment & Securities America, Inc. - LG Investments Holding B.V. (Amsterdam) GG - High Technology Venture Investment - Global Technology Investment	- Woori Credit Card



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

<b>2006</b> Anjin (Deloitte Anjin)	<b>2005</b> Anjin (Deloitte Anjin)	<b>2004</b> HanaAnjin (Deloitte HanaAnjin)
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**2. Compensation to the Independent Auditor****a. Auditing Service**

(units: millions of Won)

Year	Auditor	Activity	Compensation	Accrued Time (hrs)
2006	Anjin (Deloitte Anjin)	Quarter, Half Year, Annual Interim Financial Statements (Consolidated, Non-consolidated)	320	5,210
2005	Anjin (Deloitte Anjin)	Quarter, Half Year, Annual Interim Financial Statements (Consolidated, Non-consolidated)	320	5,950
2004	HanaAnjin (Deloitte HanaAnjin)	Quarter, Half Year, Annual Interim Financial Statements (Consolidated, Non-consolidated)	310	7,158

**b. Compensation for Services Other than the Audit**

(units: in millions of won, unless otherwise indicated)

Year	Contract Date	Activity	Period	Comp.	Note
2006	2006.12.15	US GAAP and SOX Auditing	2006.12~2007.5	3,530 USD 1,950	Deloitte Anjin
2005	2006.2.9	US GAAP Auditing	2005.12~2006.5	thousand USD 2,050	Deloitte Anjin
2004	2005.3.25	US GAAP Auditing	2004.12~2005.5	thousand USD 4,500	Deloitte HanaAnjin
2003	2003.7.30	US GAAP Auditing	2003.8~2004.5	thousand	Deloitte Touche

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**V. Corporate Governance and Affiliated Companies**

**1. Overview of the Corporate Governance**

**a. About the Board of Directors**

(1) Board of Directors

A. Duties of Boards of Directors

1. The Board of Directors shall consist of directors and shall determine the matters that are provided for as the authority of the Board of Directors under the relevant laws and regulations.
2. The Board of Directors shall perform its duties set forth in the Rules for the Board of Directors for the purpose of enhancement of shareholders' benefits.

B. Information Regarding the Board of Directors

The following information was stated in the notice to the shareholders of the annual general meeting and in the explanation of bill on March 12 and 13, 2007, respectively.

Ø Second Resolution: Appointment of Executive Director

Position	Name	Information	Relationship with KDIC	Transaction with WFG
Executive Director	Byongwon Bahk	- B.B.A. in Law, Seoul National University	N/A	N/A
		- Masters in Law, Seoul National University		
		- Masters in Economics, University of Washington		
		- Vice Minister of Finance and Economy		

Ø Third Resolution: Appointment of Non-Standing Directors as Audit Committee Members

Position	Name	Information	Relationship with KDIC	Transaction with WFG
Non-standing Director and audit Committee	Bong Soo	- B.B.A. in Business Administration, Seoul National University	N/A	N/A
	Park	- Masters in Economics, George Washington University		

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- Chief Director of Korea Technology Credit Guarantee Fund

- Currently Executive Advisor at Korea Institute for

International Economics Policy

- B.B.A. in Business Administration, Seoul National University

Non-standing  
Director and audit  
Committee

Woon-Youl

- Ph.D. in Finance, University of Georgia

N/A

N/A

Choi

- Member of Monetary Policy Committee

- Currently Vice President of Sogang University

- B.B.A in Business Administration, Sungkyunkwan University

Non-standing  
Director and audit  
Committee

Pyoung Wan  
Har

- Masters in Business Administration, Yonsei University

N/A

N/A

- Standing Audit Committee Member of Korean Exchange Bank

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Position	Name	Information	Relationship with KDIC	Transaction with WFG
Non-standing Director and audit Committee	Kwang-Dong Kim	- B.S in Political Science and International Studies, Yonsei University		
		- Institut International d Administration Publique	N/A	N/A
		- Ambassador of the Republic of Korea to the Federative Republic of Brazil		
Non-standing Director and audit Committee	In Bong Ha	- B.S. in Geology, Kyungpook National University		
		- Masters in Economics, Kyungpook National University		
		- Ph.D. in Economics, University of Minnesota	N/A	N/A
		- President of the Institute of Korean Business Administration and Economy		
Non-standing Director and audit Committee	Myoung-Soo Choi	- Currently Professor of School of Economics and Trade, Kyungpook National University		
		- B.S. in Economics, Kyonggi University		
		- Director General of the Investigation Department at KDIC	Employee (Director)	N/A
		- Currently Director General of Fund Management & Planning Department at KDIC		

\* Bong Soo Park and Woon-Youl Choi were reappointed. Pyoung Wan Har, Kwang-Dong Kim, In Bong Ha and Myoung-Soo Choi were newly appointed.



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C. Appointment of Non-standing Directors

Pursuant to Article 42 of the Articles of Association and Article 5 of the non-standing director candidate nomination committee regulations, a non-standing director is appointed through the recommendation by the non-standing director candidate nomination committee of the candidates and the a resolution at a shareholders meeting.

\* Article 42 (Committee)

1. We currently have the following management committees serving under the board of directors:

- (a) BOD Management Committee
- (b) Management Compensation Committee
- (c) Risk Management Committee
- (d) Executive Management Committee
- (e) Ethics Management Committee
- (f) Non-standing Director Candidate Nomination Committee
- (g) MOU Review Committee
- (h) Audit Committee

D. Committees within Board of Directors

1. BOD Management Committee

Name	Position	Notes
Byongwon Bahk	Chairman and CEO	
Pyoung Wan Har	Non-standing Director	Chairman/CEO Byongwon Bahk heads this committee consisting of the heads of the sub-committees. Non-standing directors must be more than 1/2 of the total committee members.
Kwang-Dong Kim	Non-standing Director Non-standing Director	

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Bong Soo Park

Woon-Youl Choi

Non-standing Director

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\* On March 30, 2007, Byongwon Bahk was newly elected as Chairman & CEO at the Annual General Meeting of Shareholders and became the head of the BOD Management Committee.

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## 2. Management Compensation Committee

<b>Name</b>	<b>Position</b>	<b>Notes</b>
Pyoung Wan Har	Non-standing Director	
Bong Soo Park	Non-standing Director	Non-standing director Woon-Youl Choi heads this committee consisting of no less than three non-standing directors.
Woon-Youl Choi	Non-standing Director	

\* Non-standing director Pyoung Wan Har, Bong Soo Park, Woon-Youl Choi were newly appointed to the committee on March 30, 2007.

## 3. Risk Management Committee

<b>Name</b>	<b>Position</b>	<b>Notes</b>
Byongwon Bahk	Chairman and CEO	
Seung Hee Park	Senior managing director and CFO	
Pyoung Wan Har	Non-standing Director	
Bong Soo Park	Non-standing Director	Chairman/CEO Byongwon Bahk heads this committee. The committee consists of the Chairman/CEO, CFO and no less than three non-standing directors.
Woon-Youl Choi	Non-standing Director	
In Bong Ha	Non-standing Director	
Myoung-Soo Choi	Non-standing Director	

\* On March 30, 2007, Byongwon Bahk was newly elected as Chairman & CEO at the Annual General Meeting of Shareholders and became the head of the Risk Management Committee.

\* Non-standing directors Pyoung Wan Har, In Bong Ha, and Myoung-Soo Choi were newly appointed to the committee on March 30, 2007.

\* Non-standing directors, Bong Soo Park and Woon-Youl Choi were reappointed to the committee on March 30, 2007.

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4. Audit Committee

<b>Name</b>	<b>Position</b>	<b>Notes</b>
Bong Soo Park	Non-standing Director	
Woon-Youl Choi	Non-standing Director	
Pyoung Wan Har	Non-standing Director	
Kwang-Dong Kim	Non-standing Director	
In Bong Ha	Non-standing Director	
Myoung-Soo Choi	Non-standing Director	

5. Executive Management Committee

<b>Name</b>	<b>Position</b>	<b>Notes</b>
Byongwon Bahk	Chairman and CEO	Chairman/CEO Byongwon Bahk heads the committee consisting of all executive directors.
Seung Hee Park	Senior managing director and CFO	

\* On March 30, 2007, Byongwon Bahk was newly elected as Chairman & CEO at the Annual General Meeting of Shareholders and became the head of the Executive Management Committee.

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## 6. Ethics Management Committee

<b>Name</b>	<b>Position</b>	<b>Notes</b>
Byongwon Bahk	Chairman and CEO	
Seung Hee Park	Senior managing director and CFO	Non-standing director Kwang-Dong Kim heads this committee consisting of all executive directors and no less than two non-standing directors.
Kwang-Dong Kim	Non-standing Director	
Myoung-Soo Choi	Non-standing Director	

\* Non-standing Director Kwang-Dong Kim and Myoung-Soo Choi were newly appointed to the committee.

## 7. Non-standing Director Candidate Nomination Committee

<b>Name</b>	<b>Position</b>	<b>Notes</b>
Byongwon Bahk	Chairman and CEO	
Pyoung Wan Har	Non-standing Director	Non-standing director Pyoung Wan Har heads this committee consisting of the Chairman/CEO and no less than three non-standing directors.
Kwang-Dong Kim	Non-standing Director	
Bong Soo Park	Non-standing Director	
In Bong Ha	Non-standing Director	

## 8. MOU Review Committee

<b>Name</b>	<b>Position</b>	<b>Notes</b>
Byongwon Bahk	Chairman and CEO	
Seung Hee Park	Senior Managing director and CFO	
Bong Soo Park	Non-standing Director	
Woon-Youl Choi	Non-standing Director	

Pyoung Wan Har	Non-standing Director
Kwang-Dong Kim	Non-standing Director
In Bong Ha	Non-standing Director
Kwang-Dong Kim	Non-standing Director
Myoung-Soo Choi	Non-standing Director

\* On March 30, 2007, Byongwon Bahk was newly elected as Chairman & CEO at the Annual General Meeting of Shareholders and became the head of the MOU Review Committee.

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## E. Stock Options

As of December 31, 2006

(units: Won, shares)

Grantee	Relationship	Grant date	Type of stock	No. of granted options	Exercised options	Cancelled options	Exercisable options	Closing price
Byung Chul Yoon	Standing director	2002.12.04	Common	100,000	95,000	5,000	0	22,100
Kwang Woo								
Chun	Standing director	2002.12.04	Common	80,000	76,000	4,000	0	22,100
Euoo Sung								
Min	Standing director	2002.12.04	Common	80,000	0	80,000	0	22,100
Hwan Kyu								
Park	Non-standing dir.	2002.12.04	Common	40,000	0	2,000	38,000	22,100
Ki Chul								
Han	Non-standing dir.	2002.12.04	Common	30,000	18,500	1,500	10,000	22,100
Tae Ho								
Sohn	Non-standing dir.	2002.12.04	Common	30,000	28,500	1,500	0	22,100
Won Gihl								
Sohn	Non-standing dir.	2002.12.04	Common	30,000	28,500	1,500	0	22,100
Nam Hong								
Cho	Standing director	2002.12.04	Common	10,000	0	500	9,500	22,100
Sang Chul								
Lee	Standing director)	2002.12.04	Common	10,000	9,500	500	0	22,100
Jae Woong								
Lee	Standing director	2002.12.04	Common	10,000	0	500	9,500	22,100
Gae Min								
Lee	Standing director	2002.12.04	Common	10,000	9,500	500	0	22,100
Kwang Sun								
Chung	Standing director	2002.12.04	Common	10,000	0	10,000	0	22,100
Hae-Seok								
Suh	Standing director	2002.12.04	Common	10,000	0	500	9,500	22,100
Duk Hoon								
Lee	Director of related company	2002.12.04	Common	80,000	76,000	4,000	0	22,100
Jong Wook								
Kim	Director of related company	2002.12.04	Common	45,000	42,750	2,250	0	22,100

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Jin Kyu									
Park	Director of related company	2002.12.04	Common	45,000	42,750	2,250	0	22,100	
Jong Ku									
Min	Director of related company	2002.12.04	Common	30,000	0	30,000	0	22,100	
Jong Hwee									
Lee	Director of related company	2002.12.04	Common	30,000	0	1,500	28,500	22,100	
Dong Myun									
Suh	Director of related company	2002.12.04	Common	30,000	0	1,500	28,500	22,100	
Ki Shin									
Kim	Director of related company	2002.12.04	Common	30,000	18,000	1,500	10,500	22,100	
Young Seok									
Kim	Director of related company	2002.12.04	Common	30,000	28,500	1,500	0	22,100	
Byung Kil									
Choi	Director of related company	2002.12.04	Common	30,000	0	1,500	28,500	22,100	



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Grantee	Relationship	Grant date	Type of stock	No. of granted options	Exercised options	Cancelled options	Exercisable options	Closing Price
Young Ho								
Park	Director of related company	2002.12.04	Common	30,000	28,500	1,500	0	22,100
Tae Woong								
Chung	Director of related company	2002.12.04	Common	30,000	0	1,500	28,500	22,100
Dong Chan								
Bae	Director of related company	2002.12.04	Common	30,000	28,500	1,500	0	22,100
Dae Hwan								
Kim	Director of related company	2002.12.04	Common	10,000	9,500	500	0	22,100
Young Ha								
Kim	Director of related company	2002.12.04	Common	10,000	3,500	500	6,000	22,100
Young Yong								
Kim	Director of related company	2002.12.04	Common	10,000	3,500	500	6,000	22,100
Taik Su Han	Director of related company	2002.12.04	Common	10,000	9,500	500	0	22,100
Sang Im								
Park	Director of related company	2002.12.04	Common	10,000	0	500	9,500	22,100
Joon Ho								
Hahm	Director of related company	2002.12.04	Common	10,000	0	500	9,500	22,100
Joon Ho Lee	Director of related company	2002.12.04	Common	30,000	28,500	1,500	0	22,100
Joo Sun								
Yeom	Director of related company	2002.12.04	Common	20,000	0	1,000	19,000	22,100
Ga Seok								
Chae	Director of related company	2002.12.04	Common	20,000	19,000	1,000	0	22,100
Sung Wook								
Park	Director of related company	2002.12.04	Common	5,000	4,750	250	0	22,100
Ki Seok								
Kim	Director of related company	2002.12.04	Common	5,000	0	250	4,750	22,100
Jae Ki								
Hong	Director of related company	2002.12.04	Common	5,000	4,750	250	0	22,100
Sam Su								
Pyo	Director of related company	2002.12.04	Common	40,000	38,000	2,000	0	22,100
Jung Rak								
Chun	Director of related company	2002.12.04	Common	30,000	0	30,000	0	22,100
Won Chul								
Hwang	Director of related company	2002.12.04	Common	20,000	6,000	1,000	13,000	22,100
Jong Hwee								
Kim	Director of related company	2002.12.04	Common	15,000	0	15,000	0	22,100
Sung Hoo								
Kwak	Director of related company	2002.12.04	Common	15,000	0	15,000	0	22,100
Seok Hwan	Director of related company	2002.12.04	Common	15,000	0	15,000	0	22,100

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Lee Seok Hee									
Hwang Choong Wan	Director of related company	2002.12.04	Common	40,000	0	40,000	0	22,100	
Lee Ki Sang	Director of related company	2002.12.04	Common	35,000	0	35,000	0	22,100	
Chung	Director of related company	2002.12.04	Common	30,000	0	30,000	0	22,100	

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Grantee	Relationship	Grant date	Type of stock	No. of granted options	Exercised options	Cancelled options	Exercisable options	Closing Price
Ki Joong								
Kim	Director of related company	2002.12.04	Common	15,000	0	15,000	0	22,100
Kwang Suh								
Koo	Director of related company	2002.12.04	Common	15,000	0	15,000	0	22,100
In Kee								
Baek	Director of related company	2002.12.04		30,000	28,500	1,500	0	22,100
Seung Yang								
Han	Director of related company	2002.12.04		15,000	0	15,000	0	22,100
Keun Soo								
Yook	Director of related company	2002.12.04		15,000	0	15,000	0	22,100
Ki Jong Chung	Director of related company	2002.12.04	Common	5,000	4,750	250	0	22,100
Hun Il Nam	Director of related company	2002.12.04	Common	30,000	10,500	1,500	18,000	22,100
Young Soo Kim	Director of related company	2002.12.04	Common	30,000	28,500	1,500	0	22,100
Jin Ho Yoon	Director of related company	2002.12.04	Common	20,000	19,000	1,000	0	22,100
Seok Koo Yoon	Director of related company	2002.12.04	Common	15,000	5,250	750	9,000	22,100
Ji Yeon Joo	Director of related company	2002.12.04	Common	15,000	14,250	750	0	22,100
Ho Hyun Lee	Director of related company	2002.12.04	Common	20,000	19,000	1,000	0	22,100
Chan Kook Chung	Director of related company	2002.12.04	Common	15,000	14,250	750	0	22,100
Duk Yoon Kim	Director of related company	2002.12.04	Common	15,000	8,250	750	6,000	22,100
Young Wook Kim	Director of related company	2002.12.04	Common	15,000	5,250	750	9,000	22,100
Dae Kyu Ko	Director of related company	2002.12.04	Common	15,000	7,250	750	7,000	22,100
Total				1,560,000	822,250	420,000	317,750	

1. Exercised options as of December 31, 2006
2. Cancelled options reflect the deductions as stipulated in the stock option agreement for failure to meet the substandard and below loan ratio target.
3. Exercise period: December 5, 2005 ~ December 4, 2008
4. Exercise Price:

60% of granted = 11,921 Won {6,800\*(1+Rate of return of the banking industry index)}

40% of granted = 6,800 Won



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**2. Related Companies**

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\* Woori Private Equity is the general partner of Woori Private Equity Fund. Other shareholders of Woori Private Equity Fund and their shareholdings include: Woori Bank (27.60%), Woori Investment & Securities (14.72%), Kwangju Bank (5.78%), Kyongnam Bank (5.78%), Woori F&I (3.34%), and Woori Private Equity (3.34%).

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

As of December 31, 2006

(units: thousands of shares, millions of Won, %)

Type	Name	Beginning Balance			Changes <sup>1</sup>		Ending Bal.			Latest Net Income <sup>2</sup>	Note (Equity Method Gain/Loss)
		Quantity	Share	Cost	Quantity	Cost	Quantity	Share	Cost		
	Woori Bank	635,957	100.0	9,695,213		1,602,669	635,957	100.0	11,297,882	1,642,032	1,648,837
	Kwangju Bank	44,080	99.9	561,330		69,665	44,080	99.9	630,995	90,118	100,656
	Kyongnam Bank	51,800	99.9	694,275		100,709	51,800	99.9	794,984	154,958	155,002
	Woori Finance Info										
	Sys.	900	100.0	11,903		(-)658	900	100.0	11,245	2,444	3,842
	Woori F&I	2,000	100.0	114,017		10,857	2,000	100.0	124,874	28,629	28,474
	Woori 3 <sup>rd</sup> SPC	2	100.0			24,317	2	100.0	24,317	(-)139	(-)139
DOMESTIC	Woori Investment & Securities (formerly LGIS)	46,325	30.00	604,543		44,812	46,325	35.0	649,355	235,317	68,233
	Woori CS Asset Management										
	(formerly LGITM)	6,662	100.0	60,600	1,999	(-)12,945	4,663	70.0	47,655	12,561	11,013
	Woori Private Equity	2,000	100.0	9,797		309	2,000	100.0	10,106	309	309
	Foreign	-									
	Total	789,726		11,751,678	1,999	1,839,735	787,727		13,591,413	2,166,229	2,016,227

1. The changes in quantity and cost are calculated from the increase or decrease under the equity method.
2. The latest net income is for the year ended December 31, 2006, except for Woori Credit Suisse Asset Management and Woori Investment & Securities for which the latest net income is for the year ended March 31, 2006.
3. Due to Woori Investment & Securities profit retirement on January 24, 2006 (2 million common shares and 1 million preferred shares), Woori Finance Holdings percentage ownership increased without a change in number of shares held.
4. On May 30, 2006, Woori Finance Holdings transferred 30% of Woori Asset Management's shares to Credit Suisse Asset Management International Holding, a 100% subsidiary of Credit Suisse, and Woori Asset Management was renamed Woori Credit Suisse Asset Management.

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

As of 2006.12.31

(units: shares, %)

Name	Relation	Type	Shares Held				Ending balance		Reasons Behind Change
			Beginning balance Stock	Share	(+)	(-)	Stock	Share	
KDIC	Major S/H	Common	628,458,609	77.97			628,458,609	77.97	
		Common	628,458,609	77.97			628,458,609	77.97	
		Preferred					0	0	
Total		Total	628,458,609	77.97			628,458,609	77.97	

Major Shareholder: KDIC

**b. Share Ownership of More than 5%**

As of 2006.12.31

(units: shares, %)

No.	Name	Common Stock		Preferred Stock		Total	
		No. of shares	%	No. of shares	%	No. of shares	%
1	KDIC	628,458,609	77.97			628,458,609	77.97
Total		628,458,609	77.97			628,458,609	77.97

**c. Shareholder Distribution**

As of 2006.12.31

Items	Shareholder number	Ratio	Number of shares	Ratio
Total Minority Shareholders	30,138	99.99	177,554,995	22.03
Minority Shareholders (Companies)	1,208	4.00	159,462,460	19.79
Minority Shareholders				
(Individual)	28,930	95.99	18,092,535	2.24
Major Shareholders	1	0.00	628,458,609	77.97
Main Shareholders				
Total Other				
Shareholders				
Others Shareholders	1	0.00	1,736	0.00

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(Companies)				
Others Shareholders				
(Individual)				
Total	30,140	100.00	806,015,340	100.0



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

(units: Won, shares)

Period	July	August	September	October	November	December
High	20,200	19,400	19,950	21,200	21,350	22,300
Low	17,950	18,250	18,650	19,850	20,050	20,000
Monthly Trade Volume	37,393,382	41,424,347	35,307,939	30,416,622	29,316,195	29,293,370

**b. Foreign Stock Market (NYSE)**

(units: US Dollars, ADR)

Period	July	August	September	October	November	December
ADR High	63.84	60.31	63.08	66.75	68.79	72.27
ADR Low	56.41	56.79	58.57	62.17	64.20	66.75
Monthly Trade Volume	89,200	96,700	57,500	82,100	65,300	128,600

\* The ADR exchange ratio is three shares of common stock per one ADS.

**Table of Contents****VII. Directors and Employee Information****1. Directors**

	Position		Name	Common Stocks Owned
Chairman and CEO		Registered	Young-Key Hwang	
Senior Managing Director and CFO		Registered	Seung Hee Park	
Senior Managing Director		Non-Registered	Seong Mok Park	
Senior Managing Director		Non-Registered	Young-Gaeng Kim	
Non-standing Director		Registered	Je-Hoon Lee	
Non-standing Director		Registered	Sung-Tae Ro	
Non-standing Director		Registered	Sung-Kwan Huh	
Non-standing Director		Registered	Bong Soo Park	
Non-standing Director		Registered	Woon-Youl Choi	
Non-standing Director		Registered	Chung-Sook Moon	
Non-standing Director		Registered	Sung-Hwan Bae	

\* Sung-Kwan Huh and Bong Soo Park were newly appointed as non-standing directors on March 28, 2006.

\* Non-standing director Sung-Hwan Bae resigned on July 18, 2006.

\* After the Annual General Meeting of Shareholders on March 30, 2007, new management will be appointed, and therefore roles may be changed.

**2. Employee Status**

(units: persons, thousands of Won)

Items	Staff				Average		Average Compensation		Note
	Admin.	Manu.	Misc.	Total	Tenure Years	Quarterly Compensation	Per Person		
Male	72		1	73	6	3,402,776	46,613		
Female	9		11	20	6	513,337	25,667		
Total	81		12	93	6	3,916,113	42,109		

**3. Labor Union Membership**

Items	Details	Remarks
Total Membership Base	Deputy Director and below	
Actual Members	22	
Full-time Members		

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Associated Labor Union Group  
Miscellaneous

**4. Number of Professional Personnel**

<b>Items</b>	<b>Number</b>	<b>Responsibilities</b>	<b>Remarks</b>
CPA	3	Financial accounting, Financial planning	
	41		

**Table of Contents****VIII. Related Party Transactions****1. Transactions with Affiliated Parties****a. Transactions of Provisional Payments and Loans (including secured loans)**

(units: millions of Won)

Name	Relation	Item	Beg.	Changes		End	Notes
				+			
Woori Finance Info. Sys	Subsidiary	Other loan	30,000		30,000		
Woori F&I	Subsidiary	Other loan	80,000		30,000	50,000	
Total			110,000		60,000	50,000	

**b. Payment Transactions**

(units: shares)

Name	Relation	Item	Transactions of Payments			Ending	Notes
			Beginning	Increase	Decrease		
Woori Bank	Subsidiary	Common stock	635,956,580			635,956,580	
Kwangju Bank	Subsidiary	Common stock	44,080,000			44,080,000	
Kyongnam Bank	Subsidiary	Common stock	51,800,000			51,800,000	
Woori Finance Info Sys.	Subsidiary	Common Stock	900,000			900,000	
Woori F&I	Subsidiary	Common Stock	2,000,000			2,000,000	
Woori Third Asset Securitization Specialty	Subsidiary	Invested Shares	2,000			2,000	
Woori Investment & Securities (formerly known as LG Investment & Securities)	Subsidiary	Common Stock	46,324,981			46,324,981	
Woori CS Asset Management (formerly known as LG Investment Trust Management)	Subsidiary	Common Stock	6,662,000		1,998,600	4,663,400	
Woori Private Equity	Subsidiary	Common Stock	2,000,000			2,000,000	
Total			789,725,561		1,998,600	787,726,961	

**c. Securities Transactions**

(units: millions of Won)

Name	Relation	Security type	Transactions			Gain/Loss	Notes
			Purchase	Sales	Total Amount		
Woori CS Asset Management	Subsidiary	MMF	50,000	50,000	100,000	805	
Total			50,000	50,000	100,000	805	



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**WOORI FINANCE HOLDINGS CO., LTD.**

NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

AND INDEPENDENT AUDITORS' REPORT

Audit Tax Consulting Financial Advisory

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**Independent Auditors Report**

English Translation of a Report Originally Issued in Korean

**To Shareholders and the Board of Directors of**

**Woori Finance Holdings Co., Ltd.:**

We have audited the accompanying non-consolidated balance sheets of Woori Finance Holdings Co., Ltd. (the Company ) as of December 31, 2006 and 2005, and the related non-consolidated income statements, appropriations of retained earnings and cash flows for the years ended December 31, 2006 and 2005, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2006 and 2005, and the results of its operations, changes in its retained earnings and its cash flows for the years then ended, in conformity with accounting principles 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.

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

March 8, 2007

**Notice to Readers**

This report is effective as of March 8, 2007, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.



**Table of Contents****WOORI FINANCE HOLDINGS CO., LTD.****NON-CONSOLIDATED BALANCE SHEETS****AS OF DECEMBER 31, 2006 AND 2005**

	Korean won		Translation into	
	2006	2005	U.S. dollars (Note 2)	2005
	(In millions)		(In thousands)	
<b>ASSETS</b>				
Cash and bank deposits (Notes 15 and 17)	(Won) 89,724	(Won) 104,072	US\$ 96,519	US\$ 111,954
Investment securities accounted for using the equity method of accounting (Notes 3 and 15)	13,591,413	11,751,678	14,620,711	12,641,649
Loans, net of allowance for possible loan losses (Notes 4, 15 and 17)	49,750	109,450	53,518	117,739
Fixed and intangible assets (Note 5)	660	155	711	167
Other assets (Note 6)	61,974	66,428	66,666	71,459
	(Won) 13,793,521	(Won) 12,031,783	US\$ 14,838,125	US\$ 12,942,968
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>				
<b>LIABILITIES</b>				
Debentures, net of discounts (Notes 7 and 15)	(Won) 1,847,591	(Won) 2,296,203	US\$ 1,987,512	US\$ 2,470,098
Other liabilities (Notes 8 and 9)	12,858	18,216	13,832	19,595
	1,860,449	2,314,419	2,001,344	2,489,693
<b>SHAREHOLDERS EQUITY</b>				
Common stock (Note 10)	4,030,077	4,030,077	4,335,281	4,335,281
Capital surplus (Note 10)	84,488	84,488	90,886	90,887
Retained earnings:				
Legal reserve	377,249	208,427	405,819	224,211
Voluntary reserve	3,190,000	2,030,000	3,431,583	2,183,735
Retained earnings before appropriations (Net income of (Won)2,029,319 million and (Won)1,688,221 million in 2006 and 2005, respectively)	2,030,297	1,653,536	2,184,054	1,778,761
	5,597,546	3,891,963	6,021,456	4,186,707
Capital adjustments (Notes 3 and 10)	2,220,961	1,710,836	2,389,158	1,840,400
	11,933,072	9,717,364	12,836,781	10,453,275
	(Won) 13,793,521	(Won) 12,031,783	US\$ 14,838,125	US\$ 12,942,968

See accompanying notes to non-consolidated financial statements.

**Table of Contents****WOORI FINANCE HOLDINGS CO., LTD.****NON-CONSOLIDATED INCOME STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	Korean won		Translation into	
	2006	2005	U.S. dollars (Note 2) 2006	2005
	(In millions, except for income per share data)		(In thousands, except for income per share data)	
<b>OPERATING REVENUE</b>				
Gain on valuation using the equity method of accounting (Notes 3 and 16)	(Won) 2,016,366	(Won) 1,849,303	US\$ 2,169,068	US\$ 1,989,353
Interest income (Note 17)	14,945	17,615	16,077	18,949
Reversal of allowance for doubtful accounts	300	571	323	614
	2,031,611	1,867,489	2,185,468	2,008,916
<b>OPERATING EXPENSES</b>				
Loss on valuation using the equity method of accounting (Notes 3 and 16)	139	26,499	149	28,506
Interest expense	104,260	117,748	112,156	126,665
Loss on foreign currency transactions		1		1
Loss on swap contracts (Note 17)		91		98
Fees (Note 17)	7,613	6,641	8,190	7,144
General and administrative (Notes 14 and 17)	26,351	28,210	28,347	30,346
	138,363	179,190	148,842	192,760
<b>OPERATING INCOME</b>	1,893,248	1,688,299	2,036,626	1,816,156
<b>NON-OPERATING INCOME (Note 2)</b>	136,196	327	146,510	353
<b>NON-OPERATING EXPENSES</b>	125	405	134	436
<b>INCOME BEFORE INCOME TAX</b>	2,029,319	1,688,221	2,183,002	1,816,073
<b>INCOME TAX EXPENSE (Note 12)</b>				
<b>NET INCOME</b>	(Won) 2,029,319	(Won) 1,688,221	US\$ 2,183,002	US\$ 1,816,073
<b>BASIC ORDINARY INCOME PER COMMON SHARE (Note 18)</b>	(Won) 2,518	(Won) 2,099	US\$ 2.709	US\$ 2.258
<b>BASIC NET INCOME PER COMMON SHARE (Note 18)</b>	(Won) 2,518	(Won) 2,099	US\$ 2.709	US\$ 2.258
<b>DILUTED ORDINARY INCOME PER COMMON SHARE (Note 18)</b>	(Won)	(Won) 2,095	US\$	US\$ 2.254
<b>DILUTED NET INCOME PER COMMON SHARE (Note 18)</b>	(Won)	(Won) 2,095	US\$	US\$ 2.254

See accompanying notes to non-consolidated financial statements.

**Table of Contents****WOORI FINANCE HOLDINGS CO., LTD.****NON-CONSOLIDATED STATEMENTS****OF APPROPRIATIONS OF RETAINED EARNINGS****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	Korean won		Translation into	
	2006	2005	U.S. dollars (Note 2)	U.S. dollars (Note 2)
	(In millions)		(In thousands)	(In thousands)
<b>RETAINED EARNINGS BEFORE APPROPRIATIONS:</b>				
Unappropriated retained earnings (undisposed deficit) carried over from prior years	(Won) 2,309	(Won) (29,042)	US\$ 2,484	US\$ (31,241)
Increases in retained earnings using the equity method of accounting (Note 3)		47		50
Decreases in retained earnings using the equity method of accounting (Note 3)	(1,331)	(5,690)	(1,432)	(6,121)
Net income	2,029,319	1,688,221	2,183,002	1,816,073
	2,030,297	1,653,536	2,184,054	1,778,761
<b>APPROPRIATIONS:</b>				
Legal reserve	202,932	168,822	218,300	181,607
Cash dividends (Note 10)	483,608	322,405	520,232	346,821
(Dividends per common stock:				
(Won)600 (12.0%) and (Won)400 (8.0%) in 2006 and 2005, respectively)				
Voluntary reserve	1,340,000	1,160,000	1,441,480	1,247,849
	2,026,540	1,651,227	2,180,012	1,776,277
<b>UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEARS</b>				
	(Won) 3,757	(Won) 2,309	US\$ 4,042	US\$ 2,484

See accompanying notes to non-consolidated financial statements.

**Table of Contents****WOORI FINANCE HOLDINGS CO., LTD.****NON-CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	Korean won		Translation into	
	2006	2005	2006	2005
	(In millions)		U.S. dollars (Note 2)	
			(In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income	(Won) 2,029,319	(Won) 1,688,221	US\$ 2,183,002	US\$ 1,816,073
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Loss on valuation using the equity method of accounting	139	26,499	149	28,506
Interest expense (amortization of discounts on debentures)	1,388	1,992	1,493	2,143
Loss on swap contracts		91		98
Provision for severance benefits	880	967	947	1,040
Depreciation	237	117	255	126
Amortization	21	21	22	22
Stock-based compensation	188	2,445	202	2,630
Loss on disposal of fixed assets		1		1
Gain on valuation using the equity method of accounting	(2,016,366)	(1,849,303)	(2,169,068)	(1,989,353)
Accrued interest on loans		(2,539)		(2,732)
Reversal of allowance for doubtful accounts	(300)	(571)	(323)	(614)
Gain on disposal of fixed assets	(19)		(20)	
Other non-operating revenue	(135,913)	(40)	(146,206)	(43)
	(2,149,745)	(1,820,320)	(2,312,549)	(1,958,176)
Changes in operating assets and liabilities:				
Decrease in other receivables		451		485
Decrease (increase) in accrued income	481	(133)	517	(143)
Decrease in prepaid money		82		88
Decrease (increase) in prepaid expenses	(4)	459	(4)	494
Decrease in prepaid income tax	1,246	4,146	1,340	4,460
Retirement benefits payment	(497)	(218)	(535)	(235)
Increase in employee retirement insurance deposit	(214)	(557)	(230)	(599)
Increase (decrease) in other payables	(133)	620	(143)	667
Decrease in accrued expenses	(2,498)	(3,306)	(2,687)	(3,557)
Increase (decrease) in withholdings	(270)	49	(290)	53
Dividends on investment securities accounted for the equity method	767,091	78,441	825,184	84,381
	765,202	80,034	823,152	86,094
Net cash provided by (used in) operating activities	644,776	(52,065)	693,605	(56,009)

(Continued)

**Table of Contents****WOORI FINANCE HOLDINGS CO., LTD.****NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	Korean won		Translation into	
	2006	2005	U.S. dollars (Note 2)	2005
	(In millions)		(In thousands)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Capital reduction of a subsidiary	(Won)	(Won) 175,938	US\$	US\$ 189,262
Disposition of investment securities accounted for using the equity method of accounting	54,000		58,090	
Collection of loans	60,000	59,740	64,544	64,265
Disposition of fixed assets	19		20	
Refund of guarantee deposits	25		27	
Acquisition of investment securities accounted for using the equity method of accounting		(94,141)		(101,270)
Acquisition of fixed assets	(747)	(10)	(804)	(11)
Acquisition of intangible assets	(16)	(2)	(17)	(2)
Net cash provided by investing activities	113,281	141,525	121,860	152,244
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Proceeds from debentures in local currency		598,690		644,030
Repayment of borrowings		(120,000)		(129,088)
Redemption of debentures in local currency	(450,000)	(400,000)	(484,079)	(430,293)
Expense of issuing new shares		(709)		(763)
Payment of dividends	(322,405)	(119,468)	(346,821)	(128,515)
Net cash used in financing activities	(772,405)	(41,487)	(830,900)	(44,629)
NET INCREASE (DECREASE) IN CASH AND BANK DEPOSITS	(14,348)	47,973	(15,435)	51,606
CASH AND BANK DEPOSITS, BEGINNING OF THE YEAR	104,072	56,099	111,954	60,348
CASH AND BANK DEPOSITS, END OF THE YEAR (Note 13)	(Won) 89,724	(Won) 104,072	US\$ 96,519	US\$ 111,954

See accompanying notes to non-consolidated financial statements.

**Table of Contents****WOORI FINANCE HOLDINGS CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005****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 9 subsidiaries and 14 2nd-tier subsidiaries as of December 31, 2006.

Upon incorporation, the Company's stock amounted to (Won)3,637,293 million, consisting of 727,458,609 common shares ((Won)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, 2006, the Company's stock amounted to (Won)4,030,077 million, consisting of 806,015,340 common shares issued and outstanding of which the KDIC owns 628,458,609 shares (77.97%).

On June 24, 2002, the Company listed its common shares on the Korea Exchange. On September 29, 2003, the Company was registered with the Securities and Exchange Commission in the United States of America and listed its American Depositary Shares on the New York Stock Exchange.

## (2) The structure of the Company and its subsidiaries as of December 31, 2006 and 2005 is as follows:

Parent companies	Subsidiaries	2006		2005		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	635,956,580	100.0	635,956,580	100.0	Dec. 31
	Kyongnam Bank	51,800,000	99.9	51,800,000	99.9	Dec. 31
	Kwangju Bank	44,080,000	99.9	44,080,000	99.9	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 Third Asset Securitization Specialty Co., Ltd.	2,000	100.0	2,000	100.0	Dec. 31
	Woori Investment Securities Co., Ltd.	46,324,981	35.0	46,324,981	34.4	Dec. 31
	Woori Credit Suisse Asset Management Co., Ltd. (*2)	4,663,400	70.0	6,662,000	100.0	Dec. 31
	Woori Private Equity Co., Ltd.	2,000,000	100.0	2,000,000	100.0	Dec. 31
Woori Bank	Woori Credit Information Co., Ltd.	1,008,000	100.0	1,008,000	100.0	Dec.31 (*1)
	Woori America Bank	10,500,000	100.0	10,500,000	100.0	Dec.31 (*1)

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„	PT. Bank Woori Indonesia	1,618	95.2	1,618	95.2	Dec.31 (*1)
	Korea BTL Infrastructure Fund (*3)	7,937,899	100.0			Dec. 31
„	Woori Global Market Asia Limited (*4)	39,000,000	100.0			Dec.31 (*1)
Woori F&I Co., Ltd.	Woori SB Asset Management Co., Ltd.(*5)	408,000	51.0	800,000	100.0	Dec. 31
Woori Investment Securities Co., Ltd.	Woori Futures Co., Ltd.	5,000,000	100.0	5,000,000	100.0	Dec.31
„	Woori Investment Securities Int 1 Ltd.	5,788,000	100.0	5,788,000	100.0	Dec.31 (*1)
Woori Investment Securities Co., Ltd.	Woori Investment Securities (H.K.) Ltd.	22,500,000	100.0	22,500,000	100.0	Dec.31 (*1)
„	Woori Investment Securities America, Inc.	300	100.0	300	100.0	Dec.31 (*1)
„	LG Investment Holding B.V. (Amsterdam) GG	1,642,398,242	100.0	1,642,398,242	100.0	Dec.31 (*1)
„	High Technology Venture Investment	208,000	42.9	1,500,000	42.9	Dec.31 (*1)
„	Global Technology Investment	592,000	50.0	1,500,000	50.0	Dec.31 (*1)
„	MARS First Private Equity Fund (*6)	9,000,000	52.9			Dec. 31

(\*1) The financial statements for the year ended December 31, 2006 are not audited. In order to ensure the credibility of the financial statements of those subsidiaries, the Company performed certain procedures in accordance with the Practice Statements in Financial Reporting 2002-7 Investees financial statements applied using the equity method of accounting .



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- (\*2) On May 30, 2006, the Company sold 1,998,600 shares (30%) of Woori Credit Suisse Asset Management Co., Ltd. As a result, (Won)34,604 million of gain on the disposal of the ownership interest in Woori CS was recorded in capital adjustment.
- (\*3) On May 19, 2006, Woori Bank acquired 2,000,000 shares (100%) of Korea BTL Infrastructure Fund. On September 1 and November 14, 2006, Woori Bank additionally acquired 1,954,018 and 3,983,881 shares, respectively.
- (\*4) On August 23, 2006, Woori Bank established Woori Global Market Asia Limited (common stock amounted to HKD 39,000,000) in Hong Kong as a subsidiary.
- (\*5) On February 23, 2006, Woori F&I Co., Ltd. sold 392,000 shares (49%) of Woori SB Asset Management Co., Ltd. ( Woori SB ).
- (\*6) On September 19, 2006, Woori Investment Securities acquired 52.9% ownership of MARS First Private Equity Fund.

(3) General information pertaining to the Company's subsidiaries as of December 31, 2006 is set forth below:

a. Woori Bank

Woori Bank was established in 1899 and has been 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. Its common stock amounted to (Won)3,179,783 million consisting of 635,956,580 common shares issued and outstanding as of December 31, 2006. Woori Bank is wholly owned by the Company. The head office of Woori Bank is located in Seoul, Korea. Woori Bank has 836 branches and offices in Korea, and 15 branches and offices overseas.

b. Kyongnam Bank

Kyongnam Bank was incorporated on April 18, 1970 and has been 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, 2006, Kyongnam Bank's common stock amounted to (Won)259,000 million 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 139 branches and offices in Korea.

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c. Kwangju Bank

Kwangju Bank was established on October 7, 1968 and has been 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, 2006, its common stock amounted to (Won)220,403 million consisting of 44,080,517 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 124 domestic branches and offices in Korea.

d. Woori Finance Information System Co., Ltd.

Woori Finance Information System Co., Ltd. ( WFIS ) was established on April 17, 1989 and has been 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. As of December 31, 2006, its common stock amounted to (Won)4,500 million 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. ( Woori F&I ) was established on November 16, 2001 and has been engaged in the business of management, operation and disposition of securitization assets. On September 13, 2002, Woori F&I split off the asset management business segment and established Woori SB Asset Management Co., Ltd. (formerly Woori CA Asset Management Co., Ltd., Woori SB ). As a result, Woori F&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. As of December 31, 2006, its common stock amounted to (Won)10,000 million consisting of 2,000,000 shares issued and outstanding, all of which are owned by the Company. The office of Woori F&I is located in Seoul, Korea.

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

Woori Third Asset Securitization Specialty Co., Ltd. ( Woori 3<sup>rd</sup> SPC ) was established on March 15, 2002 under the Act on Asset-Backed Securitization of the Republic of Korea as a special purpose company. Woori 3<sup>rd</sup> SPC has been 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 Woori Credit Card Co., Ltd. Woori 3<sup>rd</sup> SPC has entered into a consignment agreement with Woori CA Asset Management Co., Ltd. for asset management. As of December 31, 2006, its common stock amounted to (Won)10 million consisting of 2,000 shares issued and outstanding, all of which are owned by the Company. The office is located in Seoul, Korea.

g. Woori Investment Securities Co., Ltd.

Woori Investment Securities Co., Ltd. (formerly LG securities, Woori Investment Securities ), whose shares were listed on the Korea Exchange, was established in 1969 to engage in trading, agency, brokerage and underwriting of securities. Woori Investment Securities became a subsidiary of the Company on December 24, 2004 as the Company acquired 26.92% of voting rights of LG Securities and was able to govern its management. LG Securities merged with Woori Securities on March 31, 2005 and changed its name to Woori Investment Securities. As a result of the merger, 12,397,494 new common shares of Woori Investment Securities were issued by exchanging one common share of Woori Securities with 0.654 common share of Woori Investment Securities and the difference between the sum of its ownership interests in the individual pre-merger subsidiaries' net assets and its ownership interests in Woori Investment Securities' net assets amounting to (Won)36.1 billion was recorded in

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capital adjustment. On January 24, 2006, Woori Investment Securities reduced its treasury stock by extinguishing against retained earnings. As a result, the Company's ownership interest in Woori Investment Securities increased from 34.4% to 35.0%. As of December 31, 2006, its issued common stock amounted to (Won)687,445 million consisting of 132,513,863 shares and its issued preferred stock amounted to (Won)99,355 million consisting of 18,870,968 shares. The head office of Woori Investment Securities is located in Seoul, Korea. Woori Investment Securities has 124 branches and offices in Korea and one office in overseas.

h. Woori Credit Suisse Asset Management Co., Ltd.

Woori Credit Suisse Asset Management (formerly Woori Asset Management, Woori CS) established on March 26, 1988, has been engaged in securities investment trust management, investment advisory and mutual fund management. As the Company acquired 90% ownership interest of LG Investment Trust Management from Woori Investment Securities, it became a subsidiary of the Company on May 6, 2005. On May 31, 2005, LG Investment Trust Management merged with Woori Investment Trust Management and changed its name to Woori Asset Management Co., Ltd. (Woori Asset Management). On May 30, 2006, the Company sold 1,998,600 shares (30%) of Woori Asset Management to Credit Suisse and subsequently, Woori Asset Management changed its name to Woori CS. (Won)34,604 million of gain on the disposal of ownership interest in Woori CS was recorded as a capital adjustment. As of December 31, 2006, the number of issued and outstanding common shares and contributed capital of Woori CS are 6,662,000 shares and (Won)33,310 million, respectively, which the Company owns 70% of the common shares. The head office of Woori CS is located in Seoul, Korea.

i. Woori Private Equity Co., Ltd.

Woori Private Equity Co., Ltd. (Woori PE), established on October 24, 2005, has been engaged in direct investment in a private equity fund or investment advisory and management services. As of December 31, 2006, its common stock amounted to (Won)10,000 million consisting of 2,000,000 shares issued and outstanding, all of which are owned by the Company. The office of Woori PE is located in Seoul, Korea.

(4) General information pertaining to the Company's 2nd -tier subsidiaries as of December 31, 2006 is as follows:

a. Woori Credit Information Co., Ltd.

Woori Credit Information Co., Ltd. (Woori CI) was established on March 15, 1991 and has been 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. As of December 31, 2006, the common stock of Woori CI amounted to (Won)5,040 million consisting of 1,008,000 shares issued and outstanding, and is wholly owned by Woori Bank. The head office of Woori CI is located in Seoul, Korea. Woori CI has 16 branches and offices in Korea.

b. Woori America Bank

Woori America Bank (Woori America) was established on January 7, 1984 and has been engaged in the banking business in New York, U.S.A. Woori America merged with Pansia Bank N.A. on September 11, 2003. As of December 31, 2006, its common stock amounted to US\$60,000 thousand consisting of 10,500,000 shares issued and outstanding, and is wholly owned by Woori Bank.

c. PT. Bank Woori Indonesia

PT. Bank Woori Indonesia (Woori Indonesia) was established on June 18, 1992 and has been engaged in the banking business in Indonesia. As of December 31, 2006, its common stock amounted to IDR 170,000 million consisting of 1,700 shares issued and outstanding of which Woori Bank owns 95.2%.

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## d. Korea BTL Infrastructure Fund

Korea BTL Infrastructure Fund ( Korea BTL ) was established on May 19, 2006 in accordance with the Act on Business of Operating Indirect Investment and Assets, and Act on Private Investment in Infrastructure. Korea BTL has been engaged in the business of corporate investments and intends to conduct private investments in infrastructure projects in accordance with the Act on Private Investment in Infrastructure. The asset management company and asset custody company of Korea BTL are Woori CS Asset Management and Hana Bank, respectively, and its general administration management company is Woori Bank. As of December 31, 2006, its common stock, which is wholly owned by Woori Bank, amounted to (Won)39,689 million, consisting of 7,937,899 shares issued and outstanding.

## e. Woori SB Asset Management Co., Ltd.

Woori SB 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 has been engaged in the business of management, operation and disposition of securitization assets. On February 23, 2006, Woori F&I Co., Ltd. sold 392,000 shares (49%) of Woori CA Asset Management Co., Ltd. ( Woori CA ) and Woori CA changed its name to Woori SB Asset Management Co., Ltd. As of December 31, 2006, Woori SB 's common stock amounted to (Won)4,000 million consisting of 800,000 shares issued and Woori F&I owns 51%. The office of Woori SB is located in Seoul, Korea.

## f. The information of other 2nd - tier subsidiaries as of December 31, 2006 is as follows (Korean won in millions, U.S. dollar, EURO and HKD in thousands):

Subsidiaries	Main business	Capital	Number of issued shares	Date of establishment	Location
Woori Global Market Asia Limited	Financial business	HKD 39,000	39,000,000	2006.8.23	Hong Kong, China
Woori Futures Co., Ltd.	Futures trading	(Won) 25,000	5,000,000	1992.7.10	Seoul, Korea
Woori Investment					
Securities Int 1 Ltd.	Securities	USD 5,788	5,788,000	1991.8.15	London, UK
Woori Investment Securities (H.K.) Ltd.					Hong Kong, China
Woori Investment Securities America Inc.	Securities	USD 3 dollar	300	1992.6.18	New York, USA
LG Investment Holding B.V. (Amsterdam) GG	Securities investments	EURO 16,424	1,642,398,242	1996.10.18	Amsterdam, Holland
High Technology Venture Investment	Securities investments	USD 5	486,000	2000.2.28	Malaysia
Global Technology Investment	Securities investments	USD 12	1,184,000	1999.6.28	Malaysia
MARS First Private Equity Fund	Securities investments	(Won) 17,000	17,000,000	2005.1.26	Seoul, Korea

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Financial Statement Presentation**

The Company maintains its official accounting records in Korean won and prepares statutory 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 with certain expanded descriptions from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying financial statements.

The accompanying financial statements are stated in Korean Won, the currency of the country in which the Company is incorporated and operates. The translation of Korean Won amounts into U.S. dollar amounts is included solely for the convenience of readers outside of the Republic of Korea and has been made at the rate of (Won)929.60 to US\$ 1.00 at December 31, 2006, the Base Rate announced by Seoul Money Brokerage Service, Ltd. Such translations should not be construed as representations that the Korean Won amounts could be converted into U.S. dollars at that or any other rate.

The accompanying non-consolidated financial statements were approved by the board of directors, of which board meeting was held on March 7, 2007.

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

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

Korea Accounting Standards Board ( KASB ) has been issuing new accounting standards that replaces the existing Korea Financial Accounting Standards ( KFAS ) and has issued SKASs No.1 to No.24. The Company adopted SKASs No. 1 to No. 17 (except for No.11) prior to the start of 2006 and SKASs No.18 Interests in Joint Ventures , No.19 Lease and No.20 Related Party Disclosure on or after January 1, 2006, and will adopt SKASs No.21 to No.24 after January 1, 2007.

Significant SKASs newly adopted are summarized below.

Related party disclosures SKAS No.20

The Company adopted SKAS No.20 Related Party Disclosures in 2006. This statement prescribes the disclosures necessary to draw attention to the possibility that the financial position and profit or loss of an entity may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. It requires disclosing the nature of the relationships between parents and subsidiaries, even if there were no transactions between those related parties, and compensation of key management personnel. In addition, transactions between related parties are stated separately for each related party and type of transaction. The adoption of this standard has no effect on the Company's net assets and net income for the years ended December 31, 2006 and 2005.

b. Prior period adjustments

The Company has not recorded a gain on valuation using the equity method on prior period's income statement relating to unrealized gains for available-for-sale securities and others in capital adjustment in which subsidiaries had recorded at acquisition date. Such capital adjustments should have been reflected as a gain on valuation using the equity method at the time when subsidiaries disposed the related available-for-sale securities and others in accordance with a Q&A from the Financial Supervisory Service. The Company corrected (Won)117 billion of net unrealized gains for available-for-sale securities and

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others in capital adjustment to net income in 2006. The effects on prior periods of (Won)122 billion are reported in non-operating income and the current year effect of (Won)5 billion is deducted from gain on valuation using the equity method of accounting in the income statement for the year ended December 31, 2006.

The Company had not consolidated private equity funds, which were invested by Woori Bank and managed by Woori CS, but recorded them as securities in its consolidated financial statements of prior years. The Company should have consolidated those investments at the consolidation level. Therefore, the Company reflects the effect of changes in consolidation scope on the non-consolidated financial statements. As a result, the Company corrected (Won)26.6 billion of net gains on private equity funds to net income in 2006. The current year effect of (Won)13.2 billion is recorded in gain on valuation using the equity method of accounting and the effect on prior years of (Won)13.4 billion is recorded in non-operating income.

### **c. Reclassifications**

The Company reclassified cash flows from dividends on investment securities accounted for the equity method from investment activities to operating activities. The statement of cash flows in 2005 presented for comparative purpose was reclassified.

### **d. Investment securities accounted for using the equity method of accounting**

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.

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 an extraordinary 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 earnings account and changes in capital surplus or other capital accounts of the investees are reflected in the capital adjustment account of the Company.

### **e. 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.

### **f. Fixed assets and depreciation**

Fixed assets are recorded at acquisition cost and expenditures that increase future economic benefits beyond its most recently assessed standard of performance are capitalized as additions to fixed 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 fixed assets.

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g. Intangible assets

Intangible assets are recorded at acquisition cost. Intangible assets are amortized using the straight-line method over the estimated useful life of 5 years.

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h. Amortization of discount on debentures

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

i. Accrued severance benefits

In accordance with the Company's policy, all employees with more than one year of service are entitled to receive severance benefit payments at termination. Deposits for severance benefits, which will be directly paid to employees, are recorded as deductions from accrued severance benefits (Note 8).

j. Stock-based compensation

The Company had valued stock options at fair value in accordance with Interpretation on KFRS 39-35. The stock-based compensation had been charged to general and administration expense in the statement of income and credited to capital adjustments over the contract term of the services provided. However, in 2005, the Company decided that the stock-based compensation will be settled by paying cash instead of issuing equity instrument. Therefore, the Company reclassified the compensation cost from equity to liabilities and recognized the incremental cost between the award value at the date the resolution was made and the fair value at the date it was granted. The Company recorded stock based compensation cost subject to exercise as liabilities as of December 31, 2006.

k. 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 Service, Ltd. ((Won)929.60 and (Won)1,013.00 to \$1.00 at December 31, 2006 and 2005, 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.

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

Deferred tax liabilities are generally recognized for all taxable temporary differences with some exceptions and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax assets or liabilities. In addition, current tax and deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity in the same or different period.

m. 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.



**Table of Contents****3. INVESTMENT SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD OF ACCOUNTING**

- (1) Changes in investment securities for the year ended December 31, 2006, which are accounted for using the equity method of accounting, are as follows (Korean won in millions):

	Jan.1, 2006	Gain (loss) on valuation using the equity method	Capital adjustments	Retained Earnings	Other increase (decrease)	Dec.31, 2006
Woori Bank	(Won) 9,695,213	(Won) 1,648,837	(Won) 422,298	(Won) (1,331)	(Won) (467,135)	(Won) 11,297,882
Kyongnam Bank	694,275	155,002	(22,759)		(31,534)	794,984
Kwangju Bank	561,330	100,656	24,640		(55,631)	630,995
WFIS	11,903	3,842			(4,500)	11,245
Woori F&I	114,017	28,474	11,884		(29,501)	124,874
Woori 3 <sup>rd</sup> SPC		(139)	24,564		(108)	24,317
Woori Investment Securities	604,543	68,233	14,127		(37,548)	649,355
Woori CS	60,600	11,013	768		(24,726)	47,655
Woori PE	9,797	309				10,106
	(Won) 11,751,678	(Won) 2,016,227	(Won) 475,522	(Won) (1,331)	(Won) (650,683)	(Won) 13,591,413

- (2) The reconciliation between the acquisition costs and the book value as of December 31, 2005 is summarized as follows (Korean won in millions):

	Acquisition cost	Gain (loss) on valuation using the equity method	Capital adjustments	Retained earnings	Other increase (decrease)	Dec. 31, 2005
Woori Bank (*1)	(Won) 3,207,893	(Won) 3,966,728	(Won) 1,466,762	(Won) (250,043)	(Won) 1,303,873	(Won) 9,695,213
Kyongnam Bank	259,000	469,775	33,014	(11,466)	(56,048)	694,275
Kwangju Bank	170,403	366,509	8,162	(3,777)	20,033	561,330
WFIS	5,244	6,858	5	(204)		11,903
Woori F&I	10,094	101,932	11,073	(60)	(9,022)	114,017
Woori 3 <sup>rd</sup> SPC	10	21,860	47,680	(9,890)	(59,660)	
Woori Investment Securities (*2)	507,863	43,624	146,716	(2,577)	(91,083)	604,543
Woori CS (*3)	39,128	9,827	(2,558)		14,203	60,600
Woori PE	10,000	(203)				9,797
	(Won) 4,209,635	(Won) 4,986,910	(Won) 1,710,854	(Won) (278,017)	(Won) 1,122,296	(Won) 11,751,678

(\*1) Included Woori Credit Card Co., Ltd. and Woori Investment Bank Co., Ltd.

(\*2) Included Woori Securities Co., Ltd.

(\*3) Included Woori Investment Trust Management Co., Ltd.

(3) The details of other increase or decrease for the year ended December 31, 2006 are as follows (Korean won in millions):

	<b>Other non-operating revenue</b>	<b>Acquisition (Disposal)</b>	<b>Dividends</b>	<b>Total</b>
Woori Bank	(Won) 125,576	(Won)	(Won) (592,711)	(Won) (467,135)
Kyongnam Bank	34,770		(66,304)	(31,534)
Kwangju Bank	(14,681)		(40,950)	(55,631)
WFIS			(4,500)	(4,500)
Woori F&I			(29,501)	(29,501)
Woori 3 <sup>rd</sup> SPC			(*1)(108)	(108)
Woori Investment Securities	(9,753)		(27,795)	(37,548)
Woori CS		(19,396)	(5,330)	(24,726)
	(Won) 135,912	(Won) (19,396)	(Won) (767,199)	(Won) (650,683)

(\*1) Adjustment on dividend receivables

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(4) The details of other increase or decrease for the acquisition date to December 31, 2005 are as follows (Korean won in millions):

	<b>Capital</b>			
	<b>reduction</b>	<b>Acquisition</b>	<b>Dividends</b>	<b>Total</b>
Woori Bank (*1)	(Won)	(Won) 2,517,418	(Won) (1,213,545)	(Won) 1,303,873
Kyongnam Bank			(56,048)	(56,048)
Kwangju Bank		57,044	(37,011)	20,033
Woori F&I			(9,022)	(9,022)
Woori 3 <sup>rd</sup> SPC			(59,660)	(59,660)
Woori Investment Securities (*2)	(154,000)	85,121	(22,204)	(91,083)
Woori CS (*3)	(21,939)	48,442	(12,300)	14,203
	(Won) (175,939)	(Won) 2,708,025	(Won) (1,409,790)	(Won) 1,122,296

(\*1) Included Woori Credit Card Co., Ltd. and Woori Investment Bank Co., Ltd.

(\*2) Included Woori Securities Co., Ltd.

(\*3) Included Woori Investment Trust Management Co., Ltd.

(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, 2006 are as follows (Korean won in millions):

	<b>Jan. 1, 2006</b>	<b>Amortization</b>	<b>Dec. 31, 2006</b>
Woori F&I	(Won) 74	(Won) 4	(Won) 70
Woori Investment Securities	(2,735)	(241)	(2,494)
	(Won) (2,661)	(Won) (237)	(Won) (2,424)

(6) The details of changes in the difference between the acquisition cost and the proportionate net asset value from the acquisition date to the year ended December 31, 2005 are as follows (Korean won in millions):

	<b>Acquisition date</b>	<b>Increase(decrease)</b>	<b>Amortization</b>	<b>Dec. 31, 2005</b>
Woori Bank	(Won) 328,323	(Won) 6,756	(Won) 335,079	(Won)
Kyongnam Bank	8,900		8,900	
Kwangju Bank	19,343		19,343	
Woori Credit Card	28,721	(24,056)	4,665	
Woori Investment Bank	5,979	(5,282)	697	
WFIS	(110)		(110)	
Woori F&I	94		20	74
Woori Securities	355		355	
Woori Investment Securities	(15,405)		(12,670)	(2,735)
	(Won) 376,200	(Won) (22,582)	(Won) 356,279	(Won) (2,661)

(7)

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The details of unrealized gain (loss) from transactions among subsidiaries for the year ended December 31, 2006 are as follows (Korean won in millions):

	<b>Jan. 1, 2006</b>	<b>Realized</b>	<b>Incurred</b>	<b>Dec. 31, 2006</b>
Woori Bank	(Won) 7,020	(Won) (18,406)	(Won) 11,974	(Won) 588
Kyongnam Bank	(40)	45		5
Kwangju Bank	(5,456)	9,144		3,688
WFIS	327	1,399		1,726
Woori F&I	(234)	(150)		(384)
Woori 3 <sup>rd</sup> SPC	(139)			(139)
	(Won) 1,478	(Won) (7,968)	(Won) 11,974	(Won) 5,484

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(8) The market value of Woori Investment Securities is (Won)926,500 million ((Won)20,000 per share) as of December 31, 2006.

**4. LOANS AND ALLOWANCE FOR POSSIBLE LOAN LOSSES**

(1) Loans as of December 31, 2006 and 2005 are as follows (Korean won in millions):

	Issuance date	Maturity date	Annual interest rate (%)	2006	2005
WFIS (*1)	Oct. 31, 2002	Oct. 31, 2006	6.3	(Won)	(Won) 30,000
Woori F&I (*2)	Mar. 25, 2003	Mar. 25, 2007	7.3	27,000	57,000
	Jul. 7, 2003	Jul. 7, 2007	7.3	23,000	23,000
				50,000	80,000
				(Won) 50,000	(Won) 110,000

(\*1) Loans granted to finance the transaction between Woori Bank and WFIS, to which Woori Bank transferred its IT equipment.

(\*2) Loans granted to finance the acquisitions of the securitization debentures and the investment equity securities related to the joint venture special entities of Woori F&I.

(2) Allowances for possible loan losses as of December 31, 2006 and 2005 are as follows (Korean won in millions):

	2006	2005
Loans:		
Woori F&I	(Won) 250	(Won) 400
WFIS		150
	(Won) 250	(Won) 550

**5. FIXED AND INTANGIBLE ASSETS**

(1) Changes in fixed assets for the years ended December 31, 2006 and 2005 are as follows (Korean won in millions):

	Jan. 1, 2006	Acquisition	Disposition	Depreciation	Dec. 31, 2006
Furniture and equipment	(Won) 75	(Won) 732	(Won)	(Won) 211	(Won) 596
Leasehold improvements	45	15		26	34
	(Won) 120	(Won) 747	(Won)	(Won) 237	(Won) 630
	Jan. 1, 2005	Acquisition	Disposition	Depreciation	Dec. 31, 2005
Vehicles	(Won) 7	(Won)	(Won)	(Won) 7	(Won)
Furniture and equipment	142	9	1	75	75

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Leasehold improvements	79	1	35	45
	(Won) 228	(Won) 10	(Won) 117	(Won) 120

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(2) Changes in intangible assets for the years ended December 31, 2006 and 2005 are as follows (Korean won in millions):

	Jan. 1, 2006	Acquisition	Amortization	Dec. 31, 2006
Software	(Won) 7	(Won)	(Won) 4	(Won) 3
Industrial property rights	28	16	17	27
	(Won) 35	(Won) 16	(Won) 21	(Won) 30

	Jan. 1, 2005	Acquisition	Amortization	Dec. 31, 2005
Software	(Won) 14	(Won)	(Won) 7	(Won) 7
Industrial property rights	40	2	14	28
	(Won) 54	(Won) 2	(Won) 21	(Won) 35

As of December 31, 2006 and 2005, accumulated amortization of software amount to (Won)31 million and (Won)27 million, respectively, and accumulated amortization of industrial property rights amount to (Won)57 million and (Won)40 million, respectively.

**6. OTHER ASSETS**

Other assets as of December 31, 2006 and 2005 are as follows (Korean won in millions):

	2006	2005
Guarantee deposits (Note 18)	(Won) 4,178	(Won) 4,204
Other receivables (Notes 11 and 18)	3,276	6,090
Dividend receivables	53,869	53,761
Accrued income (Note 18)	448	929
Prepaid expenses	203	198
Prepaid income tax		1,246
	(Won) 61,974	(Won) 66,428

**7. DEBENTURES**

(1) Debentures in local currency as of December 31, 2006 and 2005 are as follows (Korean won in millions):

## 1) Bonds

	Issuance Date	Annual interest rate (%)	Maturity	2006	2005
The 8th bonds	Dec. 26, 2002	6.05	Dec. 26, 2007	(Won) 200,000	(Won) 200,000
The 9th bonds	Sep. 19, 2003	4.64	Sep. 19, 2006		300,000
The 10th bonds	Dec. 16, 2003	5.92	Dec. 16, 2008	300,000	300,000
The 11th bonds	Jun. 18, 2004	5.05	Jun. 18, 2009	370,000	370,000
The 12th bonds	Jul. 26, 2004	4.84	Jul. 26, 2009	230,000	230,000

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The 14th bonds	Nov. 23, 2004	3.49	Nov. 23, 2007	300,000	300,000
The 15th bonds	Jun. 21, 2005	4.31	Jun. 21, 2010	250,000	250,000
The 16th bonds	Sep. 28, 2005	5.10	Sep. 28, 2008	200,000	200,000
The 17th bonds	Sep. 14, 2005	4.15	Apr. 14, 2006		150,000
				1,850,000	2,300,000
Less: discounts				(2,409)	(3,797)
				(Won) 1,847,591	(Won) 2,296,203

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**Table of Contents****8. 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 (Won)2,363 million and (Won)1,980 million as of December 31, 2006 and 2005, respectively.

The details of changes in the accrued severance benefits for years ended December 31, 2006 and 2005 are as follows (Korean won in millions):

	2006	2005
January 1	(Won) 1,980	(Won) 1,231
Provision for severance benefits (Note 14)	880	967
Retirement indemnities payment	(497)	(218)
December 31	(Won) 2,363	(Won) 1,980

The Company has deposited employee retirement insurance at Woori Bank. As of December 31, 2006 and 2005, the deposits, amounting to (Won)2,002 million and (Won)1,787 million, respectively, are presented as a deduction from accrued severance benefits.

**9. OTHER LIABILITIES**

Other liabilities as of December 31, 2006 and 2005 are as follows (Korean won in millions):

	2006	2005
Accrued severance benefits (Note 8)	(Won) 2,363	(Won) 1,980
Deposits with employee		
retirement insurance trust (Note 8)	(2,002)	(1,787)
Other payables (Note 17)	651	784
Accrued expenses (Notes 11 and 17)	11,682	16,806
Withholdings	164	433
	(Won) 12,858	(Won) 18,216

**10. SHAREHOLDERS EQUITY**

(1) The authorized shares and issued shares of common stock as of December 31, 2006 and 2005 are as follows:

	2006	2005
Authorized shares of common stock	2,400,000,000	2,400,000,000
Par value	(Won) 5,000	(Won) 5,000
Issued shares of common stock	806,015,340	806,015,340

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- (2) The changes in the capital stock of the Company for the period from its incorporation to December 31, 2006 are as follows (Korean won in millions):

Date	Description	Number of shares issued	Capital stock	Paid-in capital in excess of par value
March 27, 2001	Establishment	727,458,609	(Won) 3,637,293	(Won)
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	8,571,262	42,856	14,126
	Exercise of convertible bonds	12,379,386	61,897	12,118
2004.12.31		796,455,558	3,982,278	84,315
In 2005	Exercise of convertible bonds	9,559,782	47,799	24,710
	Acquisition of common shares of Woori CS			(24,537)
2005.12.31		806,015,340	(Won) 4,030,077	(Won) 84,488
2006.12.31		806,015,340	(Won) 4,030,077	(Won) 84,488

- (3) Pursuant to Article 53 of the Financial Holding Company Act, 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.
- (4) The Company held 2,555 shares and 2,550 shares of treasury stock as of December 31, 2006 and 2005, respectively.
- (5) Dividends to net income ratio for the years ended December 31, 2006 and 2005 are as follows:

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	2006		2005	
The number of issued shares		806,015,340		806,015,340
The number of treasury stocks		2,555		2,550
Shares subject to dividend		806,012,785		806,012,790
Dividend per share	(Won)	600	(Won)	400
Par value	(Won)	5,000	(Won)	5,000
Dividend ratio per share		12.0%		8.0%
Gross dividend	(Won)	483,608 million	(Won)	322,405 million
Net income	(Won)	2,029,319 million	(Won)	1,688,221 million
Dividend ratio by net income		23.83%		19.10%

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**Table of Contents****11. STOCK-BASED COMPENSATION**

- (1) On December 4, 2002, the Company granted stock options to 62 directors of the Company and its subsidiaries. In 2005, the exercise price of 60 percent of the total number of stock options granted was determined at (Won)11,921 based on the increase in the Korean banking industry stock index (Type A), and for the remaining 40 percent of the total number of stock options granted, of which the exercise price is (Won)6,800 per share and the number of stock options to 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 (Type B) was finally decided. In addition, the Company made a resolution that the stock-based compensation will be settled by paying cash instead of issuing equity instrument. The number of 468,500 and 296,250 stock options were exercised amounting to (Won)4,592 million and (Won)2,752 million for the years ended December 31, 2006 and 2005, respectively. In connection with this, the Company revalued stock based compensation and recorded (Won)4,129 million of the stock-based payment as liabilities as of December 31, 2006.
- (2) The summary of stock-based compensation granted as of December 31, 2006 is as follows:

Settlement	Type A		Type B	
		Cash settlement		Cash settlement
Exercise price	(Won)	11,921	(Won)	6,800
Exercisable period	During a three-year period beginning after December 4, 2005			
Initial granted number of rights		936,000 shares		624,000 shares
Cancelled number of rights		216,000 shares		204,000 shares
Exercised number of rights		454,000 shares		310,750 shares
Exercisable number of rights		266,000 shares		109,250 shares
Value per right	(Won)	9,512	(Won)	14,633
Stock-based compensation liabilities	(Won)	2,530 million	(Won)	1,599 million

- (3) Each subsidiary and 2nd-tier subsidiary is responsible for absorbing the respective stock-based compensation for its management. The subsidiaries and 2nd-tier subsidiaries recorded the related cost as other payables amounting to (Won)3,276 million and the Company recorded the same amount as other receivables.

**Table of Contents****12. INCOME TAX EXPENSE**

- (1) Differences between income before income tax and taxable income for years ended December 31, 2006 and 2005 are as follows (Korean won in millions):

	<b>2006</b>	<b>2005 (*1)</b>
Net income before income tax	(Won) 2,029,319	(Won) 1,688,221
Non-temporary differences:		
Addition:		
Investment securities	611,434	703,057
Deemed interest income		3,206
Paid-in capital in excess of par value		19,822
Stock-based compensation	123	
Others	551	2,485
Deduction:		
Dividend income	(687,157)	(123,861)
Investment securities	(1,331)	(60,749)
Long-term interest receivables		(7,045)
Stock options		(2,624)
Other non-operating income	(135,913)	
	(212,293)	534,291
Temporary differences:		
Addition:		
Long-term interest receivables-prior year		4,506
Long-term receivables	2,814	
Long-term accrued expenses	2,153	7,937
Gain on disposal of investment securities	34,604	
Others	1,088	3,804
Deduction:		
Investment securities	(1,872,100)	(2,276,201)
Long-term accrued expenses	(3,808)	
Others	(3,829)	(74,626)
	(1,839,078)	(2,334,580)
Taxable loss before donation adjustment	(22,052)	(112,068)
Donation expenses in excess of tax limit	119	
Taxable loss after donation adjustment	(Won) (21,933)	(Won) (112,068)

(\*1) Adjusted based on the reported tax returns

- (2) The changes in cumulative temporary differences and tax loss carry-forwards for the year ended December 31, 2006 are as follows (Korean won in millions):

	Jan. 1, 2006	Decrease	Increase	Dec. 31, 2006	Deferred tax assets (liabilities)
(Temporary differences to be charged to income tax expense)					
Investment securities	(Won) (3,200,579)	(Won) 12,970	(Won) (1,247,696)	(Won) (4,461,245)	(Won) (*1) (63,143)
Accrued severance benefits	1,188	353	583	1,418	390
Employee retirement deposits	(1,188)	(353)	(583)	(1,418)	(390)
Depreciation	40	14	152	178	49
Accrued expenses	2,770	2,770	2,153	2,153	592
Accounts receivable	(6,090)	(2,814)		(3,276)	(901)
Dividend receivables	108	108			
Long-term accrued expenses	7,937	3,808		4,129	1,135

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	(Won) (3,195,814)	(Won) 16,856	(Won) (1,245,391)	(Won) (4,458,061)	(Won)	(62,268)
(Temporary differences to be charged to equity) Capital adjustments due to the equity method of accounting	(Won) (1,710,854)	(Won) 768	(Won) (610,666)	(Won) (2,322,288)	(Won) (*1)	(41,813)
Gain on disposal of investments using the equity method			34,604	34,604		9,516
	(Won) (1,710,854)	(Won) 768	(Won) (576,062)	(Won) (2,287,684)	(Won)	(32,297)
Temporary differences total	(Won) (4,906,668)	(Won) 17,624	(Won) (1,821,453)	(Won) (6,745,745)	(Won)	(94,565)
Tax loss carry-forwards	(Won) 222,067	(Won) 25,288	(Won) 21,933	(Won) 218,712	(Won)	67,100

(\*1) Based on the assumption that the temporary differences in securities accounted for using the equity method of accounting would be realized by dividends.

(3) The changes in cumulative temporary differences and tax loss carry-forwards for the year ended December 31, 2005 are as follows (Korean won in millions):

	Jan. 1, 2005 (*1)	Decrease	Increase	Dec. 31, 2005	Deferred tax assets (liabilities)
(Temporary differences to be charged to income tax expense)					
Investment securities	(Won) (1,601,189)	(Won) (206,653)	(Won) (1,806,043)	(Won) (3,200,579)	(Won) (*2)(43,120)
Currency swap liabilities	13,969	13,969			
Accrued income	(296)	(296)			
Accrued severance benefits	738	107	557	1,188	326
Employee retirement deposits	(738)	(107)	(557)	(1,188)	(326)
Depreciation	28	10	22	40	11
Accrued expenses	3,409	3,409	2,770	2,770	761
Accounts receivable	(1,842)		(4,248)	(6,090)	(1,675)
Long-term accrued interest payables	3,498	3,498			
Long-term accrued interest income	(4,506)	(4,506)			
Premiums on debentures	65	65			
Adjustment of conversion rights	(53)	(53)			
Dividend receivables	48,873	48,765		108	29
Long-term accrued expenses			7,937	7,937	2,182
	(Won) (1,538,044)	(Won) (141,792)	(Won) (1,799,562)	(Won) (3,195,814)	(Won) (41,812)
(Temporary differences to be charged to equity) Capital adjustments due to the equity method of accounting	(Won) (1,034,034)	(Won)	(Won) (676,820)	(Won) (1,710,854)	(Won) (*2)(49,663)
Temporary differences total	(Won) (2,572,078)	(Won) (141,792)	(Won) (2,476,382)	(Won) (4,906,668)	(Won) (91,475)

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Tax loss carry-forwards	(Won)	109,999	(Won)	(Won)	112,068	(Won)	222,067	(Won)	61,296
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(\*1) Adjusted based on the reported tax returns

(\*2) Based on the assumption that the temporary differences in securities accounted for using the equity method of accounting would be realized by dividends.

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(4) Remaining tax loss carry-forwards and their expirations are as follows (Korean won in millions):

Year incurred	Amount (*1)	Utilized	Expiration	Remaining	Expiration Date
2001	(Won) 25,288	(Won)	(Won) 25,288	(Won)	Dec. 31, 2006
2002	13,899			13,899	Dec. 31, 2007
2003	48,398			48,398	Dec. 31, 2008
2004	22,414			22,414	Dec. 31, 2009
2005	112,068			112,068	Dec. 31, 2010
2006	21,933			21,933	Dec. 31, 2011
	(Won) 244,000	(Won)	(Won) 25,288	(Won) 218,712	

(\*1) Adjusted based on the reported tax returns

(5) Unless the Company sells or liquidates subsidiaries or affiliates, no income tax payments are expected under the Korean Corporate Tax Act. As the Company does not expect income tax payments, no deferred tax assets or liabilities are recorded in the financial statements.

**13. STATEMENTS OF CASH FLOWS**

The transactions without cash flows for the years ended December 31, 2006 and 2005 are as follows (Korean won in millions):

Transactions	2006	2005
Increase in capital adjustments due to the equity method of accounting	(Won) 646,038	(Won) 660,894
Decrease in retained earnings due to the equity method of accounting	(1,331)	(5,643)
Increase in other receivables and stock-based compensation	2,814	4,248
Increase in stock-based compensation	2,814	7,937
Increase in dividend receivables	108	43,007
Increase in investment securities due to exercise of convertible bonds		57,044
Capital increase due to conversion of convertible bonds in foreign currency		72,468

**Table of Contents****14. GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses for the years ended December 31, 2006 and 2005 are summarized as follows (Korean won in millions):

	2006	2005
Salaries, wages and bonuses (Note 21)	(Won) 10,311	(Won) 10,113
Provision for severance benefits (Notes 8 and 21)	880	967
Fringe benefits (Note 21)	789	728
Rent (Note 21)	2,319	2,286
Entertainment	618	421
Depreciation (Notes 5 and 21)	237	117
Amortization (Notes 5 and 21)	21	21
Taxes and dues (Note 21)	63	71
Advertising	7,161	7,080
Travel	273	197
Telecommunications	105	73
Service fees	2,239	2,351
Suppliers	86	75
Stock compensation (Note 11)	188	2,445
Others	1,061	1,265
	(Won) 26,351	(Won) 28,210

**15. FINANCIAL INFORMATION OF SUBSIDIARIES**

(1) The condensed balance sheets of subsidiaries as of December 31, 2006 and 2005 are as follows (Korean won in millions):  
<2006>

	Total assets	Total liabilities	Total shareholders equity
Woori Bank	(Won) 168,776,675	(Won) 157,475,909	(Won) 11,300,766
Kyongnam Bank	16,653,401	15,858,422	794,979
Kwangju Bank	13,934,491	13,307,184	627,307
WFIS	209,101	199,581	9,520
Woori F&I	224,950	95,914	129,036
Woori 3 <sup>rd</sup> SPC	78,346	53,890	24,456
Woori Investment Securities	12,832,639	10,711,995	2,120,644
Woori CS	72,837	4,758	68,079
Woori PE	10,643	537	10,106
	(Won) 212,793,083	(Won) 197,708,190	(Won) 15,084,893

<2005>

	Total assets	Total liabilities	Total shareholders equity
Woori Bank	(Won) 129,463,237	(Won) 119,771,836	(Won) 9,691,401
Kyongnam Bank	14,098,905	13,404,623	694,282

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Kwangju Bank	11,697,181	11,130,395	566,786
Woori Finance Information System	215,949	204,374	11,575
Woori F&I	264,403	150,227	114,176
Woori 3 <sup>rd</sup> SPC	53,919	53,888	31
Woori Investment Securities	9,196,432	7,201,170	1,995,262
Woori CS	65,284	4,437	60,847
Woori PE	9,858	61	9,797

(Won) 165,065,168      (Won) 151,921,011      (Won) 13,144,157

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(2) The condensed statements of operations of subsidiaries for the year ended December 31, 2006 and 2005 are as follows (Korean won in millions):

<2006>

	Operating revenue	Operating expenses	Operating income (loss)	Ordinary income (loss)	Net income (loss)
Woori Bank	(Won) 14,453,920	(Won) 12,801,229	(Won) 1,652,691	(Won) 2,158,166	(Won) 1,642,032
Kyongnam Bank	976,078	769,947	206,131	207,036	154,958
Kwangju Bank	770,945	647,851	123,094	123,532	90,118
WFIS	241,788	235,380	6,408	4,205	2,444
Woori F&I	22,792	16,817	5,975	41,152	28,629
Woori 3 <sup>rd</sup> SPC	12	151	(139)	(139)	(139)
Woori Investments Securities	2,838,676	2,570,884	267,792	333,743	235,317
Woori CS	32,913	15,456	17,457	17,544	12,561
Woori PE	2,864	2,402	462	393	309
	(Won) 19,339,988	(Won) 17,060,117	(Won) 2,279,871	(Won) 2,885,632	(Won) 2,166,229

<2005>

	Operating revenue	Operating expenses	Operating income (loss)	Ordinary income (loss)	Net income (loss)
Woori Bank	(Won) 11,325,187	(Won) 9,680,565	(Won) 1,644,622	(Won) 1,648,704	(Won) 1,425,912
Kyongnam Bank	795,335	633,461	161,874	143,534	132,678
Kwangju Bank	643,535	556,034	87,501	98,142	124,684
Woori Finance Information System	261,420	257,183	4,237	5,492	3,473
Woori F&I	27,931	21,402	6,529	83,718	58,906
Woori 3 <sup>rd</sup> SPC	18,537	1,651	16,886	16,887	16,887
Woori Investment Trust Management (*1)	2,971	2,309	662	91	37
Woori Securities (*2)	(Won) 47,824	(Won) 61,209	(Won) (13,385)	(Won) (27,483)	(Won) (25,185)
Woori Investments Securities	1,391,433	1,175,003	216,430	267,398	185,840
Woori CSt	14,962	9,484	5,478	6,480	4,637
Woori PE	24	227	(203)	(203)	(203)
	(Won) 14,529,159	(Won) 12,398,528	(Won) 2,130,631	(Won) 2,242,760	(Won) 1,927,666

(\*1) The income for the five months ended May 31, 2005 before merger into Woori Asset Management.

(\*2) The loss for the three months ended March 31, 2005 before merger into Woori Investment Securities.

(3) Significant liabilities and assets of the Company and its subsidiaries as of December 31, 2006 and 2005 are summarized as follows (Korean won in millions):

1) Significant liabilities

<2006>

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	<b>Deposits</b>	<b>Borrowings</b>	<b>Debentures</b>	<b>Total</b>
Woori Finance Holdings	(Won) 105,427,860	(Won) 14,164,008	(Won) 1,847,591	(Won) 1,847,591
Woori Bank	105,427,860	14,164,008	24,020,776	143,612,644
Kyongnam Bank	11,257,475	2,481,039	1,240,369	14,978,883
Kwangju Bank	10,154,683	2,011,820	676,334	12,842,837
WFIS		127,000		127,000
Woori F&I		83,000		83,000
Woori Investment Securities	2,595,342	4,636,101	249,503	7,480,946
	(Won) 129,435,360	(Won) 23,502,968	(Won) 28,034,573	(Won) 180,972,901

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&lt;2005&gt;

	<b>Deposits</b>	<b>Borrowings</b>	<b>Debentures</b>	<b>Total</b>
Woori Finance Holdings	(Won) 2,296,203	(Won) 2,296,203	(Won) 2,296,203	(Won) 2,296,203
Woori Bank	85,434,204	10,894,744	15,178,302	111,507,250
Kyongnam Bank	10,521,145	1,700,335	797,500	13,018,980
Kwangju Bank	8,411,126	1,802,436	576,256	10,789,818
Woori Finance Information System		145,000		145,000
Woori F&I		117,000		117,000
Woori Investment Securities	2,964,155	2,023,108	189,967	5,177,230
	(Won) 107,330,630	(Won) 16,682,623	(Won) 19,038,228	(Won) 143,051,481

2) Significant assets

&lt;2006&gt;

**Cash and due**

	<b>from banks</b>	<b>Securities</b>	<b>Loans</b>	<b>Total</b>
Woori Finance Holdings	(Won) 89,724	(Won) 13,591,413	(Won) 49,750	(Won) 13,730,887
Woori Bank	6,932,495	30,003,799	119,945,704	156,881,998
Kyongnam Bank	963,726	4,108,174	10,627,585	15,699,485
Kwangju Bank	1,395,627	3,673,564	8,415,073	13,484,264
WFIS	7,904	194		8,098
Woori F&I	33,277	98,910	73,939	206,126
Woori 3 <sup>rd</sup> SPC	481	77,865		78,346
Woori Investment Securities	1,471,798	8,732,730	1,757,505	11,962,033
Woori CS	46,915	10,592	867	58,374
Woori PE	9,899			9,899
	(Won) 10,951,846	(Won) 60,297,241	(Won) 140,870,423	(Won) 212,119,510

&lt;2005&gt;

**Cash and due**

	<b>from banks</b>	<b>Securities</b>	<b>Loans</b>	<b>Total</b>
Woori Finance Holdings	(Won) 104,072	(Won) 11,751,678	(Won) 109,450	(Won) 11,965,200
Woori Bank	7,304,472	25,763,222	89,910,252	122,977,946
Kyongnam Bank	1,374,227	3,699,387	8,425,598	13,499,212
Kwangju Bank	749,584	3,200,040	7,294,885	11,244,509
Woori Finance Information System	5,481	513		5,994
Woori F&I	53,402	54,697	140,835	248,934
Woori Third Asset Securitization Specialty	618	53,301		53,919
Woori Investment Securities	1,805,568	5,098,652	1,187,643	8,091,863
Woori Asset Management	31,403	19,564	256	51,223

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Woori Private Equity	9,641			9,641
	(Won) 11,438,468	(Won) 49,641,054	(Won) 107,068,919	(Won) 168,148,441

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(4) Loans subject to allowance for possible loan losses, allowance for possible loan losses and percentage of allowance to loans of each subsidiary as of December 31, 2006 and 2005 are summarized as follows (Korean won in millions):

<2006>

	Loans subject to allowance for possible loan losses		Allowance	Percentage of allowance to loans (%)
Woori Bank	(Won)	121,680,717	(Won) 1,735,013	1.43
Kyongnam Bank		10,754,483	126,898	1.18
Kwangju Bank		8,520,160	105,087	1.23
Woori F&I		74,310	371	0.50
Woori Investment Securities		1,893,043	135,538	7.16
Woori CS		871	4	0.46
	(Won)	142,923,584	(Won) 2,102,911	1.47

<2005>

	Loans subject to allowance for possible loan losses		Allowance	Percentage of allowance to loans (%)
Woori Bank	(Won)	91,278,592	(Won) 1,368,340	1.50
Kyongnam Bank		8,545,049	119,451	1.40
Kwangju Bank		7,391,368	96,483	1.31
Woori F&I		141,542	707	0.50
Woori Investment Securities		1,342,240	154,597	11.52
Woori CS		257	1	0.39
	(Won)	108,699,048	(Won) 1,739,579	1.60

**16. CONTRIBUTIONS TO NET INCOME BY SUBSIDIARIES**

Contributions to net income of the Company by subsidiaries for the years ended December 31, 2006 and 2005 are as follows (Korean won in millions):

	2006	Ratio (%)	2005	Ratio (%)
Woori Bank	(Won) 1,648,837	81.8	(Won) 1,441,498	79.1
Kyongnam Bank	155,002	7.7	132,618	7.3
Kwangju Bank	100,656	5.0	115,184	6.3
WFIS	3,842	0.2	4,291	0.2
Woori F&I	28,474	1.4	58,693	3.2
Woori 2 <sup>nd</sup> SPC			(26)	
Woori 3 <sup>rd</sup> SPC	(139)		16,798	0.9
Woori Investment Trust Management			35	
Woori Securities			(26,270)	(1.4)
Woori Investment Securities	68,233	3.4	76,242	4.2
Woori CS	11,013	0.5	3,944	0.2



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Woori PE	309		(203)	
Gain on valuation using the equity method of accounting	2,016,227	100.0	1,822,804	100.0
Other income	151,440		18,513	
Other expenses	(138,348)		(153,096)	
Net income	(Won) 2,029,319		(Won) 1,688,221	

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**Table of Contents****17. TRANSACTIONS WITH RELATED PARTIES**

(1) Assets and liabilities from transactions with the subsidiaries as of December 31, 2006 and 2005 are as follows (Korean won in millions):

	2006	2005	
<b>&lt;Assets&gt;</b>			
Woori Bank	(Won) 67,394	(Won) 83,439	Cash and bank deposits
	4,153	4,153	Guarantee deposits
	2,619	4,305	Other receivables
	116	102	Accrued income
Kyongnam Bank	11,287	10,321	Cash and bank deposits
	14	10	Accrued income
Kwangju Bank	11,043	10,311	Cash and bank deposits
	8	6	Accrued income
WFIS		30,000	Loans
	159	363	Other receivables
		316	Accrued income
Woori F&I	50,000	80,000	Loans
	310	496	Accrued income
Woori Credit Information	240	721	Other receivables
Woori SB	257	385	Other receivables
Woori CA		315	Other receivables
Principal guaranteed trust accounts of Woori Bank			Deposits with employee retirement trust
	2,002	1,787	
	(Won) 149,602	(Won) 227,030	

**<Liabilities>**

Woori Bank	(Won) 117	(Won) 135	Other payables
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(2) Revenues and expenses from transactions with the subsidiaries for the years ended December 31, 2006 and 2005 are as follows (Korean won in millions):

	2006	2005	
<b>&lt;Revenues&gt;</b>			
Woori Bank	(Won) 5,256	(Won) 3,620	Interest income on deposits
Kyongnam Bank	1,365	344	Interest income on deposits
Kwangju Bank	1,083	329	Interest income on deposits
		2,538	Interest income on loans
WFIS	1,424	1,840	Interest income on loans
Woori F&I	4,892	7,716	Interest income on loans
Woori 3 <sup>rd</sup> SPC		1,208	Interest income on loans
Principal guaranteed trust accounts of Woori Bank	61	16	Interest income on deposits
	(Won) 14,081	(Won) 17,611	

**<Expenses>**

Woori Bank	(Won) 2,261	(Won) 91	Loss on swap contracts
		2,231	Rent

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WFIS	1,728	319	Service fees
		1,928	Other administrative expenses
	(Won) 3,989	(Won) 4,569	

- (3) The Company compensated 10 management personnel, registered or non-registered directors, who have the authorities and responsibilities for the plan, management and control of the Company, operation for (Won) 3,029 million of salaries and recorded (Won)262 million of provision for severance benefits for the year ended December 31, 2006.

**Table of Contents****18. EARNINGS PER COMMON SHARE**

- (1) Basic ordinary income per common share and basic net income per common share for the years ended December 31, 2006 and 2005 are as follows (Korean won in millions, except for earnings per share data):

	<b>2006</b>	<b>2005</b>
Net income on common shares	(Won) 2,029,319	(Won) 1,688,221
Extraordinary gain		
Income tax effect on extraordinary gain		
Ordinary income on common shares	(Won) 2,029,319	(Won) 1,688,221
Weighted average number of common shares outstanding	806,012,788	804,389,232
Basic ordinary income per common shares	(Won) 2,518	(Won) 2,099
Basic net income per common shares	(Won) 2,518	(Won) 2,099

- (2) Diluted ordinary income per common share and diluted net income per common share for the year ended December 31, 2005 are as follows (Korean won in millions, except for earnings per share data):

	<b>2005</b>
Diluted net income on common shares	(Won) 1,688,597
Extraordinary gain	
Income tax effect on extraordinary gain	
Diluted ordinary income on common shares	(Won) 1,688,597
Weighted average number of common and dilutive common shares outstanding	806,038,982
Diluted ordinary income per common shares	(Won) 2,095
Diluted net income per common shares	(Won) 2,095

(\*) There are no diluted net income and ordinary income for the year ended December 31, 2006 because all convertible securities were converted into common shares for the year ended December 31, 2005.

**19. INSURANCE**

As of December 31, 2006, the Company has insurance for liability of reparation of directors with Samsung Fire & Marine Insurance Co., Ltd. and others. The insurance coverage is (Won)30,000 million.

**20. OPERATIONAL RESULTS**

Operational results for the three months ended December 31, 2006 and 2005 are as follows (Korean won in millions, except for earning per share data):

	<b>Three months ended Dec. 31, 2006 (Unaudited)</b>	<b>Three months ended Dec. 31, 2005 (Unaudited)</b>
Operating revenue	(Won) 450,910	(Won) 229,824
Operating expenses	32,066	41,631
<b>Operating income</b>	<b>418,844</b>	<b>188,193</b>
Net income	(Won) 432,163	(Won) 188,187
<b>Basic net income per common share</b>	<b>(Won) 536</b>	<b>(Won) 233</b>

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**Table of Contents****21. INFORMATION FOR CALCULATING VALUE ADDED**

Information for calculating value added is as follows (Korean won in millions):

	<b>2006</b>	<b>2005</b>
Salaries, wages and bonuses	(Won) 10,311	(Won) 10,113
Provision for severance benefits	880	967
Fringe benefits	789	728
Rent	2,319	2,286
Depreciation	237	117
Amortization	21	21
Taxes and dues	63	71
Net interest expenses	89,315	113,440
	(Won) 103,935	(Won) 127,743

**22. 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 improve financial ratio, such as BIS capital ratio, Return on Assets (ROA), General and administrative ratio, Non-performing loan rate and adjusted operating income (AOI) per person. 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.

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**Internal Accounting Control System Review Report**

English Translation of a Report Originally Issued in Korean

**To Chief Executive Officer of**

**Woori Finance Holdings Co., Ltd.:**

We have reviewed the management's report on the operations of the Internal Accounting Control System ( IACS ) of Woori Finance Holdings Co., Ltd. (the Company ) as of December 31, 2006. The Company's management is responsible for designing and operating IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review the management's report on the operations of the IACS and issue a report based on our review. The management's report on the operations of the IACS of the Company states that based on its assessment of the operations of the IACS as of December 31, 2006, the Company's IACS has been designed and is operating effectively as of December 31, 2006, in all material respects, in accordance with the IACS standards established by the Internal Accounting Control System Operations Committee (IACSOC) of the Korea Listed Companies Association.

Our review was conducted in accordance with the IACS review standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform, in all material respects, the review of management's report on the operations of the IACS to obtain a lower level of assurance than an audit. A review includes obtaining an understanding of the Company's IACS and consists principally of inquiries of management and, when deemed necessary, a limited inspection of underlying documents, which is substantially less in scope than an audit.

The Company's IACS is a system to monitor and operate those policies and procedures designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Republic of Korea. Due to inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that management's report on the operations of the IACS, referred to above, is not presented fairly, in all material respects, in accordance with the IACS standards established by IACSOC.

Our review is based on the Company's IACS as of December 31, 2006, and we did not review management's assessment of its IACS subsequent to December 31, 2007. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in Korea and may not be appropriate for other purposes or for other users.

March 8, 2007

**Notice to Readers**

This report is annexed in relation to the audit of the financial statements as of December 31, 2006 and the review of management report on the assessment of the operations of IACS pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea,

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WOORI FINANCE HOLDINGS CO., LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

AND INDEPENDENT AUDITORS' REPORT

**Audit Tax Consulting Financial Advisory**



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**Independent Auditors Report**

English Translation of a Report Originally Issued in Korean

**To Shareholders and the Board of Directors 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, 2006 and 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years ended December 31, 2006 and 2005, 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 Woori Investment Securities Co., Ltd., a consolidated subsidiary of the Company, which statements reflect total assets constituting 6.1% ((Won)12,833 billion) and 5.4% ((Won)8,909 billion) of consolidated total assets as of December 31, 2006 and 2005, respectively, and total revenues constituting 14.8% ((Won)2,839 billion) and 9.6% ((Won)1,375 billion) of consolidated total revenues for the years ended December 31, 2006 and 2005, respectively. The financial statements of Woori Investment Securities Co., Ltd. for the years ended December 31, 2006 and 2005 were audited by other auditors, KPMG Samjong Accounting Corp., whose report, dated January 19, 2007, expressed an unqualified opinion on those statements and has been furnished to us, and our opinion, insofar as it relates to the amounts included for Woori Investment Securities Co., Ltd., is based solely on the report of the other auditor.

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 auditor, 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, 2006 and 2005, and the results of their operations, changes in shareholders' equity and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

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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.

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.

March 8, 2007

**Notice to Readers**

This report is effective as of March 8, 2007, 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.

**Table of Contents****WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****AS OF DECEMBER 31, 2006 AND 2005**

	Korean won		U.S. dollars (Note 2)	
	2006	2005	2006	2005
	(In millions)		(In thousands)	
<b>ASSETS</b>				
Cash and due from banks (Notes 3, 17, 28, 30 and 31)	(Won) 10,674,977	(Won) 11,224,015	US\$ 11,483,409	US\$ 12,074,026
Trading securities (Notes 4, 9, 17 and 31)	12,869,717	7,693,626	13,844,360	8,276,276
Available-for-sale securities (Notes 5, 9, 10, 11, 17 and 31)	22,460,252	18,766,964	24,161,201	20,188,214
Held-to-maturity securities (Notes 6, 9, 10, 11, 17 and 31)	8,636,702	9,761,766	9,290,772	10,501,039
Market index funds (Notes 7 and 9)	2,164,637	1,288,653	2,328,568	1,386,245
Investments accounted for using the equity method of accounting (Notes 8, 9 and 31)	182,652	182,081	196,484	195,870
Loans, net of allowances for possible loan losses (Notes 12, 13, 30 and 31)	140,854,505	106,937,970	151,521,628	115,036,543
Fixed assets and intangible assets (Notes 14 16, 17 and 31)	2,840,228	2,684,534	3,055,323	2,887,838
Other assets, net of present value discounts (Notes 15, 30 and 31)	11,313,660	6,003,239	12,170,460	6,457,873
	(Won) 211,997,330	(Won) 164,542,848	US\$ 228,052,205	US\$ 177,003,924
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>LIABILITIES</b>				
Deposits (Notes 18, 30 and 31)	(Won) 129,022,868	(Won) 107,087,991	US\$ 138,793,963	US\$ 115,197,925
Borrowings (Notes 19, 30 and 31)	23,403,018	16,508,102	25,175,364	17,758,285
Debentures, net of discounts and added redemption premium (Notes 20 and 31)	27,781,022	18,813,020	29,884,920	20,237,759
Other liabilities (Notes 21, 30 and 31)	18,365,617	11,028,773	19,756,473	11,863,998
	198,572,525	153,437,886	213,610,720	165,057,967
<b>SHAREHOLDERS' EQUITY</b>				
Capital stock (Note 23)	4,030,077	4,030,077	4,335,281	4,335,281
Capital surplus	187,955	142,608	202,189	153,408
Retained earnings (Net income of (Won) 2,029,319 million and (Won) 1,688,221 million in 2006 and 2005, respectively)	5,601,869	3,896,255	6,026,107	4,191,324
Capital adjustments	2,117,488	1,652,709	2,277,848	1,777,871
Minority interests	1,487,416	1,383,313	1,600,060	1,488,073
	13,424,805	11,104,962	14,441,485	11,945,957

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(Won) 211,997,330 (Won) 164,542,848 US\$ 228,052,205 US\$ 177,003,924

See accompanying notes to consolidated financial statements.

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**Table of Contents****WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	Korean won		U.S. dollars (Note 2)	
	2006	2005	2006	2005
	(In millions, except for income per common share data)		(In thousands, except for income per common share data)	
Translation into				
<b>OPERATING REVENUE</b>				
<b>INTEREST INCOME (Note 30):</b>				
Interest on due from banks	(Won) 62,635	(Won) 55,174	US\$ 67,379	US\$ 59,352
Interest and dividends on trading securities	415,184	206,367	446,627	221,996
Interest and dividends on available-for-sale securities	653,422	527,570	702,907	567,524
Interest and dividends on held-to-maturity securities	468,106	567,785	503,556	610,784
Interest on loans	8,294,730	6,229,527	8,922,902	6,701,298
Other	104,413	102,322	112,320	110,071
	9,998,490	7,688,745	10,755,691	8,271,025
<b>FEES (Note 30):</b>				
Commissions	1,414,475	1,210,771	1,521,595	1,302,464
Commissions received on credit cards	28,493	19,629	30,651	21,116
Guarantee fees	21,853	17,923	23,508	19,280
Other	30,370	25,880	32,670	27,840
	1,495,191	1,274,203	1,608,424	1,370,700
<b>OTHER OPERATING REVENUE (Note 30):</b>				
Gain on trading securities	329,459	363,852	354,409	391,407
Gain on market index funds	1,523,454	211,836	1,638,828	227,879
Gain on securitized assets		18,442		19,839
Gain on foreign exchange	2,359,730	1,975,894	2,538,436	2,125,531
Gain on derivatives (Note 33)	3,358,309	2,609,137	3,612,639	2,806,731
Trust management fees	67,293	50,974	72,389	54,834
Reversal of allowance for possible losses	29,530	15,661	31,766	16,847
Other	65,577	49,686	70,543	53,449
	7,733,352	5,295,482	8,319,010	5,696,517
	19,227,033	14,258,430	20,683,125	15,338,242
<b>OPERATING EXPENSES</b>				
<b>INTEREST EXPENSE (Note 30):</b>				
Interest on deposits	3,574,405	2,521,710	3,845,100	2,712,683
Interest on borrowings	709,851	464,397	763,609	499,566
Interest on debentures	1,210,385	684,907	1,302,050	736,776
Interest on others	88,670	65,120	95,385	70,052

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	5,583,311	3,736,134	6,006,144	4,019,077
OTHER OPERATING EXPENSES (Note 30):				
Commissions	318,831	262,574	342,976	282,459
Loss on trading securities	179,503	183,520	193,097	197,418
Loss on market index funds	1,435,241	332,103	1,543,934	357,254
Loss on foreign exchange	2,215,151	1,990,374	2,382,908	2,141,108
Loss on derivatives (Note 33)	3,365,006	2,326,389	3,619,843	2,502,570
Subsidy for trust accounts adjustment	1,032	603	1,110	649
Provision for possible losses	824,314	562,459	886,741	605,055
Salaries, employee benefits and provision for severance benefits	1,698,290	1,617,227	1,826,904	1,739,702
Rent	96,826	83,838	104,159	90,187
Entertainment expense	20,907	17,961	22,490	19,321
(Continued)				

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**Table of Contents****WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	Korean won		U.S. dollars (Note 2)	
	2006	2005	2006	2005
	(In millions, except for income		(In thousands, except for income	
	per common share data)		per common share data)	
Depreciation and amortization	(Won) 270,041	(Won) 248,837	US\$ 290,492	US\$ 267,682
Taxes and dues	155,962	115,550	167,773	124,301
Advertising	72,746	62,646	78,255	67,390
Telecommunications	53,106	50,738	57,128	54,580
Service fees	126,573	112,694	136,159	121,228
IT operating expenses	97,805	102,716	105,212	110,495
Stock-based compensation (Note 24)	344	4,318	370	4,645
Other administrative expenses	147,392	145,097	158,554	156,085
Deposit insurance fee	146,429	133,822	157,518	143,957
Other expenses	217,043	138,277	233,480	148,749
	11,442,542	8,491,743	12,309,103	9,134,835
	17,025,853	12,227,877	18,315,247	13,153,912
<b>OPERATING INCOME</b>	<b>2,201,180</b>	<b>2,030,553</b>	<b>2,367,878</b>	<b>2,184,330</b>
NON-OPERATING INCOME (Note 25)	943,763	573,219	1,015,236	616,630
NON-OPERATING EXPENSES (Note 25)	231,231	458,068	248,742	492,758
<b>ORDINARY INCOME</b>	<b>2,913,712</b>	<b>2,145,704</b>	<b>3,134,372</b>	<b>2,308,202</b>
<b>EXTRAORDINARY ITEM</b>				
<b>INCOME BEFORE INCOME TAX AND MINORITY INTERESTS</b>	<b>2,913,712</b>	<b>2,145,704</b>	<b>3,134,372</b>	<b>2,308,202</b>
INCOME TAX EXPENSE (Note 26)	724,505	312,183	779,373	335,825
<b>INCOME BEFORE MINORITY INTERESTS</b>	<b>2,189,207</b>	<b>1,833,521</b>	<b>2,354,999</b>	<b>1,972,377</b>
MINORITY INTERESTS GAIN	159,888	145,300	171,997	156,304
<b>NET INCOME</b>	<b>(Won) 2,029,319</b>	<b>(Won) 1,688,221</b>	<b>US\$ 2,183,002</b>	<b>US\$ 1,816,073</b>
<b>BASIC ORDINARY INCOME PER COMMON SHARE (Note 27)</b>	<b>(Won) 2,518</b>	<b>(Won) 2,099</b>	<b>US\$ 2.71</b>	<b>US\$ 2.26</b>
<b>BASIC NET INCOME PER COMMON SHARE (Note 27)</b>	<b>(Won) 2,518</b>	<b>(Won) 2,099</b>	<b>US\$ 2.71</b>	<b>US\$ 2.26</b>

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DILUTED ORDINARY INCOME PER COMMON SHARE (Note 27)	(Won)	(Won)	2,095	US\$	US\$	2.25
DILUTED NET INCOME PER COMMON SHARE (Note 27)	(Won)	(Won)	2,095	US\$	US\$	2.25

See accompanying notes to consolidated financial statements.



**Table of Contents****WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	Total
	(In millions)					
January 1, 2005	(Won) 3,982,278	(Won) 170,960	(Won) 2,333,145	(Won) 965,957	(Won) 1,252,940	(Won) 8,705,280
Net income			1,688,221		145,300	1,833,521
Dividend			(119,468)		(23,770)	(143,238)
Conversion of convertible bonds	47,799	24,710				72,509
Additional change in ownership interest of subsidiaries		(55,135)		(2,274)	4,527	(52,882)
Changes of subsidiaries						
capital surplus		2,114			12,234	14,348
Overseas business translation credit			(3,062)	(7,707)	(18,548)	(29,317)
Gain on valuation of available-for-sale securities				700,365	40,099	740,464
Valuation using the equity method on subsidiaries				(1,243)	14,523	13,280
Stock options				(2,622)		(2,622)
Valuation on derivative instruments				(170)	(2,048)	(2,218)
Extinguishment of subsidiaries treasury stock				403	(40)	363
Changes in scope of consolidation			121		(20,162)	(20,041)
Changes in minority interests					(16,739)	(16,739)
Others		(41)	(2,702)		(5,003)	(7,746)
December 31, 2005	(Won) 4,030,077	(Won) 142,608	(Won) 3,896,255	(Won) 1,652,709	(Won) 1,383,313	(Won) 11,104,962
January 1, 2006	(Won) 4,030,077	(Won) 142,608	(Won) 3,896,255	(Won) 1,652,709	(Won) 1,383,313	(Won) 11,104,962
Net income			2,029,319		159,888	2,189,207
Dividend			(322,405)		(59,128)	(381,533)
Overseas business translation credit			(1,331)	2,696	6,130	7,495
Gain on valuation of available-for-sale securities				468,337	(10,282)	458,055
Valuation using the equity method on subsidiaries				(3,705)	(8,570)	(12,275)
Valuation on derivative instruments				(210)	138	(72)

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Extinguishment of subsidiaries treasury stock	4,336			(4,336)		
Acquisition of subsidiaries treasury stock			(3,107)	(7,065)	(10,172)	
Disposal of ownership interest of subsidiaries	37,801		768	18,627	57,196	
Gain on sale of subsidiaries treasury stock	3,214			7,309	10,523	
Changes in minority interests				1,392	1,392	
Others	(4)	31			27	
December 31, 2006	(Won) 4,030,077	(Won) 187,955	(Won) 5,601,869	(Won) 2,117,488	(Won) 1,487,416	(Won) 13,424,805

See accompanying notes to consolidated financial statements.

**Table of Contents****WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	Korean won		U.S. dollars (Note 2)	
	2006	2005	2006	2005
	(In millions)		(In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income	(Won) 2,029,319	(Won) 1,688,221	US\$ 2,183,002	US\$ 1,816,073
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Loss on trading securities	179,503	183,520	193,097	197,418
Loss on market index funds	1,435,241	332,103	1,543,934	357,254
Loss on derivatives	3,365,006	2,326,389	3,619,843	2,502,570
Provision for possible losses	824,314	562,459	886,741	605,055
Interest expense		6		6
Provision for severance benefits	127,615	140,667	137,279	151,320
Depreciation and amortization	270,041	248,837	290,492	267,682
Stock-based compensation	344	4,318	370	4,645
Loss on disposal of tangible assets	4,813	9,442	5,177	10,157
Loss on valuation using the equity method of accounting	16,377	12,326	17,617	13,260
Loss on disposal of available-for-sale securities	1,178	4,733	1,267	5,091
Loss on redemption of available-for-sale securities	522	4,755	562	5,115
Loss on impairment of available-for-sale securities	2,599	28,998	2,796	31,194
Loss on sale of loans	85,867	207,184	92,370	222,874
Loss on impairment of intangible assets		159		171
Loss on impairment of fixed assets	269	3,250	289	3,496
Minority interests gain	159,888	145,300	171,997	156,304
Gain on trading securities	(329,459)	(363,852)	(354,409)	(391,407)
Gain on market index funds	(1,523,454)	(211,836)	(1,638,828)	(227,879)
Gain on derivatives	(3,358,309)	(2,609,137)	(3,612,639)	(2,806,731)
Reversal of allowance for possible losses	(29,530)	(15,661)	(31,766)	(16,847)
Gain on disposal of tangible assets	(3,382)	(20,680)	(3,638)	(22,246)
Gain on disposal of other assets	(673)	(527)	(724)	(567)
Gain on valuation using the equity method of accounting	(44,750)	(123,870)	(48,139)	(133,251)
Gain on disposal of available-for-sale securities	(619,114)	(137,639)	(666,000)	(148,063)
Gain on redemption of available-for-sale securities	(5,543)	(18,974)	(5,963)	(20,411)
Reversal of loss on impairment of available-for-sale securities	(15,118)	(16,735)	(16,263)	(18,002)
Reversal of loss on impairment of held-to-maturity securities	(16,069)	(3,800)	(17,286)	(4,088)
Gain on sale of loans	(13,098)	(128,945)	(14,090)	(138,710)
Reversal of negative goodwill	(241)	(12,670)	(259)	(13,629)
Other non-operating income	(135,912)		(146,205)	
	378,925	550,120	407,622	591,781

(Continued)



**Table of Contents****WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	Translation into			
	Korean won		U.S. dollars (Note 2)	
	2006	2005	2006	2005
	(In millions)		(In thousands)	
Changes in operating assets and liabilities:				
Decrease in present value discounts	(Won) (4,192)	(Won) (16,642)	US\$ (4,509)	US\$ (17,902)
Increase in trading securities	(5,070,377)	(592,345)	(5,454,364)	(637,204)
Increase in market index funds	(787,771)	(779,363)	(847,430)	(859,900)
Decrease (increase) in guarantee deposits	(57,086)	15,877	(61,409)	17,079
Increase in other accounts receivable	(3,696,560)	(147,712)	(3,976,506)	(158,899)
Increase in accrued income	(206,486)	(129,261)	(222,124)	(139,050)
Increase in prepaid expenses	(22,391)	(39,646)	(24,087)	(42,648)
Decrease in deferred income tax assets	254,285	567,464	273,542	610,439
Decrease in other receivables	2,444	850	2,629	914
Increase in domestic exchange settlements debits	(174,682)	(172,627)	(187,911)	(185,700)
Decrease (increase) in sundry assets	(973,912)	101,956	(1,047,668)	109,677
Payment of accrued severance benefits	(207,090)	(62,617)	(222,773)	(67,359)
Decrease (increase) in deposits in employee retirement trust	86,572	(37,559)	93,128	(40,403)
Decrease in transfers to the National Pension Fund	34	157	37	169
Increase (decrease) in allowance for possible losses on acceptances and guarantees	89	(6,205)	96	(6,675)
Decrease in other allowances	(23,805)	(18,811)	(25,608)	(20,236)
Increase (decrease) in foreign exchange remittance pending	(48,577)	62,933	(52,256)	67,699
Increase in domestic exchange remittance pending	141,209	1,230,842	151,903	1,324,055
Increase (decrease) in borrowings from trust accounts	829,708	(54,548)	892,543	(58,679)
Increase in sold equity linked securities	1,123,556	872,638	1,208,645	938,724
Increase (decrease) in other accounts payable	4,213,969	(7,793)	4,533,099	(8,383)
Increase in accrued expenses	631,731	11,898	679,573	12,799
Increase in income tax payable	2,389	261,922	2,570	281,758
Increase in unearned revenue	23,986	18,440	25,802	19,836
Decrease in deposits for letter of guarantees and others	(11,653)	(4,145)	(12,536)	(4,459)
Increase (decrease) in deferred income tax liabilities	100,216	(635,604)	107,806	(683,739)
Increase(decrease) in accounts for agency businesses	7,976	(81,511)	8,580	(87,683)
Increase (decrease) in liabilities incurred by agency relationship	(349,372)	189,894	(375,830)	204,275
Increase (decrease) in sundry liabilities	227,420	(113,805)	244,643	(122,424)
	(3,988,370)	414,677	(4,290,415)	446,081

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Net cash provided by (used in) operating activities	(1,580,126)	2,653,018	(1,699,791)	2,853,935
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**Table of Contents****WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	Korean won		Translation into	
	2006	2005	2006	2005
	(In millions)		U.S. dollars (Note 2) (In thousands)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Net decrease (increase) in restricted due from banks	(Won) 990,790	(Won) (2,666,883)	US\$ 1,065,824	US\$ (2,868,850)
Net increase in available-for-sale securities	(2,424,475)	(4,271,194)	(2,608,084)	(4,594,658)
Net decrease (increase) in held-to-maturity securities	1,141,178	(1,272,686)	1,227,601	(1,369,068)
Net decrease in investments accounted for using the equity method	122,905	112,845	132,213	121,391
Net increase in loans	(34,591,627)	(15,920,505)	(37,211,303)	(17,126,189)
Net increase in tangible assets	(221,604)	(263,490)	(238,386)	(283,444)
Net decrease (increase) in leased assets	(4,973)	17,739	(5,350)	19,082
Net increase in intangible assets	(161,753)	(19,207)	(174,003)	(20,662)
Net increase in non-operating assets	(1,475)	(758)	(1,587)	(815)
Net increase in operating leased assets	(6,565)		(7,062)	
Net decrease in derivative instruments assets	2,886,264	3,193,417	3,104,845	3,435,259
Net decrease in derivative instruments liabilities	(3,113,912)	(2,620,975)	(3,349,733)	(2,819,465)
Net cash used in investing activities	(35,385,247)	(23,711,697)	(38,065,025)	(25,507,419)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Net increase in deposits	21,934,877	14,940,024	23,596,038	16,071,454
Net increase in borrowings	6,894,916	3,222,329	7,417,078	3,466,361
Net increase in debentures in local currency	7,828,802	5,383,257	8,421,688	5,790,939
Net increase (decrease) in debentures in foreign currencies	1,139,200	(200,516)	1,225,474	(215,701)
Payment of dividends	(322,405)	(119,468)	(346,821)	(128,515)
Acquisition of treasury stock by subsidiaries	(3,107)	(2,940)	(3,342)	(3,163)
Expense in issuing new shares		(710)		(764)
Acquisition of treasury stock		(2,273)		(2,445)
Net decrease in minority interests	(56,724)	(124,316)	(61,020)	(133,731)
Net cash provided by financing activities	37,415,559	23,095,387	40,249,095	24,844,435
DECREASE IN CASH DUE TO CHANGE IN THE SCOPE OF CONSOLIDATION	(8,434)	(9,641)	(9,073)	(10,371)
NET INCREASE IN CASH AND DUE FROM BANKS	441,752	2,027,067	475,206	2,180,580
CASH AND DUE FROM BANKS, BEGINNING OF THE YEAR (Note 28)	5,199,840	3,172,773	5,593,632	3,413,052

CASH AND DUE FROM BANKS, END OF THE YEAR (Note 28)	(Won) 5,641,592	(Won) 5,199,840	US\$ 6,068,838	US\$ 5,593,632
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See accompanying notes to consolidated financial statements.

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**Table of Contents****WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005****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, 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 nine subsidiaries and 14 2nd-tier subsidiaries as of December 31, 2006.

Upon incorporation, the Company's stock amounted to (Won)3,637,293 million, consisting of 727,458,609 common shares ((Won)5,000 per share) issued and outstanding. As a result of several capital increases and exercise of warrants and conversion rights since incorporation, as of December 31, 2006, the Company's stock amounted to (Won)4,030,077 million, consisting of 806,015,340 common shares issued and outstanding of which the KDIC owns 628,458,609 shares (77.97%).

On June 24, 2002, the Company listed its common shares on the Korea Exchange. On September 29, 2003, the Company was registered with the Securities and Exchange Commission in the United States of America and listed its American Depositary Shares on the New York Stock Exchange.

**(2) The subsidiaries of the Company as of December 31, 2006 and 2005 are as follows:**

Parent companies	Subsidiaries	2006		2005		Financial statements as of
		Number of shares owned	Percentage of owner-ship (%)	Number of shares owned	Percentage of owner-ship (%)	
Woori Finance Holdings Co., Ltd.	Woori Bank	635,956,580	100.0	635,956,580	100.0	Dec. 31
	Kyongnam Bank	51,800,000	99.9	51,800,000	99.9	Dec. 31
	Kwangju Bank	44,080,000	99.9	44,080,000	99.9	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 Third Asset Securitization Specialty Co., Ltd.	2,000	100.0	2,000	100.0	Dec. 31
	Woori Investment Securities Co., Ltd.	46,324,981	35.0	46,324,981	34.4	Dec. 31
	Woori Credit Suisse Asset Management Co., Ltd. (*1)	4,663,400	70.0	6,662,000	100.0	Dec. 31
	Woori Private Equity Co., Ltd.	2,000,000	100.0	2,000,000	100.0	Dec. 31
Woori Bank	Woori Credit Information Co., Ltd.	1,008,000	100.0	1,008,000	100.0	Dec. 31 (*6)

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	Woori America Bank	10,500,000	100.0	10,500,000	100.0	Dec. 31 (*6)
	PT. Bank Woori Indonesia	1,618	95.2	1,618	95.2	Dec. 31 (*6)
	Korea BTL Infrastructure Fund (*2)	7,937,899	100.0			Dec. 31
	Woori Global Market Asia Limited (*3)	39,000,000	100.0			Dec. 31 (*6)
Woori F&I Co., Ltd.	Woori SB Asset Management Co., Ltd. (*4)	408,000	51.0	800,000	100.0	Dec. 31
Woori Investment Securities Co., Ltd.	Woori Futures Co., Ltd.	5,000,000	100.0	5,000,000	100.0	Dec. 31
	Woori Investment Securities Int'l Ltd.	5,788,000	100.0	5,788,000	100.0	Dec. 31 (*6)

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Parent companies	Subsidiaries	2005		2004		Financial statements as of
		Number of shares owned	Percentage of ownership (%)	Number of shares owned	Percentage of ownership (%)	
Woori Investment Securities Co., Ltd.	Woori Investment Securities (H.K.) Ltd.	22,500,000	100.0	22,500,000	100.0	Dec. 31 (*6)
	Woori Investment Securities America, Inc.	300	100.0	300	100.0	Dec. 31 (*6)
	LG Investment Holding B.V. (Amsterdam) GG	1,642,398,242	100.0	1,642,398,242	100.0	Dec. 31 (*6)
	High Technology Venture Investment	208,000	42.9	1,500,000	42.9	Dec. 31 (*6)
	Global Technology Investment	592,000	50.0	1,500,000		