

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.

## Edgar Filing: WOORI FINANCE HOLDINGS CO LTD - Form 6-K

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.

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**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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March 31, 2004	Woori Card merged into Woori Bank
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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

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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	806,015,340	
	Preferred Shares		
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	806,012,785	
	Preferred Shares		



**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

**Table of Contents****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**

<b>Position</b>	<b>Name</b>	<b>Information</b>	<b>Relationship with KDIC</b>	<b>Transaction with WFG</b>
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**

<b>Position</b>	<b>Name</b>	<b>Information</b>	<b>Relationship with KDIC</b>	<b>Transaction with WFG</b>
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				Reasons Behind Change	
			Beginning balance Stock	Share	(+)	(-)		Ending balance Stock
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		

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**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)	U.S. dollars (Note 2)
	(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)		2006	2005
			(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)		(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</b>	<b>Acquisition</b>		
	<b>revenue</b>	<b>(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>

**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)	
<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.



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**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		Translation into U.S. dollars (Note 2)	
	2006 (In millions)	2005	2006 (In thousands)	2005
<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)		(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

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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 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. (*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	50.0	Dec. 31 (*6)
	MARS First Private Equity Fund (*5)	9,000,000	52.9			Dec. 31

(\*1) On May 30, 2006, the Company sold 1,998,600 shares (30%) of Woori Credit Suisse Asset Management Co., Ltd. to Credit Suisse Asset Management International Holding. As a result, (Won)34,604 million of gains on the disposal of the ownership interests in Woori CS was recorded in capital surplus in the consolidated financial statements.

(\*2) On May 19, 2006, Woori Bank acquired 2,000,000 shares (100%) of Korea BTL Infrastructure Fund. On September 1, 2006 and November 14, 2006, Woori Bank additionally acquired 1,954,018 and 3,983,881 shares, respectively.

(\*3) On August 23, 2006, Woori Bank established Woori Global Market Asia Limited (common stock amounted to HKD 39,000,000) in Hong Kong as an offshore subsidiary.

(\*4) On February 23, 2006, Woori F&I Co., Ltd. sold 392,000 shares (49%) of Woori SB Asset Management Co., Ltd. ( Woori SB ) to CRT 9 Yugen Kaisha.

(\*5) On September 19, 2006, Woori Investment Securities acquired 52.9% ownership of MARS First Private Equity Fund.

(\*6) The financial statements as of 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 Practice Statements in Financial Reporting 2002-7 Investees financial statements applied using the equity method of accounting .

(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.

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.

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**Table of Contents****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 and in the business of acquisition and disposition of equity of asset management corporations. 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 3rd 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 3rd 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 3rd 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 capital surplus. 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.

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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 surplus. 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.

j. 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.

k. 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.

l. 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%.

m. 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, Korea BTL's common stock, which is wholly owned by Woori Bank, amounted to (Won)39,689 million, consisting of 7,937,899 shares issued and outstanding.

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## n. 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.( Woori SB ). 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.

## o. The information of the other 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'l Ltd.	Securities	USD 5,788	5,788,000	1991.8.15	London, UK
Woori Investment Securities (H.K.) Ltd.	Securities	USD 22,500	22,500,000	1995.3.6	Hong Kong, China
Woori Investment Securities America Inc.	Securities	USD 3dollar	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

## (4) Affiliates accounted for using the equity method of accounting of the Company and its subsidiaries as of December 31, 2006 and 2005 are as follows:

Investors	Investees	2006		2005		Financial statements as of
		Number of shares owned	Percentage of ownership (%)	Number of shares owned	Percentage of ownership (%)	
Woori Bank & Kyongnam Bank	BC Card Co., Ltd.	1,303,920	29.6	1,303,920	29.6	Nov. 30 (*10)
Woori, Kyongnam & Kwangju Bank	Korea Credit Bureau	180,000	9.0	180,000	9.0	Dec. 31 (*10)
Woori Bank	Korea Finance Security Co., Ltd. (*1)	183,870	15.3	233,070	16.7	Nov. 30 (*10)
	Woori First Private Equity Fund (*2)				98.7	Dec. 31 (*10)
	Woori Service Networks Co., Ltd.	4,704	4.9	4,704	4.9	Nov. 30 (*10)
	Woori SME Asset	54,600	5.0	54,600	5.0	Dec. 31 (*10)

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	Securitization Specialty					
	Woori SME First ABS Co., Ltd.	82,960	5.0	82,960	5.0	Dec. 31 (*10)
Woori Investment Securities	Connacht Capital Market Investment (*3)	15,000,000	100.0	15,000,000	100.0	Dec. 31 (*10)
HTI & GTI	Athena Venture Fund (*4)		66.4		66.4	Dec. 31 (*10)
Woori F&I	Woori LB Third Asset Securitization Specialty(*5)			264,000	30.0	Dec. 31
	Woori F&I Fourth Asset Securitization Specialty	360	30.0	360	30.0	Dec. 31
	Woori SB First Asset Securitization Specialty	1,867,800	30.0	1,867,800	30.0	Dec. 31

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		2006		2005		Financial statements as of
		Number of shares owned	Percentage of ownership (%)	Number of shares owned	Percentage of ownership (%)	
<b>Investors</b>	<b>Investees</b>					
	Woori SB Second Asset Securitization Specialty (*6)			210,912	30.0	Dec. 31
	Woori SB Third Asset Securitization Specialty	452,286	30.0	452,286	30.0	Dec. 31
	Woori SB Fifth Asset Securitization Specialty	282,456	30.0	282,456	30.0	Dec. 31
	Woori SB Sixth Asset Securitization Specialty (*7)	274,542	30.0			Dec. 31
	Woori SB Seventh Asset Securitization Specialty (*7)	721,600	40.0			Dec. 31
	Woori BC Pegasus Asset Securitization Specialty	581,580	30.0	581,580	30.0	Dec. 31
Woori F&I	Woori Marine First Asset Securitization Specialty	72,576	30.0	72,576	30.0	Dec. 31
	Woori Marine Third Asset Securitization Specialty	156,834	30.0	156,834	30.0	Dec. 31
	Woori Stream First Asset Securitization Specialty (*7)	249,408	40.0			Dec. 31
Woori F&I & Woori Bank	Woori Marine Second Asset Securitization Specialty	335,820	30.0	335,820	30.0	Dec. 31
MARS First	Sempio Foods Company (*8)	1,072,065	24.1			Sep. 30
Woori, Kyongnam & Kwangju Bank, Woori Investment Securities, Woori F&I & Woori PE	Woori Private Equity Fund (*9)	1,613	60.6			Dec. 31

(\*1) For the year ended December 31, 2006, the investee reduced its capital. As a result, the number of shares owned by the investor or ownership interest of Woori Bank decreased.

(\*2) Liquidated on March 17, 2006.

(\*3) Since it is due for liquidation, the investee is accounted for using the equity method of accounting and excluded from consolidation.

(\*4) Due to restriction on the voting rights of the investee, it is accounted for using the equity method of accounting and excluded from consolidation.

(\*5) Liquidated on December 29, 2006.

(\*6) Liquidated on October 13, 2006.

(\*7) Woori F&I acquired Woori SB Sixth Asset Securitization Specialty Co., Ltd., Woori SB Seventh Asset Securitization Specialty Co., Ltd. and Woori Stream First Asset Securitization Specialty Co., Ltd. on March 14, 2006, December 19, 2006 and June 23, 2006, respectively.

(\*8) MARS First Private Equity Fund acquired Sempio Foods Company ( Sempio ) on September 21, 2006 in order to develop the corporate value of Sempio through the control of management.

(\*9) Woori Private Equity Fund ( Woori PEF ), established on June 23, 2006, has been engaged in investments by private funding and Woori Private Equity Co., Ltd ( Woori PE ) is its general partner. As of December 31, 2006, Woori PEF s contributed capital is (Won)2,663 million of total authorized capital of (Won)344,000 million. In addition, the Company discontinued recognizing further changes in its share of equity interest in Woori PEF as the carrying amount of an investment in Woori PEF fell below zero as a result of reflecting Woori PEF s losses. As of December 31, 2006, the Company s share of cumulative losses not recognized is (Won)21 million.

(\*10) The financial statements for the year ended December 31, 2006 are not audited. In order to ensure the credibility of the financial statements of these subsidiaries, the Company and its subsidiaries performed certain procedures in accordance with Practice Statements in Financial Reporting 2002-7 Investees financial statements applied using the equity method of accounting .

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- (5) General information pertaining to affiliates of the Company and its subsidiaries accounted for using the equity method of accounting is as follows (Korean won in millions, US Dollars in thousands):

Investees	Main business	Capital	Number of issued shares	Established date	Location	The rationale of application of equity method of accounting
BC Card Co., Ltd.	Credit card & installment financing	44,000	4,400,000	Sep. 7, 1983	Seoul, Korea	Percentage of ownership exceeds 20%.
Korea Credit Bureau	Investigation and reference of credit information of individuals	10,000	2,000,000	Feb. 23, 2005	Seoul, Korea	Significant influence over the investee
Woori Service Networks Co., Ltd.	Freight & staffing services	200	96,000	Aug. 1, 2005	Seoul, Korea	The investee's material transaction with the investor
Korea Finance Security Co., Ltd.	Security service /Investment	6,000	1,200,000	Dec. 7, 1990	Seoul, Korea	Banking act
Woori First Private Equity Fund		22,694		Dec. 20, 2004	Seoul, Korea	Percentage of ownership exceeds 20%.
Connacht Capital Market Investment		USD 150	15,000,000	May 8, 1996	Malaysia	
Athena Venture Fund		USD 55,079		Sep. 22, 1997	United States	
Woori LB Third Asset Securitization Specialty	Securitization	4,400	880,000	Dec. 9, 2002	Seoul, Korea	
Woori F&I Fourth Asset Securitization Specialty		12	1,200	Jul. 15, 2003	Seoul, Korea	
Woori SB First Asset Securitization Specialty		31,130	6,226,000	Mar. 18, 2004	Seoul, Korea	
Woori SB Second Asset Securitization Specialty		3,515	703,040	Oct. 28, 2004	Seoul, Korea	
Woori SB Third Asset Securitization Specialty		7,538	7,516,200	Mar. 4, 2005	Seoul, Korea	
Woori SB Fifth Asset Securitization Specialty		4,708	941,520	Dec. 14, 2005	Seoul, Korea	
Woori SB Sixth Asset Securitization Specialty		4,576	915,140	Feb. 23, 2006	Seoul, Korea	
Woori SB Seventh Asset Securitization Specialty		2,072	1,804,000	Dec. 1, 2006	Seoul, Korea	
Woori BC Pegasus Asset Securitization Specialty		9,639	1,938,600	Aug. 20, 2004	Seoul, Korea	
Woori Marine First Asset Securitization Specialty		1,210	979,200	Jan. 21, 2005	Seoul, Korea	
Woori Marine Second Asset Securitization Specialty		5,597	1,119,400	Mar. 28, 2005	Seoul, Korea	
		2,614	522,780	May 26, 2005	Seoul, Korea	

Woori Marine Third Asset Securitization Specialty						
Woori Stream First						
Asset Securitization Specialty						
		3,118	623,520	Jun. 2, 2006	Seoul, Korea	
Woori SME Asset Securitization Specialty						
		5,460	75,971	Aug. 1, 2005	Seoul, Korea	Significant influence over the investee
Woori SME First ABS Co., Ltd.						
		8,347	1,669,360	Oct. 25, 2005	Seoul, Korea	
SEMPIO Foods Company						
	Food & Beverages Manufacturing	4,444	444,000	Dec. 9, 1971	Seoul, Korea	Percentage of ownership exceeds 20%.
Woori Private Equity Fund						
	Investments in private equity fund	2,663	2,663	Jun. 23, 2006	Seoul, Korea	Significant influence over the investee

**Table of Contents****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Basis of Financial Statement Presentation**

The Company and its subsidiaries (excluding foreign subsidiaries) maintain its official accounting records in Korean won and prepare statutory consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. 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 condensed, 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)929.6 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 significant accounting policies followed in preparing the accompanying 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.

1) Interests in joint ventures SKAS No.18

This statement identifies three broad types jointly controlled operations, jointly controlled assets and jointly controlled entities that are commonly described as joint ventures in which two or more venturers are bound by a contractual arrangement and the contractual arrangement establishes joint control. With respect to interest in jointly controlled operations, this statement requires a venturer to recognize in its financial statements the assets that it controls, the liabilities and expenses that it incurs, and its share of the income that it earns from the sale of goods or services by the joint venture. With respect to interest in jointly controlled assets, a venturer is required to recognize in its financial statements its share of the jointly controlled assets, classified according to the nature of the assets; any liabilities that it has incurred; its share of any liabilities incurred jointly with the other venturers in relation to the joint venture; any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture and any expenses that it has incurred in respect of its interest in the joint venture. With respect to interest in jointly controlled entities, a venturer is required to recognize in its financial statements its interest in jointly controlled entity using the equity method.

2) Leases SKAS No.19

This statement requires a lease to be classified as a financial lease if it transfers substantially all the risks and rewards incidental to ownership of an asset regardless of form of the contract or transfer of the legal title. Lessees recognize financial leases as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property. A lease other than a financial lease is treated as an operating lease. In addition, a sale-leaseback transaction, which involves the sale of an asset and the lease back of the same asset, is accounted for as borrowings.

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3) Related party disclosures SKAS No.20

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 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 transactions.

The adoption of these standards have 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 disposal of available-for-sale securities and others on prior period's income statement relating to unrealized gains for available-for-sale securities and others in capital adjustment of which subsidiaries had recorded at acquisition date. Such capital adjustments should have been reflected as a disposal of available-for-sale securities 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 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 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 income statement and the effect on prior years of (Won)13.4 billion is recorded in non-operating income.

c. Consolidation accounting

1) Investment and equity account elimination and inter-company transaction elimination

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

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

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

2) Overseas consolidated subsidiaries' financial statements' conversion rate

The Korean won amounts presented in the financial statements of the overseas consolidated subsidiaries were computed by translating U.S. dollar into Korean won based on the Base rate (\$1.00 to (Won)929.6 and (Won)1,013.0 at December 31, 2006 and 2005, respectively) published by Seoul Money Brokerage Service, Ltd. and cross rates.

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3) Investment securities accounted for using the equity method of accounting

If the Company and its subsidiaries own 20% (bank subsidiary 15%) or more of voting shares of its investees, either directly or indirectly, the Company and its subsidiaries are 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 a gain.

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

4) Date of the consolidated financial statements

The accompanying financial statements are stated as of December 31, 2006 and 2005, the balance sheets date of the Company. In case the balance sheet dates of affiliates differ from the Company's, the Company used the consolidated balance sheets of affiliates as of December 31, 2006 and 2005, and the related consolidated statements of income for the years ended December 31, 2006 and 2005.

5) Minority interests

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

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

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

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

1) Trading securities

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

2) Available-for-sale securities

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

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

**3) Held-to-maturity securities**

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

**4) Reversal of loss on impairment of available-for-sale and held-to-maturity securities**

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

**5) Reclassification of securities**

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

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

**e. Interest income recognition**

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

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## f. Allowance for possible losses on credits

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

The classifications of the loans pursuant to the policies of the Company and its subsidiaries as of December 31, 2006 are as follows:

Classification	Loans to	Loans to	Credit card
	corporate	households	accounts
Normal	Not less than 0.7%	Not less than 1%	Not less than 1.5%
Precautionary	Not less than 7%	Not less than 10%	Not less than 15%
Substandard	Not less than 20%	Not less than 20%	Not less than 20%
Doubtful	Not less than 50%	Not less than 55%	Not less than 60%
Loss	100%	100%	100%

The Company and its subsidiaries estimate the allowance for possible credit losses considering the Banking Regulations in the Republic of Korea, discounted future cash flows on individual or homogeneous loans, and expected loss rated based on historical loan loss experience.

The Company and its subsidiaries has provided the allowance for possible losses on portion of confirmed acceptances and guarantees, acceptances and guarantees to note endorsed and unconfirmed acceptances and guarantees based on the credit classification. In addition, the Company and its subsidiaries also provide other allowance for the unused credit line facility for cash advance and purchase of active credit card accounts and unused credit line of consumer and corporate loans.

In addition, the Company and its subsidiaries partially changed the method of estimating the allowance for possible losses on loans to corporations, households and credit cards for the year ended December 31, 2006 as follows.

Classification	Loans to		Loans to		Credit card	
	corporate		households		accounts	
	Before	After	Before	After	Before	After
Normal	Not less than 0.5%	Not less than 0.7%	Not less than 0.75%	Not less than 1%	Not less than 1%	Not less than 1.5%
Precautionary	Not less than 2%	Not less than 7%	Not less than 8%	Not less than 10%	Not less than 12%	Not less than 15%

The changes in accounting estimates described above is to reasonably estimate the allowance for possible losses on loans based on prior periods. The effect of changes in accounting estimates shall be applied prospectively. As of December 31, 2006, the allowance for possible losses on loans, allowances for acceptances and guarantees and allowances for unused credit line increased by (Won)283.1 billion, (Won)17.2 billion and (Won)124.9 billion, respectively, and the income before income tax decreased by (Won)425.2 billion as a result of the changes in accounting estimates.



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## g. Restructuring of loans

A loan whose contractual terms are modified in a troubled debt restructuring program is accounted for at present value of future cash flows in the revised contract discounted using the effective interest rate in the original contract. If the present value differs from the face value of the loan, it is recorded as an allowance for possible loan loss. In addition, the allowance for possible loan loss is recorded based on the observable market value of the loan, if available, or the fair value of collateral of the loan, if the collection of the loan is likely to be made through a disposition of collateral.

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

## h. Valuation of receivables and payables at present value

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

## i. Fixed assets and depreciation

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

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

## j. Intangible assets and amortization

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

## k. Valuation allowance for non-business use property

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

## l. Amortization of discount (premium) on debentures

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

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m. Recognition of asset impairment

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

n. Accrued severance benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company and its subsidiaries. The accrued severance benefits that would be payable assuming all eligible employees and directors were to terminate as of December 31, 2006 and 2005 amount to (Won)363,729 million and (Won)443,204 million, respectively (Note 22).

o. Bonds under resale or repurchase agreements

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

p. Accounting for derivative instruments

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

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

q. 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.

r. Accounting for foreign currency translation

The Korean won equivalent of assets and liabilities denominated in foreign currencies are translated in these consolidated financial statements based on Base Rate announced by Seoul Money Brokerage Service Ltd. ((Won) 929.6 and (Won) 1,013.0 to \$1.00 at December 31, 2006 and 2005, respectively) or cross rates at the balance sheets date. Translation gains and losses on foreign currencies denominated assets and liabilities are credited or charged to operations.



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## s. Stock-based compensation

The Company presented stock options at fair value in accordance with Interpretation on KFRS 39-35. The stock-based compensation had been charged to general & 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 made a resolution 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.

## t. 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.

**3. CASH AND DUE FROM BANKS**

(1) Cash and due from banks as of December 31, 2006 and 2005 are as follows (Korean won in millions):

	<b>2006</b>	<b>2005</b>
Cash	(Won) 3,681,896	(Won) 3,527,624
Foreign currencies	258,242	198,272
<b>Due from banks in local currency</b>		
Due from Bank of Korea	3,482,148	4,117,747
Due from depository institutions	885,570	959,406
Due from non-depository financial institutions	509,511	90,700
Due from the Korea Stock Exchange	990,931	1,589,155
Others	42,107	81,173
	<b>5,910,267</b>	<b>6,838,181</b>
<b>Due from banks in foreign currencies</b>		
Due from banks on demand	560,137	418,745
Due from banks on time	98,760	110,356
Off-shore due from financial institutions		5,368
Others	165,675	125,469
	<b>824,572</b>	<b>659,938</b>
	<b>(Won) 10,674,977</b>	<b>(Won) 11,224,015</b>

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(2) Restricted due from banks as of December 31, 2006 and 2005 are as follows (Korean won in millions):

	2006	2005	Reason of restriction
<b>Due from banks in local currency</b>			
Bank of Korea	(Won) 3,482,148	(Won) 4,117,747	Banking law
Korea Exchange	11,539	313	Indemnity fund and others
Korea Securities Finance Corporation	1,000,298	1,582,084	Regulation of securities supervision
Korea Securities Depository		1	Indemnity fund and others
Samsung Securities and others	102,295	56,668	Subscription for futures
Hana Bank and others	5,746	1,971	Collateral for borrowing
Others	11	20,596	Collateral for guarantees and others
	4,602,037	5,779,380	
<b>Due from banks in foreign currencies</b>			
Bank of Korea	120,072	102,285	Banking law
Bank of Japan and others	49,701	1,941	Reserve deposits on overseas banks
Lehman Brothers	94,165	12,271	Collateral for credit derivatives
Bangladesh Bank and others	17,198	16,208	Reserve deposits on overseas banks
Bank of Indonesia	9,333	7,070	Reserve deposits on overseas banks
Industrial & Commercial Bank of China and others	65,876	10,282	Reserve deposits on overseas banks
HSBC, Seoul		578	Collateral for guarantees
ING Bank	9,501		Collateral for suit
Others	65,502	94,160	Security deposit and others
	431,348	244,795	
	(Won) 5,033,385	(Won) 6,024,175	

(3) The maturity structures of due from bank as of December 31, 2006 and 2005 are as follows (Korean won in billions):  
<2006>

	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 years	More than 3 years	Total
Due from banks in local currency	(Won) 2,234	(Won) 133	(Won) 245	(Won)	(Won) 3,298	(Won) 5,910
Due from banks in foreign currencies	617	64	2	96	46	825
	(Won) 2,851	(Won) 197	(Won) 247	(Won) 96	(Won) 3,344	(Won) 6,735

<2005>

	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 years	More than 3 years	Total
Due from banks in local currency	(Won) 2,420	(Won) 383	(Won) 94	(Won) 6	(Won) 3,935	(Won) 6,838

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Due from banks in foreign currencies	462	32	70	96	660	
	(Won) 2,882	(Won) 415	(Won) 94	(Won) 76	(Won) 4,031	(Won) 7,498

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**Table of Contents****4. TRADING SECURITIES**

Details of trading securities as of December 31, 2006 and 2005 are as follows (Korean won in millions):

<2006>

	Acquisition		
	Face value	cost	Fair value
<b>&lt;In local currency&gt;</b>			
Equity securities		(Won) 811,367	(Won) 823,966
Government bonds	(Won) 1,568,251	1,543,067	1,552,580
Financial debentures	5,688,084	5,583,114	5,586,487
Corporate bonds	470,455	470,996	466,115
Beneficiary certificates		946,898	988,528
Others		3,255,148	3,272,385
		12,610,590	12,690,061
<b>&lt;In foreign currencies&gt;</b>			
Equity securities		62,101	62,599
Bonds and others	81,091	118,228	117,057
		180,329	179,656
		(Won) 12,790,919	(Won) 12,869,717

<2005>

	Acquisition		
	Face value	cost	Fair value
<b>&lt;In local currency&gt;</b>			
Equity securities		(Won) 141,718	(Won) 150,766
Government bonds	(Won) 1,101,743	1,084,685	1,095,177
Financial debentures	2,511,896	2,455,251	2,136,647
Corporate bonds	822,805	827,217	885,231
Beneficiary certificates		1,308,419	1,387,828
Others		1,771,165	1,999,449
		7,588,455	7,655,098
<b>&lt;In foreign currencies&gt;</b>			
Equity securities		30,429	27,396
Bonds and others	11,104	11,106	11,132
		41,535	38,528
		(Won) 7,629,990	(Won) 7,693,626



**5. AVAILABLE-FOR-SALE SECURITIES**

(1) Available-for-sale securities as of December 31, 2006 and 2005 are as follows (Korean won in millions):

	2006	2005
<In local currency>		
Equity securities	(Won) 4,380,376	(Won) 3,229,450
Capital contributions	142,055	51,194
Government bonds	1,106,516	738,654
Financial debentures	11,221,898	8,534,790
Corporate bonds	2,149,046	2,659,723
Beneficiary certificates	1,535,085	2,690,165
Others	57,796	36,589
	20,592,772	17,940,565
<In foreign currencies>		
Equity securities	72,280	9,172
Bonds	1,772,529	817,227
Beneficiary Certificates	20,778	
Others	1,893	
	1,867,480	826,399
	(Won) 22,460,252	(Won) 18,766,964

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(2) Equity securities in available-for-sale securities as of December 31, 2006 and 2005 are as follows (Korean won in millions, shares in thousands):

<2006>

	Number of	Percentage	Acquisition	Fair value	Book
	shares owned	of ownership	cost	(*1)	value
		(%)			
<b>&lt;Marketable equity Securities&gt;</b>					
POSCO	436	0.24	(Won) 104,019	(Won) 134,704	(Won) 134,704
Daewoo Engineering & Construction Co., Ltd.	14,123	4.12	258,448	255,366	255,366
Daewoo International Corporation	1,875	1.97	4,602	62,910	62,910
KP Chemical Corporation	8,383	8.63	17,256	37,138	37,138
Kocref-Cr-Reit 1 (*2)	4,100	15.41	20,500	41,000	41,000
Hynix Semiconductor Inc.	42,054	13.23	152,309	1,351,528	1,351,528
Hyundai Eng. & Const. Co., Ltd.	15,952	14.42	232,204	759,514	759,514
Hyundai Corporation (*3)	5,070	22.70	68,589	96,790	96,790
LG Card Co., Ltd.	10,204	8.14	93,037	676,065	676,065
SK Networks Co., Ltd.	11,009	4.60	47,265	253,664	253,664
Hu-Chems	1,197	5.62	17,785	19,561	19,561
Others			102,669	125,675	125,675
			1,118,683	3,813,915	3,813,915
<b>&lt;Non-marketable securities&gt;</b>					
Stocks subject to fair value valuation;					
SK Networks Co., Ltd. (preferred stock)	672	0.28	24,809	45,535	45,535
Korea Aerospace Industries Ltd. (preferred stock)	2,006	2.36	22,338	6,965	6,965
Daewoo Electronics Corp.	5,741	5.37	13,672	6,728	6,728
Kocref-Cr-Reit 6	3,800	14.50	19,000	19,889	19,889
New Airport Hiway Co., Ltd.	923	2.10	5,072	13,077	13,077
Korea Securities Finance Corporation	5,313	7.81	27,203	33,534	33,534
Korea Housing Guarantee Co., Ltd.	5,147	0.79	5,753	21,220	21,220
Hyundai Merchant Marine Co., Ltd.	3,334	2.18	50,005	50,768	50,768
Kumho Life Insurance Co., Ltd.	2,109	4.99	10,545	26,871	26,871
Others			81,141	112,317	112,317
Stocks not subject to fair value valuation;					
Samsung Life Insurance Co., Ltd.	555	2.78	159,262	229,028	159,262
Kyongnam Trading Inc.	60	10.00	300	279	300
ChonNam Corporation Co., Ltd.	60	9.77	300	300	300
Korea Securities Computer Corporation	218	4.07	1,097	5,095	1,097
The Korea Economic Daily	270	1.44	1,465	1,465	1,465
Korea Securities Depository	163	2.72	1,436	10,471	1,436
Korea Exchange	1,000	5.00	6,616	76,335	6,616
KiHyup Technology Banking Corp.	400	6.90	2,000	2,463	2,000
KIDB Bonds Brokerage Corp.	200	15.96	1,000	1,176	1,000
I Investment Trust Management	100	3.16	500	436	500
Kyobo Investment Trust Management	300	5.00	1,500	2,518	1,500
Delta Invest Management Advisory Co., Ltd.	55	7.12	550	257	550
Paragon Management Advisory Co., Ltd.	106	17.20	630	543	630
Hangaram Management Advisory Co., Ltd.	30	10.00	300	750	300



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&lt;2006&gt;

	Number of shares owned	Percentage of ownership	Acquisition cost	Fair value (*1)	Book value
		(%)			
My Asset Invest Management Advisory Co., Ltd.	230	7.49	(Won) 1,150	(Won) 597	(Won) 1,150
I Venture Investment Co., Ltd.	140	7.00	406	406	406
MVP Capital Co., Ltd.	200	9.57	1,000	1,400	1,000
Final Data Inc.	67	1.33	323	336	323
Reality Advisors Korea	200	14.29	1,000	527	1,000
Capital Partner	100	7.14	500	529	500
Others			93,888	263,173	48,222
			534,761	934,988	566,461
			(Won) 1,653,444	(Won) 4,748,903	(Won) 4,380,376

(\*1) Net asset for stock not subject to fair valuation.

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

(\*3) Not accounted for using the equity method of accounting since the investee is under corporate restructuring by an agreement with credit committee.

&lt;2005&gt;

	Number of shares owned	Percentage of ownership	Acquisition cost	Fair value (*1)	Book value
		(%)			
<Marketable equity Securities>					
Daerim Corporation	1,043	19.82	(Won) 14,022	(Won) 17,216	(Won) 17,216
Daewoo Engineering & Construction Co., Ltd.	19,060	5.62	73,557	255,403	255,403
Daewoo International Corporation	1,885	1.98	4,655	49,721	49,721
Ssangyong Engineering & Construction Co., Ltd.	621	2.12	20,867	6,897	6,897
Ssangyong Cement Industrial Co., Ltd.	850	1.14	14,274	12,065	12,065
KP Chemical Corporation	8,383	8.63	17,255	44,432	44,432
Kocref-Cr-Reit 1 (*2)	4,100	15.41	20,500	30,750	30,750
Hynix Semiconductor Inc.	47,420	10.95	175,936	1,183,183	1,183,183
Hyundai Eng. & Const. Co., Ltd.	15,952	14.58	232,204	473,901	473,901
Hyundai Corporation	5,070	7.57	68,589	93,079	93,079
LG Card Co., Ltd.	10,904	8.70	99,419	398,690	398,690
SK Networks Co., Ltd.	11,009	4.43	47,265	112,047	112,047
Others			98,941	108,169	108,169
			887,484	2,785,553	2,785,553

&lt;Non-marketable securities&gt;

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Stocks subject to fair value valuation;

SK Networks Co., Ltd.

(preferred stock)	920	0.39	33,957	57,820	57,820
Korea Aerospace Industries Ltd. (preferred stock)	4,468	4.83	22,338	14,739	14,739
Moogoonghwa Restructuring Fund	5,400	8.10	3,837	4,162	4,162
Seoul Debt Restructuring Fund	9,800	8.18	7,810	4,305	4,305
Daewoo Electronics Corp.	5,717	5.37	13,662	20,139	20,139
Kocref-Cr-Reit 6	3,800	14.50	19,000	19,889	19,889
New Airport Hiway Co., Ltd.	923	2.10	5,072	10,436	10,436
Korea Securities Finance Corporation	9,418	14.33	47,968	52,257	52,257
Korea Housing Guarantee Co., Ltd.	6,899	1.09	10,014	18,973	18,973
Others			36,103	42,550	42,550
Stocks not subject to fair value valuation;					
Samsung Life Insurance Co., Ltd.	555	2.78	159,262	214,158	159,262
Kyongnam Trading Inc.	60	10.00	300	392	300
Hanil Synthetic Fiber Co., Ltd.	67	0.66	295	968	271

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&lt;2005&gt;

	Number of shares owned	Percentage	Acquisition cost	Fair value (*1)	Book value
		of ownership (%)			
ChonNam Corporation Co., Ltd.	60	9.77	300	341	300
Korea Securities Computer Corporation	218	4.07	(Won) 1,097	(Won) 4,878	(Won) 1,097
The Korea Economic Daily	304	2.03	3,053	1,627	1,728
Korea Securities Depository	160	2.67	1,408	9,088	1,408
KiHyup Technology Banking Corp.	400	6.90	2,000	2,283	2,000
KIDB Bonds Brokerage Corp.	200	15.96	1,000	864	1,000
Taekwang Investment Trust Management Co., Ltd.	100	5.00	500	599	500
I Investment Trust Management	100	3.16	500	396	500
Kyobo Investment Trust Management	300	5.00	1,500	2,374	1,500
Delta Invest Management Advisory Co., Ltd.	55	7.12	550	294	550
Paragon Management Advisory Co., Ltd.	106	17.20	630	542	630
Hangaram Management Advisory Co., Ltd.	30	10.00	300	427	300
My Asset Invest Management Advisory Co., Ltd.	230	7.49	1,150	672	1,150
I Venture Investment Co., Ltd.	140	7.00	700	508	700
MVP Capital Co., Ltd.	200	10.00	1,000	1,075	1,000
Final Data Inc.	67	1.33	2,000	330	322
Reality Advisors Korea	200	14.29	1,000	595	1,000
Capital Partner	100	7.14	500	460	500
Others			120,977	176	22,609
			499,783	488,317	443,897
			(Won) 1,387,267	(Won) 3,273,870	(Won) 3,229,450

(\*1) Net asset for stock not subject to fair valuation.

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

(3) Capital contribution in available-for-sale securities as of December 31, 2006 and 2005 are as follows (Korean won in millions):

	2006		2005	
	Percentage of ownership(%)	Book value (Won)	Percentage of ownership(%)	Book value (Won)
Korea Exchange (*1)			6.64	7,906
Stock Market Stabilization Fund	8.20	53	8.20	15,544
Korea Asset Management Corp.	4.77	13,473	5.00	13,473
LG Investment Seventh Fund	8.00	710	8.00	711
Macquarie Opportunities	8.90	32,486		
Consus Investment 3 <sup>rd</sup> Private Equity Fund	19.61	15,355		
KTB 2005 Private Equity Fund	14.59	10,698		
KTB 2006 Private Equity Fund	3.20	8,000		

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Others	61,280	13,560
	(Won) 142,055	(Won) 51,194

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(\*1) Reclassified from capital contribution to equity securities

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- (4) Debt securities in available-for-sale securities in local currency as of December 31, 2006 and 2005 are as follows (Korean won in millions):

<2006>

	Face value	Acquisition cost	Fair value
Government bonds	(Won) 1,120,122	(Won) 1,139,415	(Won) 1,106,516
Financial debentures	11,346,482	11,168,835	11,221,898
Corporate bonds	2,163,827	2,177,010	2,149,046
	(Won) 14,630,431	(Won) 14,485,260	(Won) 14,477,460

<2005>

	Face value	Acquisition cost	Fair value
Government bonds	(Won) 754,375	(Won) 754,517	(Won) 738,654
Financial debentures	8,617,356	8,492,433	8,534,790
Corporate bonds	2,676,906	2,668,809	2,659,723
	(Won) 12,048,637	(Won) 11,915,759	(Won) 11,933,167

- (5) Beneficial certificates in available-for-sale securities in local currency as of December 31, 2006 and 2005 are as follows (Korean won in millions):

	2006		2005	
	Acquisition cost	Fair value	Acquisition cost	Fair value
Daehan Investment Trust Management	(Won) 50,000	(Won) 52,139	(Won) 50,000	(Won) 50,501
Woori Asset Management	430,273	467,121	1,847,060	1,872,407
I Investment Trust Management	50,000	50,061	40,000	40,391
Korea Investment Trust Management	53,000	54,065	399	319
Hanil Investment Trust Management		13	60,507	61,790
CJ Investment Trust Management			70,000	70,515
Daishin Investment Trust Management			70,000	70,553
TongYang Investment Trust Management	9,170	9,571	59,000	59,082
Kyobo Investment Trust Management	90,013	90,212		
Yurie Asset Management	50,000	50,557		
Others	699,795	761,346	404,584	464,607
	(Won) 1,432,251	(Won) 1,535,085	(Won) 2,601,550	(Won) 2,690,165

- (6) Other available-for-sale securities in local currency as of December 31, 2006 and 2005 are as follows (Korean won in millions):

2006	2005
Fair value	Fair value



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	Acquisition cost		Acquisition cost	
Bills bought in local currency	(Won) 11,356	(Won) 11,356	(Won) 8,081	(Won) 7,858
Corporate restructuring vehicle			15,690	11,224
Others	9,636	46,440	1,954	17,507
	(Won) 20,992	(Won) 57,796	(Won) 25,725	(Won) 36,589

(7) Available-for-sales securities in foreign currencies as of December 31, 2006 and 2005 are as follows (Korean won in millions):  
<2006>

	Face value	Acquisition cost	Fair value	Book value
Equity securities		(Won) 68,795	(Won) 72,280	(Won) 72,280
Bonds	(Won) 1,829,161	1,740,287	1,772,529	1,772,529
Beneficiary Certificates		20,778	20,778	20,778
Others		1,006	1,893	1,893
		(Won) 1,830,866	(Won) 1,867,480	(Won) 1,867,480

<2005>

	Face value	Acquisition cost	Fair value	Book value
Equity securities		(Won) 10,496	(Won) 9,172	(Won) 9,172
Bonds	(Won) 943,946	846,881	817,227	817,227
		(Won) 857,377	(Won) 826,399	(Won) 826,399

**Table of Contents****6. HELD-TO-MATURITY SECURITIES**

Held-to-maturity securities as of December 31, 2006 and 2005 are as follows (Korean won in millions):

&lt;2006&gt;

	Face value	Acquisition cost	Amortized cost	Fair value
<Bonds in local currency>				
Government bonds	(Won) 2,734,424	(Won) 2,610,878	(Won) 2,674,668	(Won) 2,666,069
Financial debentures	4,345,327	4,333,900	4,338,391	4,333,753
Corporate bonds	1,458,700	1,478,221	1,467,231	1,458,485
	8,538,451	8,422,999	8,480,290	8,458,307
<Bonds in foreign currencies>	136,946	136,907	136,739	136,739
<Loaned securities>	19,673	19,673	19,673	19,683
	(Won) 8,695,070	(Won) 8,579,579	(Won) 8,636,702	(Won) 8,614,729

&lt;2005&gt;

	Face value	Acquisition cost	Amortized cost	Fair value
<Bonds in local currency>				
Government bonds	(Won) 2,812,193	(Won) 2,654,769	(Won) 2,729,256	(Won) 2,712,436
Financial debentures	5,155,662	5,071,872	5,093,285	5,082,305
Corporate bonds	1,614,900	1,633,572	1,628,160	1,611,718
	9,582,755	9,360,213	9,450,701	9,406,459
<Bonds in foreign currencies>	315,304	315,283	290,727	290,576
<Loaned securities>	20,338	20,338	20,338	20,312
	(Won) 9,918,397	(Won) 9,695,834	(Won) 9,761,766	(Won) 9,717,347

**Table of Contents****7. STRUCTURED SECURITIES AND PRIVATE EQUITY FUNDS**

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

&lt;2006&gt;

	Fair value		
	Face value	(book value)	Inherent risks
<Structured securities related to stock>			
Convertible bonds	(Won) 10,229	(Won) 10,586	Stock price deflation
Bonds with warrants	2,054	395	
Market index funds	2,191,869	2,164,637	Market index deflation
	2,204,152	2,175,618	
<Structured securities related to credit risk>			
Credit linked notes	27,888	27,853	Credit risk of credit linked underlying assets
Asset backed securities	301,674	300,473	
Others	85,618	86,832	
	415,180	415,158	
<Structured securities related to interest rate>			
CMS linked notes	18,592	18,592	Fluctuation on spread of swap interest rate
	(Won) 2,637,924	(Won) 2,609,368	

&lt;2005&gt;

	Fair value		
	Face value	(book value)	Inherent risks
<Structured securities related to stock>			
Convertible bonds	(Won) 14,675	(Won) 13,452	Stock price deflation
Bonds with warrants	2,054	312	
Market index funds	1,256,630	1,288,653	Market index deflation
	1,273,359	1,302,417	
<Structured securities related to credit risk>			
Credit linked notes	70,910	70,974	Credit risk of credit linked underlying assets
Asset backed securities	40,520	41,290	
Others	24,565	24,565	
	135,995	136,829	

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<Structured securities related to interest rate>

CMS linked notes	20,260	20,260	Fluctuation on spread of swap interest rate
	(Won) 1,429,614	(Won) 1,459,506	

(2) Private equity funds and entrusted assets to investment as of December 31, 2006 and 2005 are as follows (Korean won in millions):

	<b>2006</b>	<b>2005</b>
Due from banks	(Won) 195,459	(Won) 454,922
Securities	1,170,626	2,329,151
Call loans	322,105	426,996
Other assets	49,242	116,125
Derivative assets	275	5,730
 Total assets	 1,737,707	 3,332,924
 Other liabilities	 54,158	 46,770
Derivative liabilities	251	1,162
 Total liabilities	 54,409	 47,932
 Total net assets	 (Won) 1,683,298	 (Won) 3,284,992

**Table of Contents****8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD OF ACCOUNTING**

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

	Acquisition		Gain (loss) on		Other	
	cost	Jan. 1, 2006	valuation	(decrease)	increase	Dec. 31, 2006
	(Won)	(Won)	(Won)	(Won)	(Won)	(Won)
BC Card	11,668	56,443	5,682	(1,379)		60,746
Korea Finance Security	758	2,389	459	(405)		2,443
Korea Credit Bureau	4,500	3,981	(451)			3,530
Woori First Private Equity Fund	22,469	27,751	(4,936)	(22,815)		
Woori Service Networks Co., Ltd.	24	24	29			53
Woori SME Asset Securitization Specialty	273	218	(132)			86
Woori SME First ABS Co., Ltd.	415	370	(101)			269
Woori Private Equity Fund	1,613		(1,613)	1,613		
Connacht Capital	17,897	24,754	3,362	(2,193)		25,923
Athena Venture Fund	13,175	11,533	42	(1,842)		9,733
Sempio Foods Company	16,138		398	16,298		16,696
Woori LB Third Asset Securitization Specialty		1,329	(3)	(1,326)		
Woori F&I Fourth Asset Securitization Specialty	33	50	243	(121)		172
Woori SB First Asset Securitization Specialty	9,339	1,120	(1,133)	13		
Woori SB Second Asset Securitization Specialty		472	19,993	(20,465)		
Woori SB Third Asset Securitization Specialty	11,274	15,742	1,278	(7,114)		9,906
Woori SB Fifth Asset Securitization Specialty	7,373	21,154	(6,827)	(149)		14,178
Woori SB Sixth Asset Securitization Specialty	6,977		2,389	6,954		9,343
Woori SB Seventh Asset Securitization Specialty	3,608		6,041	3,596		9,637
Woori BC Pegasus Asset Securitization Specialty	2,908	1,344	(694)			650
Woori Marine First Asset Securitization Specialty	1,469	1,620	116	(826)		910
Woori Marine Second Asset Securitization Specialty	1,679	757	1,887			2,644
Woori Marine Third Asset Securitization Specialty	5,952	11,030	(487)	(2,798)		7,745
Woori Stream First Asset Securitization Specialty	5,270		2,831	5,157		7,988
	(Won) 144,812	(Won) 182,081	(Won) 28,373	(Won) (27,802)		(Won) 182,652

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- (2) Valuation of investment equity securities accounted for using the equity method of accounting for the year ended December 31, 2005 are as follows (Korean won in millions):

	Acquisition		Gain (loss) on		Other	
	cost	Jan. 1, 2005	valuation	(decrease)	increase	Dec. 31, 2005
	(Won)	(Won)	(Won)	(Won)	(Won)	(Won)
BC Card	11,668	45,602	11,799	(958)		56,443
Korea Finance Security	961	1,932	438	19		2,389
Korea Credit Bureau	4,500		(519)	4,500		3,981
Kyongseun Mutual Saving Bank	599	387		(387)		
Woo Bang Housing Co., Ltd.	42,000	42,142		(42,142)		
Woori Second Asset Securitization Specialty	10		(28)	28		
Woori First Private Equity Fund	22,469		5,281	22,470		27,751
Woori Service Networks Co., Ltd.	24			24		24
Woori SME Asset Securitization Specialty	273		(51)	269		218
Woori SME First ABS Co., Ltd.	415		(38)	408		370
Connacht Capital	34,547	17,897	7,486	(629)		24,754
Athena Venture Fund	13,175	13,175	13,416	(15,058)		11,533
Woori LB First Asset Securitization Specialty	75	11,282	12,511	(23,793)		
Woori LB Second Asset Securitization Specialty	330	639	68	(707)		
Woori LB Third Asset Securitization Specialty	1,320	1,283	1,529	(1,483)		1,329
Woori LB Fourth Asset Securitization Specialty	2,160	2,603	520	(3,123)		
Woori LB Fifth Asset Securitization Specialty	11,700	14,960	7,385	(22,345)		
Woori LB Sixth Asset Securitization Specialty	1,170	10,979	38,352	(49,331)		
Woori LB Eighth Asset Securitization Specialty	60	353	324	(677)		
Woori F&I First Asset Securitization Specialty	6,237	2,860	(1,323)	(1,537)		
Woori F&I Second Asset Securitization Specialty	5,265	1,021	1,058	(2,079)		
Woori F&I Fourth Asset Securitization Specialty	33	38	59	(47)		50
Woori SB First Asset Securitization Specialty	9,339	8,513	(2,432)	(4,961)		1,120
Woori SB Second Asset Securitization Specialty	6,901	6,364	(5,892)			472
Woori SB Third Asset Securitization Specialty	11,274		4,501	11,241		15,742
Woori SB Fifth Asset Securitization Specialty	7,373		13,804	7,350		21,154
Woori BC Pegasus Asset Securitization Specialty	2,908	3,510	(1,150)	(1,016)		1,344
Woori Marine First Asset Securitization Specialty	1,469		248	1,372		1,620
Woori Marine Second Asset Securitization Specialty	1,679		(893)	1,650		757
	5,952		5,091	5,939		11,030

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Woori Marine Third Asset  
Securitization Specialty

(Won) 205,886	(Won) 185,540	(Won) 111,544	(Won) (115,003)	(Won) 182,081
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**Table of Contents****9. CLASSIFICATION OF SECURITIES**

(1) Securities in foreign currencies by country as of December 31, 2006 and 2005 are as follows (Korean won in millions):

	2006		2005	
	Amount	Ratio (%)	Amount	Ratio (%)
<b>&lt;Trading securities&gt;</b>				
Korea	(Won) 176,463	98.22	(Won) 30,426	78.97
United States			11	0.03
Other	3,193	1.78	8,091	21.00
	179,656		38,528	
<b>&lt;Available-for-sales securities&gt;</b>				
Korea	222,284	11.90	230,086	27.84
United States	291,385	15.60	182,599	22.10
Cayman islands	693,179	37.12	213,478	25.83
Japan			30,399	3.68
China	22,158	1.19	40,088	4.85
United Kingdom	33,867	1.81	43,723	5.29
Philippines	1,487	0.08	1,520	0.18
Indonesia			253	0.03
Other	603,120	32.30	84,253	10.20
	1,867,480		826,399	
<b>&lt;Held-to-maturity securities&gt;</b>				
Korea	53,554	39.16	54,446	18.73
United States	19,033	13.92	21,179	7.28
Indonesia	64,152	46.92	81,851	28.15
Ireland			129,592	44.58
Other			3,659	1.26
	136,739		290,727	
<b>&lt;Investments accounted for using equity method of accounting&gt;</b>				
United States	9,733	27.30	11,533	31.78
Malaysia	25,923	72.70	24,754	68.22
	35,656		36,287	
	(Won) 2,219,531		(Won) 1,191,941	



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(2) Securities by type as of December 31, 2006 and 2005 are as follows (Korean won in millions):

&lt;2006&gt;

	In local currency		In foreign currencies		Total	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
<Trading securities>						
Securities	(Won) 823,966	6.49	(Won) 62,599	34.84	(Won) 886,565	6.89
Floating rate bonds	60,829	0.48	27,980	15.57	88,809	0.69
Fixed rate bonds	7,544,353	59.45	83,900	46.71	7,628,253	59.27
Beneficiary certificates	988,528	7.79			988,528	7.68
Other	3,272,385	25.79	5,177	2.88	3,277,562	25.47
	(Won) 12,690,061		(Won) 179,656		(Won) 12,869,717	

## &lt;Available-for-sales securities&gt;

Securities	(Won) 4,380,376	21.27	(Won) 72,280	3.87	(Won) 4,452,656	19.82
Capital contribution	142,055	0.69			142,055	0.63
Floating rate bonds	1,702,521	8.27	1,274,417	68.24	2,976,938	13.25
Fixed rate bonds	12,774,939	62.04	487,526	26.11	13,262,465	59.05
Convertible bonds			10,586	0.57	10,586	0.05
Beneficiary certificate	1,535,085	7.45	20,778	1.11	1,555,863	6.93
Other	57,796	0.28	1,893	0.10	59,689	0.27
	(Won) 20,592,772		(Won) 1,867,480		(Won) 22,460,252	

## &lt;Held-to-maturity securities&gt;

Floating rate bonds	(Won) 301,400	3.55	(Won) 53,554	39.17	(Won) 354,954	4.11
Fixed rate bonds	8,198,563	96.45	83,185	60.83	8,281,748	95.89
	(Won) 8,499,963		(Won) 136,739		(Won) 8,636,702	

&lt;2005&gt;

	In local currency		In foreign currencies		Total	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
<Trading securities>						
Securities	(Won) 150,766	1.97	(Won) 27,396	71.10	(Won) 178,162	2.32
Floating rate bonds	49,780	0.65	8,091	21.00	57,871	0.75
Fixed rate bonds	4,067,275	53.13	3,039	7.89	4,070,314	52.91
Beneficiary certificates	1,387,828	18.26			1,387,828	18.04
Other	1,999,449	25.99	2	0.01	1,999,451	25.98
	(Won) 7,655,098		(Won) 38,528		(Won) 7,693,626	

## &lt;Available-for-sales securities&gt;

Securities	(Won) 3,229,450	18.03	(Won) 9,172	1.11	(Won) 3,238,622	17.26
Capital contribution	51,194	0.26			51,194	0.27
Floating rate bonds	1,763,495	9.83	507,586	61.43	2,271,081	12.10

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Fixed rate bonds	10,157,830	56.62	308,122	37.28	10,465,952	55.78
Convertible bonds	11,842	0.07	1,519	0.18	13,361	0.07
Beneficiary certificate	2,690,165	14.99			2,690,165	14.33
Other	36,589	0.20			36,589	0.19

(Won) 17,940,565	(Won) 826,399	(Won) 18,766,964
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<Held-to-maturity securities>

Floating rate bonds	(Won) 271,470	2.87	(Won) 58,091	19.98	(Won) 329,561	3.37
Fixed rate bonds	9,199,569	97.13	103,030	35.44	9,302,599	95.30
Other			129,606	44.58	129,606	1.33

(Won) 9,471,039	(Won) 290,727	(Won) 9,761,766
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(3) Bonds by issuer and others by industry as of December 31, 2006 and 2005 are as follows (Korean won in millions):  
<2006>

	In local currency		In foreign currencies		Total	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
<Trading securities>						
Others excluding bonds:						
Manufacturing	(Won) 449,771	8.85	(Won) 44,054	46.01	(Won) 493,825	9.53
Construction	15,430	0.30			15,430	0.30
Retail	16,858	0.33			16,858	0.33
Finance & insurance	4,382,666	86.19	23,721	24.77	4,406,387	85.05
Others	220,154	4.33	27,980	29.22	248,134	4.79
	(Won) 5,084,879		(Won) 95,755		(Won) 5,180,634	
Bonds:						
Government & Government owned corporate	(Won) 981,646	12.91	(Won)		(Won) 981,646	12.77
Financial institutions	6,311,566	82.99	56,976	67.91	6,368,542	82.82
Corporations	311,970	4.10			311,970	4.06
Others			26,925	32.09	26,925	0.35
	(Won) 7,605,182		(Won) 83,901		(Won) 7,689,083	
<Available-for-sales securities>						
Others excluding bonds:						
Manufacturing	(Won) 1,616,425	26.43	(Won) 2,200	2.32	(Won) 1,618,625	26.06
Construction	1,014,794	16.60			1,014,794	16.34
Retail	466,585	7.63			466,585	7.51
Finance & insurance	2,531,380	41.39	92,750	97.68	2,624,130	42.26
Others	486,128	7.95			486,128	7.83
	(Won) 6,115,312		(Won) 94,950		(Won) 6,210,262	
Bonds:						
Government & Government owned corporate	(Won) 8,457,967	58.42	(Won) 110,864	6.25	(Won) 8,568,831	52.73
Financial institutions	5,783,025	39.94	351,526	19.83	6,134,551	37.75
Corporations	196,468	1.36	350,368	19.77	546,836	3.37
Others	40,000	0.28	959,772	54.15	999,772	6.15
	(Won) 14,477,460		(Won) 1,772,530		(Won) 16,249,990	
<Held-to-maturity securities>						
Government & Government owned corporate	(Won) 5,995,221	70.53	(Won) 85,403	62.46	(Won) 6,080,624	70.41
Financial institutions	2,397,505	28.21	19,964	14.60	2,417,469	27.99
Corporations	70,937	0.83			70,937	0.82
Others	36,300	0.43	31,372	22.94	67,672	0.78
	(Won) 8,499,963		(Won) 136,739		(Won) 8,636,702	
<Market index funds>						
Financial institutions	(Won) 2,164,637	100.00	(Won)		(Won) 2,164,637	100.00



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&lt;2005&gt;

	In local currency		In foreign currencies		Total	
	Amount	Ratio(%)	Amount	Ratio(%)	Amount	Ratio(%)
<Trading securities>						
Others excluding bonds:						
Manufacturing	(Won) 144,892	4.10	(Won) 19,659	71.75	(Won) 164,551	4.62
Construction	581	0.02			581	0.02
Retail	616	0.02			616	0.02
Finance & insurance	1,856,608	52.47	7,739	28.25	1,864,347	52.29
Others	1,535,346	43.39			1,535,346	43.05
	(Won) 3,538,043		(Won) 27,398		(Won) 3,565,441	
Bonds:						
Government & Government owned corporate	(Won) 1,164,575	28.29	(Won)		(Won) 1,164,575	28.21
Financial institutions	2,085,104	50.64	11,130	100.00	2,096,234	50.78
Others	967,376	21.07			867,376	21.01
	(Won) 4,117,055		(Won) 11,130		(Won) 4,128,185	
<Available-for-sales securities>						
Others excluding bonds:						
Manufacturing	(Won) 1,312,850	21.85	(Won) 308	3.36	(Won) 1,313,158	21.83
Construction	837,085	13.94			837,085	13.91
Retail	202,145	3.36			202,145	3.36
Finance & insurance	3,342,400	55.64	8,864	96.64	3,351,264	55.70
Others	312,918	5.21			312,918	5.20
	(Won) 6,007,398		(Won) 9,172		(Won) 6,016,570	
Bonds:						
Government & Government owned corporate	(Won) 9,206,309	77.15	(Won) 97,470	11.93	(Won) 9,303,779	72.97
Financial institutions	2,206,555	18.49	227,469	27.83	2,434,024	19.09
Corporations	254,406	2.13	316,667	38.75	571,073	4.48
Others	265,897	2.23	175,621	21.49	441,518	3.46
	(Won) 11,933,167		(Won) 817,227		(Won) 12,750,394	
<Held-to-maturity securities>						
Government & Government owned corporate	(Won) 8,102,058	85.55	(Won) 105,267	36.21	(Won) 8,207,325	84.08
Financial institutions	1,275,759	13.47	21,682	7.46	1,297,441	13.29
Corporations	93,222	0.98			93,222	0.95
Others			163,778	56.33	163,778	1.68
	(Won) 9,471,039		(Won) 290,727		(Won) 9,761,766	
< Market index funds >						
Financial institutions	(Won) 1,288,653	100.00	(Won)		(Won) 1,288,653	100.00

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- (4) Securities in foreign currencies by currency as of December 31, 2006 and 2005 are as follows (Korean won in millions, U.S. dollars in thousands, Japanese yen in millions, Chinese yuan in thousands, Indonesia Rupiah in millions, Singapore dollars in thousands, Hong Kong dollars in thousands and EUROS in thousands):

<2006>

	Currencies	Amounts in currencies	Translation to USD	Korean won equivalent
<b>&lt;Available-for-sales securities&gt;</b>				
Equity securities	USD	36,698	US\$ 36,698	(Won) 34,114
	EUR	14,797	19,456	18,086
	JPY	1,144	9,621	8,944
	HKD	93,120	11,980	11,136
Bonds	USD	1,770,654	1,770,654	1,646,000
	EUR	103,522	136,111	126,529
Beneficiary Certificates	EUR	17,000	22,352	20,778
Others	USD	2,035	2,035	1,893
			US\$ 2,008,907	(Won) 1,867,480
<b>&lt;Held-to-maturity securities&gt;</b>				
Bonds	USD	72,860	US\$ 72,860	(Won) 67,730
	IDR	623,436	74,235	69,009
			US\$ 147,095	(Won) 136,739

<2005>

	Currencies	Amounts in currencies	Translation to USD	Korean won Equivalent
<b>&lt;Available-for-sales securities&gt;</b>				
Equity securities	USD	5,330	US\$ 5,330	(Won) 5,399
	EUR	3,146	3,724	3,773
Bonds	USD	755,923	755,923	765,752
	EUR	39,776	47,092	47,703
	CNY	30,050	3,725	3,772
			US\$ 815,794	(Won) 826,399
<b>&lt;Held-to-maturity securities&gt;</b>				
Bonds	USD	202,584	US\$ 202,584	(Won) 205,218
	IDR	739,900	80,801	81,851
	SGD	3,675	2,208	2,236
	BDT	94,059	1,403	1,422
			US\$ 286,996	(Won) 290,727

**10. MATURITY OF DEBT SECURITIES**

Maturity of debt securities as of December 31, 2006 and 2005 is as follows (Korean won in billions):

&lt;2006&gt;

	Less than 3 months	Less than 6 months	Less than 1 year	Less than 5 years	Less than 10 years	More than 10 years	Total
<b>&lt;Available-for-sales securities&gt;</b>							
Book value	(Won) 1,411	(Won) 1,817	(Won) 4,105	(Won) 7,411	(Won) 921	(Won) 585	(Won) 16,250
<b>&lt;Held-to-maturity securities&gt;</b>							
Book value	358	1,620	1,038	5,391	200	30	8,637
Fair value	358	1,620	1,040	5,364	203	30	8,615

&lt;2005&gt;

	Less than 3 months	Less than 6 months	Less than 1 year	Less than 5 years	Less than 10 years	More than 10 years	Total
<b>&lt;Available-for-sales securities&gt;</b>							
Book value	(Won) 2,753	(Won) 2,612	(Won) 1,647	(Won) 5,408	(Won) 191	(Won) 139	(Won) 12,750
<b>&lt;Held-to-maturity securities&gt;</b>							
Book value	1,978	758	1,488	5,456	78	4	9,762
Fair value	1,979	757	1,487	5,411	79	4	9,717

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**Table of Contents****11. LOSS ON IMPAIRMENT OF SECURITIES AND RECOVERY OF IMPAIRMENT**

(1) Loss on impairment of available-for-sale for the years ended December 31, 2006 and 2005 are as follows (Korean won in millions):

	2006		2005	
<Available-for-sales securities>				
Equity securities:				
Kimhae CCI Credit Union	(Won)	10	Fiber Tech. Co., Ltd.	(Won) 250
The Korea Economic Daily		35	Ssangyong Corporation	3,138
I Venture Investment Co., Ltd.		294	Nano & Giga	126
Korea Asset Trust Investment Co., Ltd.		62	Kyongseon Mutual Saving Bank	387
Sannaedle Co., Ltd.		44	The Korea Economic Daily	1,210
Miraecity.com Co., Ltd.		414	Korea ECN Securities	216
Tong Il Industries Co., Ltd.		10	Unik Company and Communication Co., Ltd.	227
Erae I&C Co., Ltd.		156	Kumho Papertec Inc.	818
STARVANKOREA		616	Others	1,663
Atec Engineering Co., Ltd.		510		
Trigem Computer Inc.		68		
Thrunet Shopping Inc.		80		
Inance		300		
Debt securities:				
			LG Card 1069	5,358
			LG Card 1070	4,959
			ShinWoo Corporate Restructuring Vehicle	4,464
			Credipia Asset Securitization Co.	5,700
			The Petrochemical	482
	(Won)	2,599		(Won) 28,998

(2) Recovery of impairment of available-for-sale and held-to-maturity securities for the years ended December 31, 2006 and 2005 are as follows (Korean won in millions):

	2006		2005	
<Available-for-sales securities>				
Equity securities:				
CJ Investment & Securities	(Won)	1,056	Korea Housing Guarantee Co., Ltd.	(Won) 241
SSangyong Corporation		1,205	Samyang Food Co., Ltd.	278
Kumho Life Insurance Co., Ltd.		12,588	Others	143
Debt securities:				
Etronics Corp.		174	LG Card 1022	11
Daewoo Motor Co., Ltd.		42	Haitai International Inc.	26
Hicontech Co.,Ltd.		53	Etronics Corp.	108
			Daewoo Motor Co., Ltd.	33
			Hanvit-11 ABS Specialty Co., Ltd.	15,863
			Others	32
	(Won)	15,118		(Won) 16,735
<Held-to-maturity securities>				
Debt securities:				
Hanvit LSP Finance LTD-SUB	(Won)	16,069	LG Card CP	(Won) 3,800





**Table of Contents****12. LOANS AND ALLOWANCES FOR POSSIBLE LOAN LOSSES**

(1) Classification of loans subject to allowance for possible loan losses as of December 31, 2006 and 2005 are as follows (Korean won in billions):

<2006>

	Normal	Precautionary	Substandard	Doubtful	Loss	Total
Loans in local currency	(Won) 114,019	(Won) 1,243	(Won) 616	(Won) 197	(Won) 350	(Won) 116,425
Loans in foreign currencies	8,338	128	46	19	13	8,544
Usance	2,071	9	36			2,116
Bills bought in local currency	390					390
Bills bought in foreign currencies	4,292	36	28		1	4,357
Advances for customers on guarantees	3	3	7	4	27	44
Credit card accounts	2,325	47		26	7	2,405
Privately placed bonds	5,834					5,834
Loans to be converted to equity securities				51	7	58
Financing leases	49	1	2	4	19	75
Others	1,089					1,089
	(Won) 138,410	(Won) 1,467	(Won) 735	(Won) 301	(Won) 424	(Won) 141,337

<2005>

	Normal	Precautionary	Substandard	Doubtful	Loss	Total
Loans in local currency	(Won) 87,390	(Won) 1,624	(Won) 645	(Won) 207	(Won) 300	(Won) 90,166
Loans in foreign currencies	5,881	203	61	3	17	6,165
Usance	2,137	25	6			2,168
Bills bought in local currency	153	56				209
Bills bought in foreign currencies	3,692	33	27		2	3,754
Advances for customers on guarantees	1	4	4	6	32	47
Credit card accounts	1,970	77		29	17	2,093
Privately placed bonds	1,337	49				1,386
Loans to be converted to equity securities			1	51	8	60
Financing leases	73	3	3	5	21	105
Others	572				11	583
	(Won) 103,206	(Won) 2,074	(Won) 747	(Won) 301	(Won) 408	(Won) 106,736

(2) Reconciliation of the loans subject to allowance for the possible loan losses with loans as of December 31, 2006 and 2005 are as follows (Korean won in billions):

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	2006	2005
Loans, net of allowance	(Won) 140,855	(Won) 106,938
(+) Allowance for possible loan losses	2,118	1,705
<b>Loans at gross</b>	<b>142,973</b>	<b>108,643</b>
Reconciliation items:		
(-) Inter-bank loans	(996)	(921)
(-) Bonds purchased under resale agreements	(201)	(61)
(-) Call loans	(439)	(925)
	(1,636)	(1,907)
<b>The loans subject to allowance for possible loan losses</b>	<b>(Won) 141,337</b>	<b>(Won) 106,736</b>

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(3) Classification of allowances for possible loan losses as of December 31, 2006 and 2005 are as follows (Korean won in billions):  
<2006>

	Normal	Precautionary	Substandard	Doubtful	Loss	Total
Loans in local currency	(Won) 971	(Won) 130	(Won) 137	(Won) 105	(Won) 350	(Won) 1,693
Loans in foreign currencies	58	30	9	9	13	119
Usance	15	1	11			27
Bills bought in local currency	3					3
Bills bought in foreign currencies	30	6	13		1	50
Advances for customers on guarantees		1	2	2	27	32
Credit card accounts	35	7	1	15	7	65
Privately placed bonds	41					41
Loans to be converted to equity securities				51	7	58
Financing leases	1			4	19	24
Others	6					6
	(Won) 1,160	(Won) 175	(Won) 173	(Won) 186	(Won) 424	(Won) 2,118

<2005>

	Normal	Precautionary	Substandard	Doubtful	Loss	Total
Loans in local currency	(Won) 595	(Won) 158	(Won) 137	(Won) 112	(Won) 300	(Won) 1,302
Loans in foreign currencies	34	44	21	1	17	117
Usance	12	3	3			18
Bills bought in local currency	2	10				12
Bills bought in foreign currencies	19	4	13		2	38
Advances for customers on guarantees			1	3	32	36
Credit card accounts	20	9		17	17	63
Privately placed bonds	7	9				16
Loans to be converted to equity securities				52	8	60
Financing leases	3		1	4	21	29
Others	3				11	14
	(Won) 695	(Won) 237	(Won) 176	(Won) 189	(Won) 408	(Won) 1,705

(4) The percentages of allowances for possible loan losses to loans subject to allowance for possible loan losses as of December 31, 2006, 2005 and 2004 are as follows (Korean won in billions):

	Loans subject to allowance		
	for possible loan losses	Allowance	Ratio (%)
2006	(Won) 141,337	(Won) 2,118	1.50
2005	106,736	1,705	1.60
2004	91,007	2,028	2.23

- (5) The changes in allowances for possible loan losses for the years ended December 31, 2006 and 2005 are as follows (Korean won in billions):

	<b>2006</b>	<b>2005</b>
January 1	(Won) 1,705	(Won) 2,028
Reconciliation items:		
Provision for possible loan losses	574	384
Increase due to repurchase non-performing loans	18	2
Reversal due to recovery of write-off loans	162	197
Write-off of loans	(273)	(583)
Other	(68)	(323)
December 31	(Won) 2,118	(Won) 1,705

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(6) Classifications of loans in local currency by industry as of December 31, 2006 and 2005 are as follows (Korean won in billions):

	2006	Ratio (%)	2005	Ratio (%)
<Loans for corporate>				
Manufacturing	(Won) 19,635	16.72	(Won) 16,784	18.44
Dealing with real estate & leasing	12,426	10.58	9,013	9.90
Retail	8,721	7.43	7,441	8.17
Construction	7,173	6.11	4,777	5.25
Hotel & food	2,678	2.28	2,764	3.04
Transportation, warehouse & telecommunication	1,440	1.23	1,327	1.46
Finance & insurance	3,194	2.72	1,919	2.11
Others	6,228	5.31	6,477	7.11
	61,495		50,502	
<Loans for household>	55,904	47.62	40,526	44.52
	(Won) 117,399		(Won) 91,028	

(7) Classification of loans in local currency by customer as of December 31, 2006 is as follows (Korean won in billions):

	2006	Ratio (%)	2005	Ratio (%)
<Loans for corporate>				
Loans for working capital	(Won) 49,406	42.08	(Won) 41,924	46.06
Loans for equipment capital	9,073	7.73	6,307	6.93
<Loans for household>				
Loans for living capital	51,697	44.04	34,944	38.39
Loans for housing capital	4,109	3.50	5,485	6.03
Others	110	0.09	104	0.11
<Loans for public sector & others>				
Loans for working capital	1,613	1.37	1,145	1.26
Loans for equipment capital	417	0.36	258	0.28
Interbank loans	974	0.83	861	0.94
	(Won) 117,399		(Won) 91,028	

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

	2006	Ratio (%)	2005	Ratio (%)
Korea	(Won) 7,234	67.73	(Won) 6,112	72.82
United States	1,179	11.03	830	9.89
Indonesia			35	0.42
Japan	216	2.02	199	2.37
China	897	8.40	538	6.47
Others	1,155	10.82	678	8.08
	(Won) 10,681		(Won) 8,392	



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(9) Significant disposal of loans for the years ended December 31, 2006 and 2005 are as follows (Korean won in billions):  
<2006>

Seller	Buyers	Nominal amount	Allowance at disposition date	Consideration	Gain (loss) on sale of loans
Woori Bank	Woori SB Sixth Asset Securitization Specialty.	(Won) 209	(Won) 60	(Won) 144	(Won) (5)
	Woori Stream First Asset Securitization Specialty	107	19	77	(11)
	Korea Asset Management Corporation	90	5	71	(14)
	JP Morgan Chase Bank	24	4	22	2
	Credit Swiss International	7		5	(2)
	Woori SB Seventh Asset Securitization Specialty	72	2	54	(16)
		(Won) 509	(Won) 90	(Won) 373	(Won) (46)

<2005>

Seller	Buyers	Nominal amount	Allowance at disposition date	Consideration	Gain (loss) on sale of loans
Woori Bank	Korea Investment Partner Co., Ltd.	(Won) 6	(Won) 1	(Won) 7	(Won) 2
	Triumph Investment Limited			69	69
	Woori SB Third Asset Securitization Specialty	348	111	233	(4)
	Swan SF Co., Ltd.	149	1	148	
	Woori Marine Second Asset Securitization Specialty	42	14	30	2
	Woori Marine Third Asset Securitization Specialty	191	38	130	(23)
	Woori SME Asset Securitization Specialty	42	4	34	(4)
	Korea Development Bank	113		114	1
	Woori SME First ABS Co., Ltd.	68	4	46	(18)
	Woori SB Fifth Asset Securitization Specialty	225	22	153	(50)
Kyongnam Bank	Woori Marine First Asset Securitization Specialty	43	15	29	1
Woori Bank					
Kwangju Bank	Badbank Heemang Moah Securitization Specialty Co., Ltd.	1	1	50	50
Kyongnam Bank		315	32	223	(60)



Korea Asset Management Corporation

(Won) 1,543 (Won) 243 (Won) 1,266 (Won) (34)

**Table of Contents****13. RESTRUCTURING OF LOANS**

(1) Restructuring of loans for the years ended December 31, 2006 and 2005 are as follows (Korean won in millions):  
<2006>

	Classification	Nominal		Restructuring Loan to be swapped to		
		amount	Discharge	equity securities	Equity securities	Modification of terms
Trigem Computer Inc.	Court receivership	(Won) 268	(Won)	(Won)	(Won) 137	(Won) 131
Chunyang Industrial Co., Ltd.	Mediation	1,105				1,105
Myungsan Development Daekyung Technos Co., Ltd.	Mediation	648				648
Shinwon Information Technology Co., Ltd.	Court receivership	211	211			
New Star Digital Co., Ltd.	Mediation	781				781
	Mediation	1,500				1,500
		(Won) 4,513	(Won) 211	(Won)	(Won) 137	(Won) 4,165

<2005>

	Classification	Nominal		Restructuring Loan to be swapped to		
		amount	Discharge	equity securities	Equity securities	Modification of terms
LG Card Co., Ltd.	Workout	(Won) 20,800	(Won)	(Won)	(Won) 20,800	(Won)
Innotz Corp.	Workout	230			230	
Jinro Industries Co., Ltd.	Court receivership	199			199	
Daewoo Electronics Corp.	Workout	49,908				49,908
Saehan Media Co., Ltd.	Workout	23,290				23,290
Seoul Textile Co., Ltd.	Mediation	1,445				1,445
Fine Korea Co., Ltd.	Mediation	1,149				1,149
Ace Lab., Inc.	Mediation	605				605
Others	Court receivership or mediation	7,910	68		1,971	5,871

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(Won) 105,536 (Won) 68 (Won) (Won) 23,200 (Won) 82,268

(2) Loans to be converted to equity securities as of December 31, 2006 and 2005 are as follows (Korean won in millions):  
<2006>

	<b>Nominal</b>			<b>Fair value</b>
	<b>amount</b>	<b>Allowance</b>	<b>Book value</b>	<b>of equity</b>
				<b>securities</b>
Dongkook Corp	(Won) 51,163	(Won) 51,091	(Won) 72	(Won) 2,559
Daewoo Telecom Ltd.	3,200	3,200		(*1)
Kohap Corp.	3,397	3,397		(*1)
Hanmi Capital Co., Ltd.	493	144	349	349
	(Won) 58,253	(Won) 57,832	(Won) 421	(Won) 2,908

(\*1) To be liquidated

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&lt;2005&gt;

	Nominal		Book value	Fair value of equity securities
	amount	Allowance		
Dongkook Corp	(Won) 51,283	(Won) 51,211	(Won) 72	(Won) 2,564
Hanmi Capital Co., Ltd.	493	170	323	323
Kohap Corp.	3,200	3,200		(*1)
Kookmin Asset Investment Trust	1,837	1,837		(*2)
Daewoo Precision Industries Co., Ltd.	105	95	10	84
Daewoo Telecom Ltd.	3,397	3,397		(*1)
	(Won) 60,315	(Won) 59,910	(Won) 405	(Won) 2,971

(\*1) To be liquidated

(\*2) The number of shares to be converted is not decided.

**14. FIXED ASSETS AND INTANGIBLE ASSETS**

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

	2006	2005
Operating fixed assets	(Won) 2,561,391	(Won) 2,472,727
Intangible assets	276,470	210,898
Non-operating fixed assets	2,367	909
	(Won) 2,840,228	(Won) 2,684,534

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

&lt;2006&gt;

	Acquisition	Accumulated	Book value
	cost	depreciation	
Land	(Won) 1,383,425	(Won)	(Won) 1,383,425
Buildings	1,146,090	267,843	878,247
Structures in leased office	210,737	147,406	63,331
Equipment and furniture	1,010,410	812,898	197,512
Construction in process	21,379		21,379
Leased assets	55,031	37,534	17,497
	(Won) 3,827,072	(Won) 1,265,681	(Won) 2,561,391

&lt;2005&gt;

	<b>Acquisition</b>	<b>Accumulated</b>	
	<b>cost</b>	<b>depreciation</b>	<b>Book value</b>
Land	(Won) 1,354,662	(Won)	(Won) 1,354,662
Buildings	1,094,104	240,131	853,973
Structures in leased office	172,230	120,483	51,747
Equipment and furniture	941,220	752,607	188,613
Construction in process	716		716
Leased assets	57,427	34,411	23,016
	(Won) 3,620,359	(Won) 1,147,632	(Won) 2,472,727

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

	Jan. 1,							Dec. 31,
	2006	Acquisition	Disposition	Depreciation	Impairment	Translation	Others	2006
Land	(Won) 1,354,662	(Won) 9,671	(Won) (10,152)	(Won)	(Won) (217)	(Won) (127)	(Won) 29,588	(Won) 1,383,425
Buildings	853,973	24,282	(7,029)	(32,321)	(52)	(208)	39,602	878,247
Structures in leased office	51,747	39,353	(43)	(27,420)		(306)		63,331
Equipment and furniture	188,613	112,571	(1,570)	(101,722)		(380)		197,512
Construction in process	716	60,567	(6,458)				(33,446)	21,379
Leased assets	23,016	6,580	(1,596)	(10,493)			(10)	17,497
	(Won) 2,472,727	(Won) 253,024	(Won) (26,848)	(Won) (171,956)	(Won) (269)	(Won) (1,021)	(Won) 35,734	(Won) 2,561,391

<2005>

	Jan. 1,							Dec. 31,
	2005	Acquisition	Disposition	Depreciation	Impairment	Translation	Others	2005
Land	(Won) 1,307,548	(Won) 70,461	(Won) (19,027)	(Won)	(Won) (2,458)	(Won) (17)	(Won) (1,845)	(Won) 1,354,662
Buildings	779,396	123,808	(17,116)	(30,366)	(792)	(29)	(928)	853,973
Structures in leased office	49,326	24,770	(53)	(22,169)		(86)	(41)	51,747
Equipment and furniture	231,204	80,880	(5,036)	(118,642)		(124)	331	188,613
Construction in process	1,877	716	(1,877)					716
Leased assets	40,755	1,023		(18,762)				23,016
	(Won) 2,410,106	(Won) 301,658	(Won) (43,109)	(Won) (189,939)	(Won) (3,250)	(Won) (256)	(Won) (2,483)	(Won) 2,472,727

(4) Impairment loss on fixed assets for the year ended December 31, 2006 and 2005 are as follows (Korean won in millions):  
<2006>

	Net realizable			Decision of net		
	Book value	value	Impairment loss	Reason	realizable value	
Land	(Won) 397	(Won) 180	(Won) 217	Decrease of fair value	Biding price	
Buildings	95	43	52	Decrease of fair value	Biding price	

(Won) 492 (Won) 223 (Won) 269

<2005>

	<b>Book value</b>	<b>Net realizable value</b>	<b>Impairment loss</b>	<b>Reason</b>	<b>Decision of net realizable value</b>
Land	(Won) 4,630	(Won) 2,172	(Won) 2,458	Decrease of fair value	Biding price
Buildings	1,438	646	792	Decrease of fair value	Biding price
	(Won) 6,068	(Won) 2,818	(Won) 3,250		

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

	2006	2005
Goodwill		
The Company	(Won) 71	(Won) 77
Woori Bank	7,084	21,793
Woori Investment Securities		1
	7,155	21,871
Negative goodwill	(2,494)	(2,735)
Deferred development cost	99,585	119,549
Software	28,471	29,365
Other intangible assets	143,753	42,848
	(Won) 276,470	(Won) 210,898

(6) Changes in goodwill and negative goodwill for the year ended December 31, 2006 are as follows (Korean won in millions):

	Jan. 1,					Dec. 31,
	2006	Increase	Amortization	Translation	2006	
Woori F&I	(Won) 77	(Won)	(Won) (6)	(Won)	(Won) 71	
Woori Investment Securities	(2,735)		241		(2,494)	
Woori America Bank (*1)	21,793		(12,911)	(1,798)	7,084	
Woori Futures (*1)	1		(1)			
	(Won) 19,136	(Won)	(Won) (12,677)	(Won) (1,798)	(Won) 4,661	

(\*1) 2<sup>nd</sup>-tier subsidiaries

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

	Jan. 1,							Dec. 31,
	2006	Acquisition	Disposition	Amortization	Impairment	Translation	Others	2006
Goodwill	(Won) 21,871	(Won)	(Won)	(Won) (12,918)	(Won)	(Won) (1,798)	(Won)	(Won) 7,155
Negative goodwill	(2,735)			241				(2,494)
Deferred development cost	119,549	14,286		(34,250)				99,585
Software	29,365	9,982	(69)	(11,489)			682	28,471
Others	42,848	139,838	(211)	(37,765)		(275)	(682)	143,753



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(Won) 210,898 (Won) 164,106 (Won) (280) (Won) (96,181) (Won) (Won) (2,073) (Won) (Won) 276,470

<2005>

	<b>Jan. 1,</b>							<b>Dec. 31,</b>
	<b>2005</b>	<b>Acquisition</b>	<b>Disposition</b>	<b>Amortization</b>	<b>Impairment</b>	<b>Translation</b>	<b>Others</b>	<b>2005</b>
Goodwill	(Won) 24,875	(Won) 1,013	(Won)	(Won) (3,371)	(Won)	(Won) (646)	(Won)	(Won) 21,871
Negative goodwill	(15,405)			12,670				(2,735)
Deferred development cost	145,892	8,100	(173)	(33,403)			(867)	119,549
Software	36,293	3,770	(443)	(10,283)			28	29,365
Others	45,035	10,110	(1,492)	(10,450)	(159)	(80)	(116)	42,848
	(Won) 236,690	(Won) 22,993	(Won) (2,108)	(Won) (44,837)	(Won) (159)	(Won) (726)	(Won) (955)	(Won) 210,898

**Table of Contents****15. OTHER ASSETS**

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

	<b>2006</b>	<b>2005</b>
Guarantee deposits	(Won) 1,129,927	(Won) 1,072,841
Other accounts receivable	5,701,906	2,005,346
Accrued income	901,301	696,531
Prepaid expenses	71,558	49,167
Deferred income tax assets (Note 26)	31,378	285,663
Accounts receivable on disposal of assets	1,650	4,094
Derivative instruments assets (Note 33)	1,330,911	863,280
Domestic exchange settlements debits	645,686	471,004
Operating lease assets	5,013	110
Sundry assets	1,515,162	580,227
	11,334,492	6,028,263
Present value discount	(20,832)	(25,024)
	(Won) 11,313,660	(Won) 6,003,239

**16. INSURANCE**

Insurance coverage as of December 31, 2006 and 2005 is as follows (Korean won in millions):

	<b>2006</b>		<b>2005</b>	
	Balance of covered assets	Coverage	Balance of covered assets	Coverage
Insurance for losses:				
Buildings used for business purposes	(Won) 716,575	(Won) 719,188	(Won) 691,861	(Won) 693,084
Equipment and furniture	187,983	303,941	201,723	344,330
Structures in leased office			346	364
Guarantee deposits	3,286	2,674	168,985	102,772
Insurance for fire:				
Real estate not used for business purposes	34	34	909	106
Equipment and furniture	12,177	11,186	9,159	11,315
Buildings used for business purposes	161,700	161,885	69,253	32,837
Tangible asset overseas	2,781	11,371	3,717	14,689
Structures in leased assets	12,024	18,787	9,597	8,608
Insurance for liability of:				
Reparation of directors		32,789		30,000
Reparation of professionals		1,000		1,000
Insurance for security of				
Employees		19,448		14,400
	(Won) 1,096,560	(Won) 1,282,303	(Won) 1,155,550	(Won) 1,253,505

**Table of Contents****17. COLLATERALIZED ASSETS**

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

	Collateralized assets	2006 (Won)	2005 (Won)	Purpose
Bank of Korea	Securities	3,186,035	8,065,811	Borrowings, settlement risk and other
Lehman Brothers and others	Due from banks in foreign currencies, Securities	202,352	126,677	Trading credit derivatives
Federal Reserve Bank	Securities		3,000	Guarantee for FRB discount window
HSBC and other	Due from banks in foreign currencies		578	Guarantee for receivables
Dongwon Securities Co., Ltd. and others	Securities	36,200	123,100	Futures maintenance margin
Samsung futures and others	Securities	437,643	16,328	Futures maintenance margin
Nova Scotia Bank	Securities	95,000	30,000	Borrowings in foreign currency
Sumitomo Mitsui Banking Co.	Securities	90,000	282,959	Borrowings in foreign currency
Bank of America	Securities		15,000	Borrowings in foreign currency
Hana Bank and others	MMDA, Securities	46,816	68,363	Borrowings
Mizuho Corporate Bank	Securities	80,177	100,246	Borrowings in foreign currency
First Tennessee National Bank	Securities		5,000	Collateral for credit line
Korea Securities Depository & Trust accounts	Securities	6,022,392	2,736,010	Collateral for customer's RP
Citibank and others	Land and buildings	143,345	94,436	Leasehold deposits
Kookmin Bank and others	Securities	458,790	261,500	Collateral for issuing securities and others
Korea Exchange	Securities	34,855	31,250	Futures option maintenance margin
Wooriswan Co., Ltd.	Securities in foreign currencies	108,187		Borrowings in foreign currency
		(Won) 10,941,792	(Won) 11,960,258	

**Table of Contents****18. DEPOSITS**

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

	2006	2005
<b>Deposits in local currency:</b>		
Demand deposits	(Won) 8,270,278	(Won) 7,426,155
Time and saving deposits	92,228,053	80,383,305
Installment deposits for the loans granted	201,215	230,369
Mutual installment for housing	321,342	437,351
Money in trust	1,867,799	1,889,267
Deposit for security customer	1,039,054	1,605,469
Deposit for notes payable	4,115,380	2,526,038
Deposits on CMA	1,497,792	864,011
	109,540,913	95,361,965
<b>Deposits in foreign currencies:</b>		
Demand deposits	1,984,777	1,722,819
Time and saving deposits	2,305,607	2,108,034
Deposit for security customer	43,322	21,242
	4,333,706	3,852,095
Negotiable certificates of deposits:	15,148,249	7,873,931
	(Won) 129,022,868	(Won) 107,087,991

(2) Deposits from other financial institutions as of December 31, 2006 and 2005 are as follows (Korean won in millions):  
<2006>

	<b>Credit specialized</b>			<b>Total</b>
	<b>financial</b>		<b>Other</b>	
	<b>Banks</b>	<b>institutions</b>	<b>institutions</b>	
Deposits in local currency	(Won) 4,756,476	(Won) 6,159,667	(Won) 3,366,914	(Won) 14,283,057
Deposits in foreign currencies	42,483			42,483
	(Won) 4,798,959	(Won) 6,159,667	(Won) 3,366,914	(Won) 14,325,540

<2005>

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	Credit specialized financial		Other	Total
	Banks	Institutions	institutions	
Deposits in local currency	(Won) 3,018,826	(Won) 4,603,582	(Won) 127,637	(Won) 7,750,045
Deposits in foreign currencies	1,598	38	130	1,766
Negotiable certificates of deposits	425,016			425,016
	(Won) 3,445,440	(Won) 4,603,620	(Won) 127,767	(Won) 8,176,827

(3) Maturities of deposits as of December 31, 2006 and 2005 are as follows (Korean won in billions):  
<2006>

	Less than	Less than	Less than	Less than	More than	Total
	3 months	6 months	1 year	3 years	3 years	
Deposits in local currency (*1)	(Won) 27,700	(Won) 11,590	(Won) 25,689	(Won) 6,764	(Won) 38,168	(Won) 109,911
Deposits in foreign currencies (*2)	1,867	265	343	40	1,819	4,334
Negotiable certificates of deposits (*3)	4,664	4,349	3,686	2,491	1	15,191
	(Won) 34,231	(Won) 16,204	(Won) 29,718	(Won) 9,295	(Won) 39,988	(Won) 129,436

(\*1) Before eliminating (Won) 370 billion of inter-company transactions

(\*2) Before eliminating (Won) 0.3 billion of inter-company transactions

(\*3) Before eliminating (Won) 43 billion of inter-company transactions

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&lt;2005&gt;

	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 years	More than 3 years	Total
Deposits in local currency (*1)	(Won) 19,111	(Won) 9,214	(Won) 20,880	(Won) 7,183	(Won) 39,209	(Won) 95,597
Deposits in foreign currencies (*2)	1,598	227	294	48	1,687	3,854
Negotiable certificates of deposits (*3)	2,309	3,803	1,408	360		7,880
	(Won) 23,018	(Won) 13,244	(Won) 22,582	(Won) 7,591	(Won) 40,896	(Won) 107,331

(\*1) Before eliminating (Won)235 billion of inter-company transactions

(\*2) Before eliminating (Won)2 billion of inter-company transactions

(\*3) Before eliminating (Won)6 billion of inter-company transactions

**19. BORROWINGS**

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

	2006	2005
<b>Borrowings in local currency:</b>		
Bank of Korea	(Won) 1,363,294	(Won) 1,466,232
Borrowings from government funds	1,924,973	1,630,253
Others	3,166,546	3,029,222
	6,454,813	6,125,707
<b>Borrowings in foreign currencies:</b>		
Borrowings in foreign currencies	8,613,865	6,282,100
Off-shore borrowings in foreign currencies	4,648	10,890
	8,618,513	6,292,990
<b>Bonds sold under repurchase agreements:</b>		
In local currency	4,751,142	3,088,921
In foreign currencies		3,503
	4,751,142	3,092,424
Bills sold:	189,589	121,231
Due to the Bank of Korea in foreign currencies:		49
<b>Call money:</b>		
Local currency	2,494,300	765,000
Foreign currencies	894,661	110,573

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Inter-bank reconciliation funds		128
	3,388,961	875,701
	(Won) 23,403,018	(Won) 16,508,102

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

	Lender	2006		2005	
		Interest rate (%)	Amounts	Interest rate (%)	Amounts
Borrowings from the B.O.K	Bank of Korea	2.8	(Won) 1,363,294	2.0	(Won) 1,466,232
Borrowings from government funds					
	Small Business Corporation	2.0 ~ 4.9	542,378	3.4 ~ 4.9	346,969
	Ministry of Labor	0.0 ~ 5.0	316,636	0.0 ~ 5.0	306,243
	Ministry of Information and Communication	3.0	184,328	1.3	184,549
	Institute for Information Technology Advancement	1.4~6.3	5,123		
	Ministry of Commerce, Industry and Energy	3.4 ~ 3.9	51,385	2.5 ~ 3.4	75,294
	Korea Energy Management Corporation	2.0 ~ 3.0	270,906	0.5 ~ 1.5	195,537
	Korea Environment & Resources Corporation	4.0	45,102	2.4	41,711
	Environmental Management Corporation. and others	0.0 ~ 7.0	509,115	0.0 ~ 4.5	479,950
			1,924,973		1,630,253
Others					
	Seoul City	0.0 ~ 4.0	1,267,638	0.0 ~ 4.0	1,103,481
	Busan City	0.0 ~ 5.1	534,403	0.0 ~ 5.1	456,807
	Kwangju City and others	6.0	349,701	2.0 ~ 3.3	351,274
	Ulsan City	1.7 ~ 2.8	36,051		
	Others	0.0 ~ 8.3	978,753	1.2 ~ 8.3	1,117,660
			3,166,546		3,029,222
			(Won) 6,454,813		(Won) 6,125,707

(3) Borrowings in foreign currencies as of December 31, 2006 and 2005 are as follows:  
<2006>

	Lender	Interest		Korean won	
		rate (%)	U.S. dollars (In thousands)	equivalent (In millions)	
Borrowings in foreign currencies	Overdraft	0.0 ~ 5.6	US\$ 496,789	(Won) 461,818	
	Foreign financial institution	0.4 ~ 8.0	3,522,416	3,274,462	
	Local banks	0.7 ~ 7.0	1,984,993	1,845,260	
	Others	0.0 ~ 7.9	3,261,966	3,032,325	
			9,266,164	8,613,865	
	Sumitomo Mitsui Bank	5.6	5,000	4,648	



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Off-shore borrowings in foreign currencies

US\$ 9,271,164 (Won) 8,618,513

<2005>

	Lender	Interest rate (%)	Korean won equivalent	
			U.S. dollars (In thousands)	(In millions)
Borrowings in foreign currencies	Overdraft	3.1 ~ 3.9	US\$ 533,908	(Won) 540,848
	Foreign financial institution	0.2 ~ 8.0	1,760,289	1,783,173
	Local banks	4.0 ~ 4.9	1,862,234	1,886,443
	Others	0.2 ~ 7.5	2,045,051	2,071,636
			6,201,482	6,282,100
Off-shore borrowings in foreign currencies	Wachovia	4.6 ~ 4.7	10,750	10,890
			US\$ 6,212,232	(Won) 6,292,990

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(4) Borrowings from other financial institutions as of December 31, 2006 and 2005 are as follows (Korean won in millions):  
<2006>

	Bank of		Other	Total
	Korea	General bank	financial institutions	
Borrowings in local currency	(Won) 1,363,294	(Won) 53,811	(Won) 547,156	(Won) 1,964,261
Borrowings in foreign currencies		7,627,535	403,885	8,031,420
Bonds sold under repurchase agreements			109,450	109,450
Call money		1,094,661	1,175,700	2,270,361
	(Won) 1,363,294	(Won) 8,776,007	(Won) 2,236,191	(Won) 12,375,492

<2005>

	Bank of		Other	Total
	Korea	General bank	financial institutions	
Borrowings in local currency	(Won) 1,466,232	(Won) 222,118	(Won) 452,848	(Won) 2,141,198
Borrowings in foreign currencies		1,242,563	2,483,033	3,725,596
Due to the Bank of Korea in foreign currencies	49			49
Call money		114,270		114,270
	(Won) 1,466,281	(Won) 1,578,951	(Won) 2,935,881	(Won) 5,981,113

(5) Maturities of borrowings as of December 31, 2006 and 2005 are as follows (Korean won in billions):  
<2006>

	Less than 3	Less than 6	Less than 1	Less than 3	More than 3	Total
	months	months	year	years	years	
Borrowings in local currency (*1)	(Won) 1,609	(Won) 166	(Won) 451	(Won) 1,690	(Won) 2,637	(Won) 6,553
Borrowings in foreign currencies	3,940	2,927	838	792	122	8,619
Bonds sold under repurchase agreements (*2)	4,126	296	329	2		4,753
Bills sold	19	17			153	189
Call money	3,389					3,389
	(Won) 13,083	(Won) 3,406	(Won) 1,618	(Won) 2,484	(Won) 2,912	(Won) 23,503

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(\*1) Before eliminating (Won)98 billion of inter-company transactions.

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

<2005>

	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 years	More than 3 years	Total
Borrowings in local currency (*1)	(Won) 400	(Won) 178	(Won) 494	(Won) 1,568	(Won) 3,650	(Won) 6,290
Borrowings in foreign currencies	3,230	2,096	380	490	97	6,293
Bonds sold under repurchase agreements	2,293	580	214	6		3,093
Bills sold	24	5			92	121
Call money	876					876
	(Won) 6,823	(Won) 2,859	(Won) 1,088	(Won) 2,064	(Won) 3,839	(Won) 16,673

(\*1) Before eliminating (Won)165 billion of inter-company transactions.

**Table of Contents****20. DEBENTURES**

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

	2006	2005
Debentures in local currency	(Won) 23,723,237	(Won) 15,914,097
Less: discounts	(35,761)	(55,423)
Debentures in foreign currencies	4,105,311	2,954,346
Add: premiums	261	
Less: discounts	(12,026)	
	(Won) 27,781,022	(Won) 18,813,020

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

	2006		2005	
	Face value	Interest rate (%)	Face value	Interest rate (%)
Ordinary bonds	(Won) 20,434,450	3.5 ~ 10.1	(Won) 13,727,792	1.5 ~ 10.1
Subordinated bonds	3,326,595	5.0 ~ 10.3	2,227,277	5.0 ~ 10.3
	23,761,045		15,955,069	
Loss on hedging for fair value	(37,808)		(49,972)	
	(Won) 23,723,237		(Won) 15,914,097	

(3) Debentures in foreign currencies as of December 31, 2006 and 2005 are as follows (Korean won in millions, U.S. dollars in thousands, Hong Kong dollars in thousands, Singapore dollars in thousands, EURO in thousands and Japanese Yen in millions):  
<2006>

	Face value in foreign		Korean won	Interest rate (%)
	Currencies	currencies	equivalent	
Ordinary bonds	USD	2,203,000	(Won) 2,047,909	1.6 ~ 8.5
	JPY	20,000	156,366	1.6
	HKD	608,000	72,711	4.3 ~ 4.9
	EUR	300,000	366,672	4.0
Subordinated bonds	USD	1,600,000	1,487,360	4.9 ~ 6.1
			4,131,018	
Loss on hedging for fair value			(25,707)	

(Won) 4,105,311

&lt;2005&gt;

		Face value in foreign	Korean won	
	Currencies	currencies	equivalent	Interest rate (%)
Ordinary bonds	USD	1,573,000	(Won) 1,593,449	4.1 ~ 5.4
	JPY	43,000	369,757	1.2 ~ 1.5
	HKD	438,000	57,225	4.4 ~ 4.7
	EUR	300,000	359,802	2.8
	SGD	20,000	12,169	2.2
Subordinated bonds	USD	600,000	607,800	4.9 ~ 5.8
			3,000,202	
Loss on hedging for fair value			(45,856)	
			(Won) 2,954,346	

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(4) Maturities of debentures as of December 31, 2006 and 2005 are as follows (Korean won in billions):

&lt;2006&gt;

	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 years	More than 3 years	Total
Debentures in local currency						
Ordinary bonds	(Won) 520	(Won) 2,173	(Won) 3,683	(Won) 12,438	(Won) 1,582	(Won) 20,396
Subordinated bonds	200		160	347	2,620	3,327
	720	2,173	3,843	12,785	4,202	23,723
Debentures in foreign currencies						
Ordinary bonds	12		226	1,008	1,373	2,619
Subordinated bonds					1,487	1,487
	12		226	1,008	2,860	4,106
	(Won) 732	(Won) 2,173	(Won) 4,069	(Won) 13,793	(Won) 7,062	(Won) 27,829

&lt;2005&gt;

	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 years	More than 3 years	Total
Debentures in local currency						
Ordinary bonds	(Won) 661	(Won) 670	(Won) 3,149	(Won) 7,926	(Won) 1,281	(Won) 13,687
Subordinated bonds	1			656	1,570	2,227
	662	670	3,149	8,582	2,851	15,914
Debentures in foreign currencies						
Ordinary bonds	198	25	77	869	1,197	2,366
Subordinated bonds					588	588
	198	25	77	869	1,785	2,954
	(Won) 860	(Won) 695	(Won) 3,226	(Won) 9,451	(Won) 4,636	(Won) 18,868

**21. OTHER LIABILITIES**

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

	2006	2005
Accrued severance benefits (Note 22)	(Won) 363,729	(Won) 443,204
Less: deposits in employee retirement trust	(162,477)	(249,049)
Less: transfers to the National Pension Fund	(180)	(214)
Allowances for possible losses on acceptances and guarantees (Note 32)	56,518	25,138
Other allowances (Note 32)	462,468	298,326
Foreign exchange remittances pending	291,652	340,229

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Domestic exchange remittances pending	1,646,334	1,505,125
Borrowings from trust accounts	1,616,663	786,955
Sold market index funds	2,916,766	1,793,210
Other accounts payable (Note 24)	5,580,926	1,370,541
Accrued expense	2,276,438	1,645,057
Income tax payable	278,266	275,877
Unearned revenue	138,819	114,833
Deposits for letter of guarantees and other	121,559	133,212
Derivative liabilities (Note 33)	1,577,153	1,325,987
Deferred income tax liabilities (Note 26)	95,205	
Accounts for agency businesses	134,330	126,354
Liabilities incurred by agency relationship	543,425	892,797
Sundry liabilities	428,023	201,191
	(Won) 18,365,617	(Won) 11,028,773

**Table of Contents****22. ACCRUED SEVERANCE BENEFITS**

- (1) The accrued severance benefits that would be payable assuming all eligible employees and directors were to terminate as of December 31, 2006 and 2005 amount to (Won)363,729 million and (Won)443,204 million, respectively. The details of changes in the accrued severance benefits for the years ended December 31, 2006 and 2005 are as follows (Korean won in millions).

	<b>2006</b>	<b>2005</b>
January 1	(Won) 443,204	(Won) 365,154
Provision for severance benefits	127,615	140,667
Payments of accrued severance benefits	(207,090)	(62,617)
December 31	(Won) 363,729	(Won) 443,204

- (2) The Company and its subsidiaries have deposited for employee retirement insurance. As of December 31, 2006 and 2005, the deposits, amounting to (Won) 162,477 million and (Won) 249,049 million, respectively, and the transfer from National Pension, amounting to (Won)180 million and (Won) 214 million, respectively, are presented as a deduction from accrued severance benefits.

**23. SHAREHOLDERS EQUITY**

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

	<b>2006</b>	<b>2005</b>
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

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

<b>Date</b>	<b>Description</b>	<b>Number of</b>	
		<b>shares issued</b>	<b>Capital stock</b>
March 27, 2001	Establishment	727,458,609	(Won) 3,637,293
June 12, 2002	Issuance of new shares	36,000,000	180,000
In 2002	Exercise of warrants	4,356,188	21,781
Dec. 31, 2002		767,814,797	3,839,074
In 2003	Exercise of warrants	7,690,113	38,451
Dec. 31, 2003		775,504,910	3,877,525
In 2004	Issuance of new shares	8,571,262	42,856
	Exercise of convertible bonds	12,379,386	61,897



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Dec. 31, 2004		796,455,558	3,982,278
In 2005	Exercise of convertible bonds	9,559,782	47,799
December 31, 2005		806,015,340	4,030,077
December 31, 2006		806,015,340	(Won) 4,030,077

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- (3) Dividends to net income ratio for the years ended December 31, 2006 and 2005 are as follows:

	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%

**24. 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 by 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 and settled by paying cash 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:

	Type A	Type B
Settlement	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

**Table of Contents****25. NON-OPERATING INCOME AND EXPENSE**

(1) Non-operating income for the years ended December 31, 2006 and 2005 are as follows (Korean won in millions):

	2006	2005
Gain on disposal of tangible assets	(Won) 3,382	(Won) 20,680
Gain on valuation using the equity method of accounting (Note 8)	44,750	123,870
Rental income	8,655	7,817
Gain on disposal of available-for-sale securities	619,114	137,639
Gain on redemption of available-for-sale securities	5,543	18,974
Reversal of loss on impairment of available-for-sale securities (Note 11)	15,118	16,735
Reversal of loss on impairment of held-to-maturity securities (Note 11)	16,069	3,800
Gain on sale of loans (Note 12)	13,098	128,945
Gain on disposal of other assets	673	527
Others	217,361	114,232
	(Won) 943,763	(Won) 573,219

(2) Non-operating expenses for the years ended December 31, 2006 and 2005 are as follows (Korean won in millions):

	2006	2005
Loss on disposal of tangible assets	(Won) 4,813	(Won) 9,442
Loss on valuation using the equity method of accounting (Note 8)	16,377	12,326
Loss on disposal of available-for-sale securities	1,178	4,733
Loss on redemption of available-for-sale securities	522	4,755
Loss on impairment of available-for-sale securities (Note 11)	2,599	28,998
Loss on sale of loans (Note 12)	85,867	207,184
Loss on impairment of fixed assets (Note 14)	269	3,250
Donations	33,129	23,812
Loss on impairment of intangible assets		159
Payment for early retirement	31,569	86,481
Others	54,908	76,928
	(Won) 231,231	(Won) 458,068

**26. INCOME TAX EXPENSE**

(1) Income tax expense for the years ended December 31, 2006 and 2005 are as follows (Korean won in millions):

	2006	2005
Tax payables	(Won) 564,711	(Won) 363,950
Changes in deferred income tax assets (liabilities) by temporary differences	330,266	687,189
Changes in deferred income tax assets by fair valuation	2,938	6,526
Changes in deferred income tax assets by tax loss carry-forwards	18,163	(132,864)
Tax effect on contribution carryover deduction	(1,877)	
Income tax expenses to be charged to equity	(189,696)	(612,618)

Income tax expense	(Won) 724,505	(Won) 312,183
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(2) Increase or decrease in cumulative temporary differences and tax loss carry-forwards for the year ended December 31, 2006 and 2005 are as follows (Korean won in millions):

<2006>

	Jan. 1, 2006(*1)	Increase	Decrease	Dec. 31, 2006
<b>(Temporary differences to be charged to income tax expense)</b>				
Securities	(Won) 44,977	(Won) (262,210)	(Won) 87,368	(Won) (304,601)
Gain (loss) on valuation using the equity method of accounting	(3,148,850)	(1,200,417)	67,693	(4,416,960)
Depreciation	36,493	8,158	377	44,274
Other allowances	235,265	361,949	182,236	414,978
Restructuring of loans	21,775	16,427	20,453	17,749
Allowances for acceptances and guarantees	25,138	55,751	24,702	56,187
Gain (loss) on valuation of derivatives	67,841	49,681	67,841	49,681
Loss on fair valuation	(86,828)	(63,514)	(86,828)	(63,514)
Other allowances for doubtful accounts	39,870	122	187	39,805
Accrued salaries expenses	70,939	18,814	13,061	76,692
Allowances for possible loan losses	766,620	22,060	74,179	714,501
Loss on valuation of securities	1,211,411	1,000,944	1,211,411	1,000,944
Accrued severance benefits	71,393	62,662	39,021	95,034
Deposits with employee retirement insurance trust	(43,092)	(55,352)	(33,573)	(64,871)
Advanced depreciation provisions	(60,414)			(60,414)
Fictitious dividends of tax heaven	42,886	14,340	42,886	14,340
Reserve for technology development	(507)		(254)	(253)
Others	46,554	(108,036)	28,554	(90,036)
	(Won) (658,529)	(Won) (78,621)	(Won) 1,739,314	(Won) (2,476,464)
<b>(Temporary differences to be charged to equity)</b>				
Gain (loss) on valuation of available-for-sale securities	(Won) (2,212,081)	(Won) (2,890,361)	(Won) (2,191,733)	(Won) (2,910,709)
Capital adjustment	(1,717,493)	(612,792)	(5,871)	(2,324,414)
Negative capital adjustment	7,308	(1,362)	7,308	(1,362)
Unrealized gain (loss) of derivatives	(12,057)	(1,239)	(12,057)	(1,239)
Gain on disposal of investments accounted for using the equity method of accounting		34,604		34,604
	(Won) (3,934,323)	(Won) (3,471,150)	(Won) (2,202,353)	(Won) (5,203,120)
Temporary differences total	(Won) (4,592,852)	(Won) (3,549,771)	(Won) (463,039)	(Won) (7,679,584)
Unrealizable temporary differences (*2)	(Won) (4,968,221)			(Won) (6,833,924)
Realizable temporary differences	375,369			(845,660)
Tax effects for temporary differences	99,782			(232,557)
Tax effects for temporary differences of oversea subsidiaries	6,133			8,206
Tax effects for fair valuation (*3)	3,085			147
Tax effects for tax loss carry-forwards	176,663			158,500
Tax effect on contribution carry-over deductions				1,877
Net deferred tax assets	(Won) 285,663			(Won) (63,827)



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&lt;2005&gt;

	Jan. 1, 2005	Increase	Decrease	Dec. 31, 2005
(Temporary differences to be charged to income tax expense)				
Securities	(Won) (74,622)	(Won) 44,197	(Won) (75,788)	(Won) 45,363
Gain (loss) on valuation using the equity method of accounting	(1,589,057)	(1,661,037)	(101,254)	(3,148,840)
Depreciation	31,524	4,916	64	36,376
Other allowances	92,910	187,098	44,743	235,265
Restructuring of loans	45,606	1,323	24,334	22,595
Allowances for acceptances and guarantees	11,443	13,697	2	25,138
Gain (loss) on valuation of derivatives	43,376	68,090	43,376	68,090
Loss on fair valuation	2,596	(86,828)	2,596	(86,828)
Other allowances for doubtful accounts	69,563		33,193	36,370
Accrued salaries expenses	43,875	70,939	43,875	70,939
Allowances for possible loan losses	1,001,208	35,585	270,148	766,645
Loss on valuation of securities	1,501,802	(88,285)	198,331	1,215,186
Accrued severance benefits	67,774	38,981	35,376	71,379
Deposits with employee retirement insurance trust	(28,241)	(41,283)	(26,432)	(43,092)
Advanced depreciation provisions	(62,097)		(1,683)	(60,414)
Fictitious dividends of tax heaven	35,903	42,886	35,903	42,886
Reserve for technology development	(760)		(253)	(507)
Others	160,092	10,555	134,018	36,629
	(Won) 1,352,895	(Won) (1,359,166)	(Won) 660,549	(Won) (666,820)
(Temporary differences to be charged to equity)				
Gain (loss) on valuation of available-for-sale securities	(Won)	(Won) (2,217,071)	(Won)	(Won) (2,217,071)
Capital adjustment		(1,717,493)		(1,717,493)
Negative capital adjustment		8,062		8,062
Unrealized gain (loss) of derivatives		(12,057)		(12,057)
	(Won)	(Won) (3,938,559)	(Won)	(Won) (3,938,559)
Temporary differences total	(Won) 1,352,895	(Won) (5,297,725)	(Won) 660,549	(Won) (4,605,379)
Unrealizable temporary differences (*2)	(Won) (1,600,890)			(Won) (4,968,221)
Realizable temporary differences	2,953,785			362,842
Tax effects for temporary differences	812,291			99,782
Tax effects for temporary differences of oversea subsidiaries	(19,187)			6,133
Tax effects for fair valuation (*3)	9,611			3,085
Tax effects for tax loss carry-forwards	43,799			176,663
Net deferred tax assets	(Won) 846,514			(Won) 285,663

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

(\*2) Unrealizable temporary differences as of December 31, 2006 are as follows (Korean won in millions):

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		2006	2005
The Company	Valuation using the equity method	(Won) (6,747,902)	(Won) (4,911,423)
Kyongnam Bank	Advanced depreciation provisions	(60,414)	(60,414)
	Other	(25,608)	3,616
		(Won) (6,833,924)	(Won) (4,968,221)

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(\*3) Arised from fair valuation of Woori Investment Securities asset and liabilities at acquisition.



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- (3) Details of income tax expense (benefits) for the years ended December 31, 2006 and 2005, and the deferred income tax assets (liabilities) as of December 31, 2006 and 2005 are as follows (Korean won in millions):

<2006>

	<b>Income</b>	<b>Deferred</b>	<b>Deferred</b>
	<b>tax expense</b>	<b>income tax assets</b>	<b>income tax liabilities</b>
Woori Bank	(Won) 524,186	(Won) 8,123	(Won) 25,319
Kyongnam Bank	52,080		21,768
Kwangju Bank	32,832	17,136	
WFIS	1,086	1,738	
Woori F&I	11,590	73	5,901
Woori Investment Securities	97,570	4,059	42,217
Woori CS	5,077	171	
Woori PE	84	78	
	(Won) 724,505	(Won) 31,378	(Won) 95,205

<2005>

	<b>Income tax</b>	<b>Deferred</b>	<b>Deferred</b>
	<b>expense(benefits)</b>	<b>income tax assets</b>	<b>income tax liabilities</b>
Woori Bank	(Won) 222,253	(Won) 219,146	(Won)
Kyongnam Bank	10,856	17,882	
Kwangju Bank	(26,542)	25,953	
WFIS	2,020	1,298	
Woori F&I	23,263	1,662	372
Woori Investment Securities	78,436	19,376	17
Woori CS	1,897	735	
	(Won) 312,183	(Won) 286,052	(Won) 389

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

<b>Year incurred</b>	<b>Amount</b>	<b>Utilized</b>	<b>Remaining</b>	<b>Expiration</b>
2002	(Won) 130,724	(Won) 116,825	(Won) 13,899	Dec. 31, 2007
2003	1,328,129	547,844	780,285	Dec. 31, 2008
2004	396,463		396,463	Dec. 31, 2009
2005	112,270	202	112,068	Dec. 31, 2010
2006	21,933		21,933	Dec. 31, 2011
	(Won) 1,989,519	(Won) 664,871	(Won) 1,324,648	

As of December 31, 2006 and 2005, recognized deferred tax assets in tax loss carry-forwards above are as follows (Korean won in millions):

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<b>Subsidiaries</b>	<b>2006</b>	<b>2005</b>
Woori Bank	(Won) 158,500	(Won) 151,100
Kyongnam Bank		25,563
	(Won) 158,500	(Won) 176,663

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**Table of Contents****27. EARNINGS PER COMMON SHARE**

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

	<b>2006</b>	<b>2005</b>
Consolidated net income on common shares	(Won) 2,029,319	(Won) 1,688,221
Extraordinary gain (loss)		
Income tax effect on extraordinary gain (loss)		
Consolidated ordinary income on common shares	(Won) 2,029,319	(Won) 1,688,221
Weighted average number of common shares (in shares)	806,012,758	804,361,522
Basic ordinary income per common share	(Won) 2,518	(Won) 2,099
Basic net income per common share	(Won) 2,518	(Won) 2,099

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

	<b>2005</b>
Diluted consolidated net income on common shares	(Won) 1,688,597
Extraordinary gain (loss)	
Income tax effect on extraordinary gain (loss)	
Diluted consolidated ordinary income on common shares	(Won) 1,688,597
Weighted average number of diluted common shares equivalents (in shares)	806,001,272
Diluted ordinary income per common share	(Won) 2,095
Diluted net income per common share	(Won) 2,095

As all convertible bonds were converted before December 31, 2005, the Company has no diluted securities for the year ended December 31, 2006.

**28. CONSOLIDATED STATEMENTS OF CASH FLOWS**

Restricted due from banks is excluded in cash and due from banks in consolidated statements of cash flows (Note 3).

	<b>2006</b>	<b>2005</b>
Cash and due from bank of Balance sheets	(Won) 10,674,977	(Won) 11,224,015
Restricted due	(5,033,385)	(6,024,175)
Cash in statements of cash flows	(Won) 5,641,592	(Won) 5,199,840



**Table of Contents****29. CONSOLIDATED OPERATIONAL RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2006 AND 2005**

	Three months ended Dec. 31, 2006 (In millions, except for income per share data) (Unaudited)	Three months ended Dec. 31, 2005 (Unaudited)
Operating revenue	(Won) 5,126,680	(Won) 3,834,035
Operating expense	(4,941,525)	(3,509,179)
Operating income	185,155	324,856
Non-operating income	481,769	123,151
Non-operating expenses	(83,524)	(136,663)
Income before income tax and minority interests	583,400	311,344
Tax expense	118,644	54,612
Income before minority interests	464,756	256,732
Minority interests gain	32,593	68,545
Net income	(Won) 432,163	(Won) 188,187
Net income per common share	(Won) 536	(Won) 233

**30. INTER-COMPANY TRANSACTIONS**

A. Significant balances as of December 31, 2006 and transactions for the year ended December 31, 2006 with and among the Company, its subsidiaries, and equity method investees, which have been eliminated in the consolidation, are as follows (Korean won in millions):

## (1) Assets and liabilities

## 1) Due from banks

	The Company	Woori Bank	Kyongnam Bank	Kwangju Bank	WFIS	Woori F&I	Woori Investment Securities	Woori CS	Woori PE	Others
Woori Bank	(Won) 67,394	(Won)	(Won) 9,271	(Won) 1,724	(Won) 4,410	(Won) 12,690	(Won) 106,325	(Won) 10,221	(Won) 9,939	(Won) 58,326
Kyongnam Bank	11,287	11,269		52	1,956		327	8,803		1
Kwangju Bank	11,043	6,271	103		1,530		47,953	18,000		
Others	2,002	16,073	23,908		2,053		18,264			4,168
	(Won) 91,726	(Won) 33,613	(Won) 33,282	(Won) 1,776	(Won) 9,949	(Won) 12,690	(Won) 172,869	(Won) 37,024	(Won) 9,939	(Won) 62,495

## 2) Deposits

	<b>Woori Bank</b>	<b>Kyongnam Bank</b>	<b>Kwangju Bank</b>	<b>Others</b>
The Company	(Won) 67,394	(Won) 11,287	(Won) 11,043	(Won) 2,002
Woori Bank		11,269	6,271	16,073
Kyongnam Bank	9,271		103	23,908
Kwangju Bank	1,724	52		
WFIS	4,410	1,956	1,530	2,053
Woori F&I	12,690			
Woori Investment Securities	106,325	327	47,953	18,264
Woori CS	10,221	8,803	18,000	
Woori PE	9,939			
Others	58,326	1		4,168
	(Won) 280,300	(Won) 33,695	(Won) 84,900	(Won) 66,468

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## 3) Loans

	The Company	Woori Bank	Kyongnam Bank	Kwangju Bank	Others
	(Won)	(Won)	(Won)	(Won)	(Won)
Woori Bank			15,077	34,873	
Woori F&I	50,000				
Woori Investment Securities					11,023
Others		99,171			
	(Won) 50,000	(Won) 99,171	(Won) 15,077	(Won) 34,873	(Won) 11,023

## 4) Borrowings

	Woori Bank	Woori F&I	Woori Investment Securities	Others
	(Won)	(Won)	(Won)	(Won)
The Company		50,000		
Woori Bank				99,171
Kyongnam Bank	15,077			
Kwangju Bank	34,873			
Others			11,023	
	(Won) 49,950	(Won) 50,000	(Won) 11,023	(Won) 99,171

## 5) Other assets

	The Company	Woori Bank	Kyongnam Bank	Kwangju Bank	WFIS	Woori Investment Securities	Woori CS	Others
	(Won)	(Won)	(Won)	(Won)	(Won)	(Won)	(Won)	(Won)
The Company		117						
Woori Bank	6,889		146,960	7,300	16,724	234,625	234	324,943
Kyongnam Bank	14	30,919		613	2,059	28,716	117	12,473
Kwangju Bank	8				1,658	10,198	526	3,901
WFIS	160	128						
Woori Investment Securities		11,294	32	983	809		3,812	3,737
Others	807	57,718				24	14	11

(Won) 7,878 (Won) 100,176 (Won) 146,992 (Won) 8,896 (Won) 21,250 (Won) 273,563 (Won) 4,703 (Won) 345,065

6) Other liabilities

	The	Woori	Kyongnam	Kwangju	Woori Investment		
	Company	Bank	Bank	Bank	WFIS	Securities	Others
	(Won)	(Won)	(Won)	(Won)	(Won)	(Won)	(Won)
The Company	117	6,889	14	8	160		807
Woori Bank			30,919		128	11,294	57,718
Kyongnam Bank		146,960				32	
Kwangju Bank		7,300	613			983	
WFIS		16,724	2,059	1,658		809	
Woori Investment							
Securities		234,625	28,716	10,198			24
Woori CS		234	117	526		3,812	14
Others		324,943	12,473	3,901		3,737	11
	(Won) 117	(Won) 737,675	(Won) 74,911	(Won) 16,291	(Won) 288	(Won) 20,667	(Won) 58,574



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## (2) Income and Expenses

## 1) Interest income

	The Company	Woori Bank	Kyongnam Bank	Kwangju Bank	WFIS	Woori F&I	Woori Investment Securities	Woori CS	Others
Woori Bank	(Won) 5,256	(Won)	(Won) 833	(Won) 1,546	(Won) 164	(Won) 40	(Won) 10,008	(Won) 291	(Won) 10,574
Kyongnam Bank	1,365			22		46	1,204	332	996
Kwangju Bank	1,083		8		8	18	1,254	548	338
WFIS	1,424								
Woori F&I	4,892								
Woori Investment Securities									618
Others	61	2,507	282	1			310		90
	(Won) 14,081	(Won) 2,507	(Won) 1,123	(Won) 1,569	(Won) 172	(Won) 104	(Won) 12,776	(Won) 1,171	(Won) 12,616

## 2) Interest expense

	Woori Bank	Kyongnam Bank	Kwangju Bank	WFIS	Woori F&I	Woori Investment Securities	Others
The Company	(Won) 5,256	(Won) 1,365	(Won) 1,083	(Won) 1,424	(Won) 4,892	(Won)	(Won) 61
Woori Bank							2,507
Kyongnam Bank	833		8				282
Kwangju Bank	1,546	22					1
WFIS	164		8				
Woori F&I	40	46	18				
Woori Investment Securities	10,008	1,204	1,254				310
Woori CS	291	332	548				
Others	10,574	996	338			618	90
	(Won) 28,712	(Won) 3,965	(Won) 3,257	(Won) 1,424	(Won) 4,892	(Won) 618	(Won) 3,251

## 3) Fees (income)

Woori Bank	Kwangju Bank	Woori Investment Securities	Woori CI	Others
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Woori Bank	(Won)	(Won) 81	(Won) 738	(Won) 22,331	(Won) 763
Kyongnam Bank			31	50	36
Kwangju Bank				29	
Woori 3rd SPC					130
Woori Investment Securities	283			39	14,123
Other			198		620
	(Won) 283	(Won) 81	(Won) 967	(Won) 22,449	(Won) 15,672

4) Fees (expense)

	Woori Bank	Kyongnam Bank	Kwangju Bank	Woori 3rd SPC	Woori Investment Securities	Others
Woori Bank	(Won)	(Won)	(Won)	(Won)	(Won) 283	(Won)
Kwangju Bank		81				
Woori Investment Securities	738	31				198
Woori CI	22,331	50	29		39	
Others	763	36		130	14,123	620
	(Won) 23,913	(Won) 117	(Won) 29	(Won) 130	(Won) 14,445	(Won) 818

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## 5) Other income

	Woori						
	Woori Bank	Kyongnam Bank	Kwangju Bank	WFIS	Investment Securities	Woori CS	Others
The Company	(Won) 2,072	(Won)	(Won)	1,728	(Won)	(Won)	(Won)
Woori Bank		234		202,029	6,101		
Kyongnam Bank	510			20,092	121		
Kwangju Bank				15,945	360		
WFIS	4,931						
Woori Investment Securities	2,683		589	998			61
Others	70,193	817	263	216	1,286	36	
	(Won) 80,389	(Won) 1,051	(Won) 852	(Won) 241,008	(Won) 7,868	(Won) 36	(Won) 61

## 6) Other expenses

	Woori						
	The Company	Woori Bank	Kyongnam Bank	Kwangju Bank	WFIS	Investment Securities	Others
Woori Bank	(Won) 2,072	(Won)	(Won) 510	(Won)	(Won) 4,931	(Won) 2,683	(Won) 70,193
Kyongnam Bank		234					817
Kwangju Bank						589	263
WFIS	1,728	202,029	20,092	15,945		998	216
Woori Investment Securities		6,101	121	360			1,286
Woori CS							36
Other						61	
	(Won) 3,800	(Won) 208,364	(Won) 20,723	(Won) 16,305	(Won) 4,931	(Won) 4,331	(Won) 72,811

## B. Unrealized gain or loss on transactions among the Company and its subsidiaries, which is eliminated from consolidated income for the year ended December 31, 2006, is as follows (Korean won in millions):

	Jan. 1, 2005	Decrease	Increase	Dec. 31, 2006
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 3rd SPC	(139)			(139)
	(Won) 1,478	(Won) (7,968)	(Won) 11,974	(Won) 5,484



**Table of Contents****31. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES**

The significant assets and liabilities in foreign currencies as of December 31, 2006 and 2005 are as follow (Korean won in millions and U.S. dollars in thousands):

&lt;2006&gt;

		<b>Korean won</b>	
		<b>U.S. dollars (*1)</b>	<b>equivalent</b>
Assets;	Cash in foreign currencies	US\$ 277,799	(Won) 258,242
	Due from bank in foreign currencies	887,018	824,572
	Trading securities	193,262	179,656
	Available-for-sale securities	2,008,907	1,867,480
	Held-to-maturities securities	147,095	136,739
	Investments accounted for using the equity method of accounting	38,356	35,656
	Loans in foreign currencies	11,489,613	10,680,745
	Bills bought in foreign currencies	4,686,810	4,356,858
	Call loans	369,377	343,373
	Fixed assets	26,890	24,997
	Other assets	3,519,938	3,272,135
		US\$ 23,645,065	(Won) 21,980,453
Liabilities;	Deposit in foreign currencies	US\$ 4,661,903	(Won) 4,333,706
	Borrowing in foreign currencies	9,271,208	8,618,513
	Payable in foreign currencies	313,739	291,652
	Deposits for letter of guarantees	60,371	56,121
	Call money	962,415	894,661
	Debentures	4,416,212	4,105,311
	Other liabilities	3,274,991	3,044,432
		US\$ 22,960,839	(Won) 21,344,396

&lt;2005&gt;

		<b>Korean won</b>	
		<b>U.S. dollars (*1)</b>	<b>equivalent</b>
Assets;	Cash in foreign currencies	US\$ 195,726	(Won) 198,272
	Due from bank in foreign currencies	651,468	659,938
	Trading securities	38,034	38,528
	Available-for-sale securities	815,794	826,399
	Held-to-maturities securities	286,996	290,727
	Investments accounted for using the equity method of accounting	35,821	36,287
	Loans in foreign currencies	8,284,587	8,392,288
	Bills bought in foreign currencies	3,705,792	3,753,969
	Call loans	556,691	563,928
	Fixed assets	7,778	7,879
	Other assets	65,613	66,466
		US\$ 14,644,300	(Won) 14,834,681
Liabilities;	Deposit in foreign currencies	US\$ 3,802,659	(Won) 3,852,095
	Borrowing in foreign currencies	6,212,232	6,292,990
	Payable in foreign currencies	335,863	340,229

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Deposits for letter of guarantees	65,964	66,821
Bonds sold with repurchase agreements	3,457	3,503
Call money	109,154	110,573
Debentures	2,916,432	2,954,346
Other liabilities	36,086	36,556
	US\$ 13,481,847	(Won) 13,657,113

(\*1) Currencies other than U.S. dollars were translated into U.S. dollars based on Base Rate announced by Seoul Money Brokerage Service, Ltd. at December 31, 2006 and 2005, respectively.

**Table of Contents****32. CONTINGENCIES AND COMMITMENTS**

- (1) Confirmed acceptances and guarantees and non-confirmed acceptances and guarantees as of December 31, 2006 and 2005 are as follows (Korean won in millions):

	<b>2006</b>	<b>2005</b>
<b>Confirmed acceptances and guarantees:</b>		
Local currency:		
Guarantees for debenture issuance	(Won) 59,532	(Won) 62,850
Guarantees for loans	105,337	71,105
Guarantees for bills		18,452
Others	733,153	562,844
	898,022	715,251
Foreign currencies:		
Acceptance	266,764	355,473
Guarantee in acceptance of imported goods	104,500	78,073
Credit derivatives sold	548,018	60,780
Others	1,847,726	915,616
	2,767,008	1,409,942
	(Won) 3,665,030	(Won) 2,125,193
<b>Non-confirmed acceptances and guarantees:</b>		
Local letter of credit in foreign currencies	(Won) 604,063	(Won) 639,134
Local letter of credit in local currency	78,674	114,772
Letter of credit	2,422,997	1,920,136
Others	1,183,712	64,920
	(Won) 4,289,446	(Won) 2,738,962

- (2) Endorsed bills and the loan commitments as of December 31, 2006 and 2005 are as follows (Korean won in millions):

	<b>2006</b>	<b>2005</b>
Loan commitments in local currency	(Won) 64,964,944	(Won) 49,069,243
Loan commitments in foreign currencies	8,713,433	7,741,706
Other commitments in foreign currencies	414,155	293,991
	(Won) 74,092,532	(Won) 57,104,940
Endorsed bills without guarantee	(Won) 47,992	(Won) 38,368
Endorsed bills with guarantee	20,912	21,368
	(Won) 68,904	(Won) 59,736

- (3) The allowance for acceptances and guarantees as of December 31, 2006 and 2005 are as follows (Korean won in billions):

	2006			2005		
	Allowance	Ratio (%)	Outstanding(*1)	Allowance	Ratio (%)	Outstanding(*1)
Normal	(Won) 46.4	0.6	(Won) 7,871.9	(Won) 19.4	0.4	(Won) 4,767.9
Precautionary	5.6	6.5	85.6	2.6	2.3	113.6
Substandard	4.0	23.7	16.9	0.2	24.2	0.7
Doubtful	0.2	28.6	0.7	0.3	49.9	0.7
Loss	0.3	100.0	0.3	2.6	100.0	2.6
	(Won) 56.5		(Won) 7,975.4	(Won) 25.1		(Won) 4,885.5

(\*) Included confirmed acceptances and guarantees, non-confirmed acceptances and guarantees and endorsed bills with guarantee of the Bank's subsidiaries.



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- (4) As of December 31, 2006, the Company and its subsidiaries had filed 2,942 lawsuits as a plaintiff pleading damages amounting to (Won)1,184 billion and had been designated as a defendant in 295 lawsuits claiming damages amounting to (Won)280 billion. The Company and its subsidiaries do not anticipate the outcome of these lawsuits would have a significant effect on their financial conditions or results of their operations.

Important lawsuits in which the Company and its subsidiaries are defendants are as follows (Unit: Korean won in billions):

Defendant	Plaintiff	Amount	Detail of case
Woori Bank	LNH Korea	47	Claim for damage relating to factoring loans for LNH Korea (US\$ 50 million)
	Daewoo Motors Co., Ltd.	47	Claim for withdrawal deposits setoff credit of Daewoo Motors ((Won)27 billion and US\$ 21 million)
	Ilsung Pharmaceuticals Co., Ltd.	30	Legality of reduction of capital of Hanil Bank
	Ssangyong Corporation	16	Claim for damages relating to fabrication of export-import documents
	Kyobo Life Insurance Co., Ltd.	10	Claim for damage relating to trusts acquiring commercial paper of Saehan Corp.
Kwangju Bank	The Export-Import Bank of Korea	38	Verify export guarantee obligation for Daewoo Corp.

- (5) Details of other allowances as of December 31, 2006 and 2005 are as follows (Korean won in billions):

	2006	2005
Lawsuits	(Won) 60	(Won) 64
Commitments on credit card and others	384	198
Loans sold under repurchase obligation (*1)	1	4
Disposal of Petro Bank	12	12
Others	6	20
	(Won) 463	(Won) 298

- (\*1) In connection with non-performing loans sold by subsidiaries of the Company to Korea Asset Management Corporation subject to payment guarantees or repurchase obligation of (Won)8.5 billion and (Won)13.3 billion as of December 31, 2006 and 2005, respectively.

**Table of Contents****33. DERIVATIVES**

(1) Unsettled commitments from derivatives as of December 31, 2006 and 2005 are as follows (Korean won in millions):  
<2006>

	For trading	For hedging	Total
<b>Interest rate:</b>			
Interest rate forwards	(Won) 1,622,158	(Won) 280,888	(Won) 1,903,046
Interest rate swaps	24,677,037	12,453,737	37,130,774
CD interest futures	877,868		877,868
Long interest options	622,762	7,848	630,610
Short interest options	1,237,762		1,237,762
	29,037,587	12,742,473	41,780,060
<b>Currency:</b>			
Currency forwards	35,331,164	856,021	36,187,185
Currency swaps	10,402,142	324,811	10,726,953
Currency futures	2,069,266	977	2,070,243
Long currency options	3,061,642		3,061,642
Short currency options	1,896,856		1,896,856
	52,761,070	1,181,809	53,942,879
<b>Stock &amp; Stock Index:</b>			
Stock index futures	101,087	119,832	220,919
Long stock index options	1,748,332	442,908	2,191,240
Short stock index options	2,898,373	7,600	2,905,973
	4,747,792	570,340	5,318,132
<b>Others</b>			
Long Option	543,689	40,365	584,054
Short Option	543,689		543,689
Other forwards	43,412		43,412
Other swaps		133,502	133,502
Other futures	151,117		151,117
	1,281,907	173,867	1,455,774
	(Won) 87,828,356	(Won) 14,668,489	(Won) 102,496,845

<2005>

	For trading	For hedging	Total
<b>Interest rate:</b>			
Interest rate forwards	(Won) 10,745	(Won) 302,472	(Won) 313,217
Interest rate swaps	17,012,716	6,786,622	23,799,338

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CD interest futures	147,500		147,500
Long interest options	151,884	21,632	173,516
Short interest options	280,252		280,252
	17,603,097	7,110,726	24,713,823
Currency:			
Currency forwards	24,978,146	87,199	25,065,345
Currency swaps	8,958,397		8,958,397
Currency futures	361,438		361,438
Long currency options	733,285	5,005	738,290
Short currency options	664,631		664,631
	35,695,897	92,204	35,788,101
Stock & Stock Index:			
Stock swap	282,735		282,735
Stock index futures	272,853	2,483	275,336
Long stock index options	1,348,099	1,453,544	2,801,643
Short stock index options	5,075,718		5,075,718
	6,979,405	1,456,027	8,435,432
Others	25,727	37,223	62,950
	(Won) 60,304,126	(Won) 8,696,180	(Won) 69,000,306

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(2) Gain or loss on valuation of derivatives for the years ended December 31, 2006 and 2005 cumulated are as follows (Korean won in millions):  
<2006>

	Gains on valuation			Losses on valuation			Gains (losses) in capital adjustments		Cumulative gains (losses) in balance sheet	
	in income statement		Total	in income statement		Total	Hedge	(losses) in Assets	in balance sheet	
	Trading	Hedge		Trading	Hedge				Liabilities	
Interest rate:										
Interest rate forwards	(Won) 1,972	(Won) 1,122	(Won) 3,094	(Won) 714	(Won) 291	(Won) 1,005	(Won)	(Won) 491	(Won) 571	
Interest rate swaps	94,690	65,579	160,269	141,093	36,173	177,266	(470)	150,153	277,588	
Long interest options	850	45	895	1,610	13	1,623		5,599		
Short interest options	3,404		3,404	1,244		1,244			5,909	
	100,916	66,746	167,662	144,661	36,477	181,138	(470)	156,243	284,068	
Currency:										
Currency forwards	318,711	1,198	319,909	293,080	2,582	295,662	5,144	337,586	327,449	
Currency swaps	361,792	1,737	363,529	340,241	3,207	343,448	200	515,842	453,620	
Currency futures	50		50	39		39		48	32	
Long currency options	14,161		14,161	21,692		21,692		20,404		
Short currency options	13,559		13,559	4,921	(268)	4,653			34,868	
	708,273	2,935	711,208	659,973	5,521	665,494	5,344	873,880	815,969	
Stock & Stock index :										
Stock index futures	397	75	472					397		
Long stock index options	27,121	1,949	29,070	9,487	3,576	13,063		292,944	792	

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Short stock index options	30,027		30,027	33,556		33,556			469,987
	57,545	2,024	59,569	43,043	3,576	46,619		293,341	470,779
Others									
Long options	2,889		2,889		960	960		4,226	
Short options	65		65	1,019		1,019			4,157
Other forwards	820		820	812		812		811	811
Other swaps		3,580	3,580		780	780		2,410	1,369
	3,774	3,580	7,354	1,831	1,740	3,571		7,447	6,337
	(Won) 870,508	(Won) 75,285	(Won) 945,793	(Won) 849,508	(Won) 47,314	(Won) 896,822	(Won) 4,874	(Won) 1,330,911	(Won) 1,577,153

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&lt;2005&gt;

	Gains on valuation			Losses on valuation			Gains (losses) in capital adjustments		Cumulative gains (losses) in balance sheet	
	in income statement			in income statement			in capital adjustments		(losses) in balance sheet	
	Trading	Hedge	Total	Trading	Hedge	Total	Hedge	Assets	Liabilities	
Interest rate:										
Interest rate forwards	(Won)	(Won)	448	(Won)	448	(Won)	2	(Won)	(Won)	(Won)
Interest rate swaps	128,467	13,652	142,119	129,181	88,251	217,432		99,014	212,182	
Long interest options	210		210					415		
Short interest options	651		651	466		466			3,904	
others	645		645		645	645		20,558	20,558	
	129,973	14,100	144,073	129,649	88,896	218,545		119,987	236,644	
Currency:										
Currency forwards	207,247	1,414	208,661	209,105	93	209,198	14,024	208,259	258,527	
Currency swaps	147,329		147,329	100,846		100,846		325,975	232,532	
Long currency options	2,351		2,351	5,115		5,115		5,872		
Short currency options	4,059		4,059	1,876		1,876			8,275	
	360,986	1,414	362,400	316,942	93	317,035	14,024	540,106	499,334	
Stock & Stock index :										
Stock swap	1,267		1,267					1,267		
Stock index futures					7	7				
Long stock index	36,282	95,148	131,430	723	6,329	7,052		200,776		

options									
Short stock index options	14,613	14,613	124,815	124,815				589,559	
	52,162	95,148	147,310	125,538	6,336	131,874	202,043	589,559	
Others									
Long options					635	635	1,144		
Short options	269	269						450	
	269	269			635	635	1,144	450	
	(Won) 543,390	(Won) 110,662	(Won) 654,052	(Won) 572,129	(Won) 95,960	(Won) 668,089	(Won) 14,024	(Won) 863,280	(Won) 1,325,987

### 34. 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), Return on Equity (ROE), 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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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Woori Finance Holdings Co., Ltd.  
(Registrant)

Date: March 30, 2006

By: /s/ Byung-Ho Park  
(Signature)  
Name: Byung-Ho Park  
Title: Managing Director