

WOORI FINANCE HOLDINGS CO LTD

Form 6-K

March 31, 2008

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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 2008

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.

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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| <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> | |

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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 Financial
1. Rental business in connection with facilities, machineries, construction equipment, automobiles, ships, aircrafts, real estate and their rights;
 2. Yearly installment sales;
 3. Installment finance;
 4. New technology business finance;
 5. Credit and collateralized loans;
 6. Bill discounting;
 7. Acquisitioning, management and collection of account receivables;
 8. Acquisition of receivable of, or related Securities issued by, other finance or leasing companies relating to businesses listed in (1) through (7) above;
 9. Payment guarantee business;
 10. Securitized asset management under asset securitization regulations;

11. Credit review and related activities in connection with businesses listed in (1) through (10) above;
12. Real estate rental business;
13. Corporate restructuring SPC business in accordance with the Industry Development Act;
14. General partner of private equity funds investing in new technologies;
15. Rental business for leased goods;
16. Other businesses and activities related to the items listed above.

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(7) 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.

(8) 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;

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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

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

(9) Woori 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;

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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.

(10) 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.

c. Anticipated Business Expansion

In order to enter the insurance industry, Woori Finance Holdings formed a consortium with AVIVA to acquire a 91.65% stake in LIG Life Insurance, and subsequently entered into a purchase agreement on January 31, 2008. Woori Finance Holdings will acquire 51.0% of the outstanding shares of LIG Life Insurance for approximately Won 76.3 billion, and add LIG Life Insurance as its subsidiary. Woori Finance Holdings plans to re-launch LIG Life Insurance as Woori Aviva Life Insurance on April 1, 2008, which will focus on providing comprehensive financial services to Woori Group customers by offering tailored products to meet their insurance demands.

(1) Scope of business

1. Development and operation of personal insurance and reinsurance products, including life insurance, accident insurance, disease insurance and pension insurance; and
2. Asset management using the following methods:

Acquisition and use of government bonds, municipal bonds, stocks, debentures and bonds issued by entities established by special law

Acquisition and use of real estate

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Loan services and discount of commercial notes

Savings with financial institutions

Placing of cash and securities in trusts

Other methods in accordance with insurance-related regulations

3. Other insurance activities or other business activities permitted under insurance-related regulations

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

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

| | |
|--------------------|--|
| March 24, 2001 | Official approval from the Financial Supervisory Service for Woori Finance Holdings Co., Ltd. |
| 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 |
| 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 |

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|--------------------|---|
| 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 4.0 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 4.0 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 nd tier subsidiary to 1 st 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 nd 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) |

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| | |
|--------------------|---|
| 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 |
| September 14, 2007 | Acquired Hanmi Capital as a subsidiary (Hanmi Capital was renamed Woori Financial as of October 26, 2007) |

* On January 31, 2008, we entered into a stock purchase agreement to acquire LIG Life Insurance, which will be re-launched as Woori Aviva Life Insurance in April 2008

b. Associated Business Group

(1) Overview of Business Group

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

(2) Related companies within the business group

| Type | Name of Company | Controlling Company | Notes |
|-----------------------------------|--|------------------------|--------------|
| Holding Company | Woori Finance Holdings | KDIC | |
| 1 st Tier Subsidiaries | Woori Bank | Woori Finance Holdings | 10 companies |
| | Kwangju Bank | | |
| | Kyongnam Bank | | |
| | Woori Finance Information System | | |
| | Woori F & I | | |
| | Woori Third Asset Securitization Specialty | | |
| | Woori CS Asset Management | | |
| 2 nd Tier Subsidiaries | Woori Investment & Securities | Woori Bank | 19 companies |
| | Woori Private Equity | | |
| | Woori Financial | | |
| | Woori Credit Information | | |
| | Woori America Bank | | |
| | P.T. Bank Woori Indonesia | | |
| | Korea BTL Infrastructure Fund | | |
| Woori Global Markets Asia Ltd. | | | |
| ZAO Woori Bank | | | |
| Woori Bank (China) Limited | | | |

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| | |
|--|----------------------|
| Woori SB Asset Management | |
| Woori F&I Fifth Asset Securitization Specialty Co., Ltd. | Woori F&I |
| Woori F&I Sixth Asset Securitization Specialty Co., Ltd. | |
| Woori F&I Seventh Asset Securitization Specialty Co., Ltd. | |
| Woori Private Equity Fund | Woori Private Equity |
| Woori Futures | |
| Woori Investment & Securities International Ltd. | Woori Investment & |
| Woori Investment & Securities (HK) Ltd. | |
| Woori Investment & Securities America Inc. | Securities |
| Mars First Private Hoesa | |
| Mars Second Private Hoesa | |
| Woori Investment Asia Pte. Ltd. | |

* On March 5, 2007, Mars Second Private Hoesa, with KRW 31,500 million paid-in-capital, was included as our 2nd 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 2nd 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.

* On May 23, 2007, Woori F&I Fifth Asset Securitization Specialty Co., Ltd. was included as our 2nd tier subsidiary. Woori F&I Co., Ltd. owns 100% of its equity.

* On September 14, 2007, Hanmi Capital was included as our 1st tier subsidiary to strengthen our non-banking business (Hanmi Capital was renamed Woori Financial as of October 26, 2007).

* On September 20, 2007, Woori Investment Asia Pte. Ltd. was included as our 2nd tier subsidiary. Woori Investment & Securities owns a 100% stake in Woori Investment Asia Pte. Ltd.

* On October 26, 2007, Woori Bank (China) Limited was included as our 2nd tier subsidiary. Woori Bank owns a 100% stake in Woori Bank (China) Limited.

* On November 22, 2007, ZAO Woori Bank was included as our 2nd tier subsidiary. Woori Bank owns a 100% stake in ZAO Woori Bank, excluding one ZAO Woori Bank share, which is owned by a related party of Woori Bank in order to comply with Russian regulation on single shareholder limitations.

* On December 12, 2007, Woori F&I Sixth Asset Securitization Specialty Co., Ltd. and Woori F&I Seventh Asset Securitization Specialty Co., Ltd. were included as our 2nd tier subsidiaries. Woori F&I Co., Ltd. owns a 100% stake in each of these two subsidiaries.

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 | |
| 2002.6.12 | Capital increase w/ consideration | Common | 36,000,000 | 5,000 | 6,800 | Capital contribution ratio: 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 | 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.

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4. Total Number of Authorized Shares

a. Total Number of Authorized Shares

As of December 31, 2007

(units: shares)

| Items | Type | |
|-----------------------------------|---------------|---------------|
| | Common Shares | Total |
| 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 | 2,560 | 2,560 |
| Free float shares | 806,012,780 | 806,012,780 |

b. Capital and Price per Share

As of December 31, 2007

(units: Won, shares)

| Type | | Capital | | | Par value per share | Price per share | |
|------------|--------------|-------------------|----------------------------|--------------------------------|---------------------|-----------------------------------|-----------------------------|
| | | Capital | Par value of issued shares | Par value of free float shares | | Capital ÷ number of shares issued | Capital ÷ free float shares |
| Registered | Common Stock | 4,030,076,700,000 | 4,030,076,700,000 | 4,030,063,900,000 | 5,000 | 5,000 | 5,000 |
| Total | | 4,030,076,700,000 | 4,030,076,700,000 | 4,030,063,900,000 | 5,000 | 5,000 | 5,000 |

c. Treasury Stock

As of December 31, 2007

(units: shares)

| Acquisition Method | Type of Stock | Beg. | Acquired | Disposal | Canceled | End | Remarks |
|--|---------------|-------|----------|----------|----------|-------|---------|
| Direct purchase under Sub-section 1, section 189-2 | Common | | | | | | |
| | Preferred | | | | | | |
| Direct purchase other than the conditions under Sub-section 1, section 189-2 | Common | 2,555 | 5 | | | 2,560 | |
| | Preferred | | | | | | |
| Subtotal | Common | 2,555 | 5 | | | 2,560 | |
| | Preferred | | | | | | |
| Indirect acquisition from trust agreement | Common | | | | | | |
| | Preferred | | | | | | |
| Total | Common | 2,555 | 5 | | | 2,560 | |
| | Preferred | | | | | | |

* Woori Financial Holdings acquired additional treasury shares in respect of fractional shares resulting from share exchange for Woori Securities.

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d. Status of Employee Stock Option Program

(units: shares)

| Type of stock | Type of Stock | Beginning Balance (2007.01.01) | Ending Balance (2007.12.31) |
|------------------------|---------------|-----------------------------------|--------------------------------|
| Employee Account | | | |
| Employee Union Account | Common stock | 41,403 | 0 |

5. Voting Rights

As of December 31, 2007

(units: shares)

| Items | | Number of stock | Notes |
|---|-----------------------------------|-----------------|--|
| Total number of shares | Common Shares Preferred Shares | 806,015,340 | |
| Stocks without voting rights | Common Shares Preferred Shares | | Treasury stock: 2,560 |
| Stocks with limited voting rights under the Securities & Exchange Law | | 17,529 | Stock held by Woori I&S: 29 |
| Stocks with voting rights restored | | | Mutually held stock by BC Card: 14,940 |
| Stocks with voting rights | Common Shares Preferred Shares | 805,997,811 | |

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

(Non-consolidated)

(Unit: Won)

| Items | | 2007 | 2006 | 2005 |
|--|------------------|-----------|-----------|-----------|
| Par value per share (Won) | | 5,000 | 5,000 | 5,000 |
| Net profit (Won in Millions) | | 2,031,194 | 2,029,319 | 1,688,221 |
| Earnings per share (Won) | | 2,520 | 2,518 | 2,099 |
| Profit available for dividend distribution (Won in Millions) | | 6,362,583 | 5,017,365 | 3,514,715 |
| Total cash payout (Won in Millions) | | 201,503 | 483,608 | 322,405 |
| Total stock dividends (Won in Millions) | | | | |
| Propensity to cash dividends (%) | | 9.92 | 23.83 | 19.10 |
| Cash dividend yield (%) | Common Shares | 1.29 | 2.71 | 1.98 |
| | Preferred Shares | | | |
| Stock dividend yield (%) | Common Shares | | | |
| | Preferred Shares | | | |
| Cash dividend per share (Won) | Common Shares | 250 | 600 | 400 |
| | 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 2007. 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 | 2007 | 2006 | 2005 |
|---------------------|------------|------------|------------|
| Shareholders Equity | 13,152,077 | 11,933,072 | 9,717,364 |
| Capital | 4,030,076 | 4,030,076 | 4,030,076 |
| Capital Surplus | 84,488 | 84,488 | 84,488 |
| Retained Earnings | 7,145,883 | 5,597,546 | 3,891,963 |
| Capital Adjustments | 1,891,629 | 2,220,962 | 1,710,836 |
| Borrowings | 2,129,288 | 1,860,449 | 2,314,419 |
| Debentures | 2,116,679 | 1,847,591 | 2,296,203 |
| Bank Borrowings | | | |
| Commercial Paper | | | |
| Other Borrowings | | | |
| Other Liabilities | 12,609 | 12,858 | 18,216 |
| Total | 15,281,364 | 13,793,521 | 12,031,783 |

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(2) Use of Funds

(units: millions of Won)

| Items | 2007 | 2006 | 2005 |
|---|------------|------------|------------|
| Subsidiary Stock | 15,152,420 | 13,591,413 | 11,751,678 |
| Woori Bank | 12,286,663 | 11,297,882 | 9,695,213 |
| Kyongnam Bank | 923,555 | 794,984 | 694,275 |
| Kwangju Bank | 726,256 | 630,995 | 561,330 |
| Woori Financial Information System | 10,080 | 11,245 | 11,903 |
| Woori F&I | 144,746 | 124,874 | 114,017 |
| Woori 3 rd Asset Securitization Specialty | 1,885 | 24,317 | |
| Woori Investment & Securities | 735,983 | 649,355 | 604,543 |
| Woori CS Asset Management (formerly Woori Asset Management) | 49,895 | 47,655 | 60,600 |
| Woori Private Equity | 11,949 | 10,106 | 9,797 |
| Woori Financial | 261,408 | | |
| Investment Securities | | | |
| Loan Obligations | | 49,750 | 109,450 |
| Tangible Assets | 438 | 630 | 119 |
| Intangible Assets | 20 | 30 | 35 |
| Cash | 32,502 | 89,724 | 104,072 |
| Other Assets | 95,985 | 61,974 | 66,428 |
| Total | 15,281,365 | 13,793,521 | 12,031,783 |

c. Transactions related to Commission Fees

(units: millions of Won)

| Category | 2007 | 2006 | 2005 |
|-------------------------|--------|--------|--------|
| Commission Revenue (A) | 0 | 0 | 0 |
| Commission Expense (B) | 5,916 | 7,613 | 6,641 |
| Commission Profit (A-B) | -5,916 | -7,613 | -6,641 |

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

(units: millions of Won)

| Items | 2007 | 2006 | 2005 |
|--------------------------|-------------|------|------|
| Total Capital (A) | 20,102,976 | | |
| Risk weighted assets (B) | 174,367,585 | | |
| BIS Ratio (A/B) | 11.53% | | |

b. Credit ratings for the past three years

| Date of Rating | Evaluated Securities | Credit Rating | Company (Ratings Range) | Evaluation Category |
|----------------|----------------------|---------------|-------------------------|---------------------|
| 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) | Case evaluation |
| 2006.09.07 | | Baa1 | Moody's (Aaa ~ C) | Case evaluation |
| 2007.05.07 | | A2 | Moody's (Aaa ~ C) | Case evaluation |
| 2007.08.17 | Debentures | AAA | NICE (AAA ~ D) | Case evaluation |
| 2007.08.17 | Debentures | AAA | KIS Ratings (AAA ~ D) | Case evaluation |
| 2007.11.27 | Debentures | AAA | NICE (AAA ~ D) | Case evaluation |
| 2007.11.27 | Debentures | AAA | KIS Ratings (AAA ~ D) | Case evaluation |

c. Won-denominated Current Ratio

(units: millions of Won)

| Items | 2007 | 2006 | 2005 |
|-------------------------|---------|---------|---------|
| Current Assets (A) | 32,874 | 117,037 | 111,091 |
| Current Liabilities (B) | 12,207 | 12,496 | 18,216 |
| Current Ratio (A/B) | 269.30% | 936.60% | 609.85% |

* Current ratio

= assets with maturity of less than 3 months

liabilities with maturity of less than 3 months

Table of Contents**d. Foreign Currency-denominated Current Ratio**

(units: millions of Won)

| Items | 2007 | 2006 | 2005 |
|-------------------------|------|------|------|
| Current Assets (A) | | | |
| Current Liabilities (B) | | | |
| Current Ratio (A/B) | | | |
| * Current ratio | | | |

= assets with maturity of less than 3 months

liabilities with maturity of less than 3 months

e. Debt Ratio

(units: millions of Won)

| Items | 2007 | 2006 | 2005 |
|------------------|------------|------------|-----------|
| Liabilities (A) | 2,129,288 | 1,860,448 | 2,314,418 |
| Equity (B) | 13,152,077 | 11,922,274 | 9,717,364 |
| Debt Ratio (A/B) | 16.19% | 15.60% | 23.80% |

Table of Contents**III. Financial Information****1. Condensed Financial Statements (Consolidated)**

(units: millions of Won)

| Items | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Cash and Due from Banks | 14,984,541 | 10,674,977 | 11,224,015 | 6,530,065 | 6,471,855 |
| Securities | 48,228,254 | 46,313,960 | 37,693,090 | 29,175,271 | 27,006,678 |
| Loans | 167,635,411 | 140,854,505 | 106,937,970 | 91,482,647 | 86,077,297 |
| Tangible Assets | 2,638,774 | 2,561,391 | 2,472,727 | 2,410,106 | 2,253,714 |
| Other Assets | 16,133,343 | 11,592,497 | 6,215,046 | 7,003,875 | 6,958,176 |
| Total Assets | 249,620,323 | 211,997,330 | 164,542,848 | 136,601,964 | 128,767,720 |
| Deposits | 146,583,312 | 129,022,868 | 107,087,990 | 92,148,907 | 89,049,625 |
| Borrowings | 66,040,316 | 54,134,339 | 37,116,858 | 27,910,757 | 25,008,773 |
| Other Liabilities | 21,889,695 | 15,415,318 | 9,233,038 | 7,837,020 | 9,011,022 |
| Total Liabilities | 234,513,323 | 198,572,525 | 153,437,886 | 127,896,684 | 123,069,420 |
| Common Stock | 4,030,077 | 4,030,077 | 4,030,077 | 3,982,278 | 3,877,525 |
| Consolidated Capital Surplus | 188,237 | 187,955 | 142,608 | 170,960 | 57,844 |
| Consolidated Capital Adjustment | -55,812 | -55,854 | -52,485 | -94,843 | 51,715 |
| Consolidated Other Comprehensive Income | 1,843,686 | 2,173,342 | 1,705,194 | 1,060,800 | 363,254 |
| Consolidated Retained Earnings | 7,145,883 | 5,601,869 | 3,896,255 | 2,333,145 | 1,152,053 |
| Minority Interest | 1,954,929 | 1,487,416 | 1,383,313 | 1,252,940 | 195,909 |
| Total Stockholder's Equity | 15,107,000 | 13,424,805 | 11,104,962 | 8,705,280 | 5,698,300 |
| Operating Revenue | 26,650,125 | 19,895,975 | 14,564,520 | 13,542,554 | 10,696,247 |
| Operating Income | 3,037,349 | 2,748,368 | 2,004,494 | 1,137,600 | 57,719 |
| Net Profit before Tax | 3,044,904 | 2,913,712 | 2,145,704 | 1,192,574 | 231,062 |
| Aggregated Net Profit | 2,201,994 | 2,189,207 | 1,833,521 | 1,261,052 | 52,374 |
| Net Profit for Majority Shareholders | 2,026,872 | 2,029,319 | 1,688,221 | 1,261,925 | 56,279 |
| Net Profit for Minority Shareholders | 175,122 | 159,888 | 145,300 | -873 | -3,905 |
| No. of Companies Consolidated | 30 | 24 | 21 | 24 | 15 |

* 1. Accounts and numbers are presented in accordance with SKAS No. 24 and No. 25.

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2. 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 |
|--------|-------|---------------|--------------------|--------------------|
| 2007 | Loans | | | |
| | Total | | | |
| 2006 | Loans | 50,000 | 250 | 0.5% |
| | Total | 50,000 | 250 | 0.5% |
| 2005 | Loans | 110,000 | 550 | 0.5% |
| | Total | 110,000 | 550 | 0.5% |

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

(units: millions of Won)

| Item | 2007 | 2006 | 2005 |
|---------------------------------------|------|------|-------|
| 1. Initial loan loss reserves balance | 250 | 550 | 1,098 |
| 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 | -250 | -300 | -548 |
| Ending loan loss reserve balance | 0 | 250 | 550 |

3. Notes on Consolidated Financial Statements

(1) Auditor's opinion

| Item | 2007 | 2006 | 2005 |
|-------------------|------------------------|------------------------|------------------------|
| Auditor | Anjin (Deloitte Anjin) | Anjin (Deloitte Anjin) | Anjin (Deloitte Anjin) |
| Auditor's Opinion | Unqualified Opinion | Unqualified Opinion | Unqualified Opinion |

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

| | | |
|---------------------------------------|---------------------------------------|---------------------------------------|
| 2007 Anjin (Deloitte Anjin) | 2006 Anjin (Deloitte Anjin) | 2005 Anjin (Deloitte Anjin) |
|---------------------------------------|---------------------------------------|---------------------------------------|

2. Compensation to the Independent Auditor for the Past Three Years**a. Auditing Service**

(units: millions of Won, hours)

| Year | Auditor | Activity | Compensation | Accrued Time (hrs) |
|------|------------------------|--|--------------|--------------------|
| 2007 | Anjin (Deloitte Anjin) | Review of Quarter and Half Year financial statements and audit of Annual financial statements (Consolidated, Non-consolidated) | 340 | 4,936 |
| 2006 | Anjin (Deloitte Anjin) | Review of Quarter and Half Year financial statements and audit of Annual financial statements (Consolidated, Non-consolidated) | 320 | 5,210 |
| 2005 | Anjin (Deloitte Anjin) | Review of Quarter and Half Year financial statements and audit of Annual financial statements (Consolidated, Non-consolidated) | 320 | 5,950 |

b. Compensation for Services Other than the Audit

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

| Year | Contract Date | Activity | Period | Comp. | Note |
|------|---------------|--------------------------|-----------------|--------------------|----------------|
| 2007 | 2008.01.24 | US GAAP and SOX Auditing | 2007.12~2008.05 | 3,530 | Deloitte Anjin |
| 2006 | 2006.12.15 | US GAAP and SOX Auditing | 2006.12~2007.5 | 3,530 | Deloitte Anjin |
| 2005 | 2006.2.9 | US GAAP Auditing | 2005.12~2006.5 | USD 1,950 thousand | Deloitte Anjin |

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V. Corporate Governance and Affiliated Companies

1. Overview of the Corporate Governance

a. About the Board of Directors

(1) Board of Directors

A. Duties of Boards of Directors

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

B. Information Regarding the Board of Directors

The following information was stated in the notice to the shareholders of the annual general meeting and details of the agenda filed in Korea on March 11 and 12, 2008

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

| Name | Date of Birth | Term / Appointment | Career & Academic Background | Relationship with Largest Shareholder | Transactions with the Company in the Past Three Years |
|-----------------------|---------------|----------------------------|---|---------------------------------------|---|
| Pyoung Wan Har | Aug. 22, 1945 | 1 year / Re-appointment | - Current) Consultant of The Federation of Korean Industries - Standing Audit Committee Member of Korean Exchange Bank - Bachelor of Business Administration, Sungkyunkwan University - Master of Business Administration, Yonsei University | None | None |
| Kwang-Dong Kim | Jun. 12, 1948 | 1 year / Re-appointment | - Current) Professor of College of Economics & Business Administration, Cheongju University - Ambassador of the Korean Embassy in the Federative Republic of Brazil | None | None |

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| | | | | | |
|----------------------|---------------|----------------------------|--|------|------|
| | | | - Bachelor of Political Science and International Studies, Yonsei University | | |
| | | | - Institut International d Administration Publique | | |
| Bong Soo Park | Dec. 24, 1948 | 1 year / Re-appointment | - Current) Executive Advisor at the Korea Institute for International Economics Policy | None | None |
| | | | - Chief Director of Korea Technology Credit Guarantee Fund | | |
| | | | - Bachelor of Business Administration, Seoul National University | | |
| | | | - Master of Economics, George Washington University | | |
| In Bong Ha | Jan. 30, 1950 | 1 year / Re-appointment | - Current) Professor of School of Economics and Trade, Kyungpook National University | None | None |
| | | | - President of the Institute of Korean Business Administration and Economy | | |
| | | | - Bachelor of Geology, Kyungpook National University | | |
| | | | - Master of Economics, Kyungpook National University | | |
| | | | - Ph.D. in Economics, University of Minnesota | | |

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| | | | | | |
|------------------------|---------------|-----------------------------|--|----------|------|
| Myoung-Soo Choi | Aug. 5, 1957 | 1 year / Re-appointment | <ul style="list-style-type: none"> - Current) Director General of Fund Management & Planning Department at KDIC - President of Resolution & Finance Corporation - Bachelor of Economics, Kyonggi University | Employee | None |
| Min Joon Bang | Oct. 29, 1950 | 1 year / New appointment | <ul style="list-style-type: none"> - Current) Arbitration Commissioner of Press Arbitration Commission - Head of Editorial Desk, Korea Times - Bachelor of Korean Language and Literature, Seoul National University | None | None |
| Hi Taek Shin | Aug. 6, 1952 | 1 year / New appointment | <ul style="list-style-type: none"> - Current) Professor of College of Law, Seoul National University - Lawyer, Kim & Chang Law Firm - Bachelor of Laws, Seoul National University - Master of Laws, Seoul National University - J.S.D at Yale Law School | None | None |

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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
- (i) Audit Committee Member Candidate Nomination Committee

D. Committees within Board of Directors

1. Before March 28, 2008

| Name | Position | Notes |
|--------------------------|-----------------|--|
| BOD Management Committee | Byongwon Bahk | Chairman/CEO Byongwon Bahk heads this committee consisting of the heads of the sub-committees. |
| | Pyoung Wan Har | |
| | Kwang-Dong Kim | |

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| | | |
|-----------------------------------|-----------------|--|
| Management Compensation Committee | Bong-Soo Park | Non-standing director Woon-Youl Choi heads this committee consisting of no fewer than three non-standing directors. |
| | Woon-Youl Choi | |
| | Pyoung Wan Har | |
| Risk Management Committee | Bong-Soo Park | Chairman/CEO Byongwon Bahk heads this committee. The committee consists of the Chairman/CEO, CFO and no fewer than three non-standing directors. |
| | Woon-Youl Choi | |
| | Byongwon Bahk | |
| | Pyoung Wan Har | |
| Executive Management Committee | Bong-Soo Park | Chairman/CEO Byongwon Bahk heads the committee consisting of all executive directors. |
| | Woon-Youl Choi | |
| | Inbong Ha | |
| | Myoung-Soo Choi | |
| | Byongwon Bahk | |

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| | | |
|---|--|---|
| Ethics Management Committee | Byongwon Bahk Kwang-Dong Kim Myoung-Soo Choi | Non-standing director Kwang-Dong Kim heads this committee consisting of all executive directors and no fewer than two non-standing directors. |
| Non-standing Director Candidate Nomination Committee | Byongwon Bahk Bong-Soo Park Pyoung Wan Har Kwang-Dong Kim | Non-standing director Pyoung Wan Har heads this committee consisting of the Chairman/CEO and no fewer than three non-standing directors. |
| MOU Review Committee | Inbong Ha Byongwon Bahk Bong-Soo Park Woon-Youl Choi Pyoung Wan Har Kwang-Dong Kim Inbong Ha | Chairman/CEO Byongwon Bahk heads this committee consisting of the entire board of directors. |
| Audit Committee | Myoung-Soo Choi Bong-Soo Park Woon-Youl Choi Pyoung Wan Har Kwang-Dong Kim Inbong Ha | All non-standing directors are members of audit committee |
| Audit Committee Member Candidate Nomination Committee | Myoung-Soo Choi Bong-Soo Park Woon-Youl Choi Pyoung Wan Har Kwang-Dong Kim Inbong Ha Myoung-Soo Choi | Non-standing director Pyoung Wan Har heads this committee consisting of the Chairman/CEO and no fewer than three non-standing directors. |

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2. After March 28, 2008

| Name | Position | Notes |
|-----------------------------------|---|--|
| BOD Management Committee | Byongwon Bahk Pyoung Wan Har Kwang-Dong Kim Bong-Soo Park Inbong Ha | Chairman/CEO Byongwon Bahk heads this committee consisting of the heads of the sub-committees. |
| Management Compensation Committee | Pyoung Wan Har Bong-Soo Park | Non-standing director Pyoung Wan Har heads this committee consisting of no fewer than three non-standing directors. |
| Risk Management Committee | Hi Taek Shin Byongwon Bahk Pyoung Wan Har Bong-Soo Park Kwang-Dong Kim Inbong Ha Myoung-Soo Choi Min Joon Bang Hi Taek Shin | Chairman/CEO Byongwon Bahk heads this committee. The committee consists of the Chairman/CEO, CFO and no fewer than three non-standing directors. |

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| | | |
|---|--|---|
| Executive Management Committee | Byongwon Bahk | Chairman/CEO Byongwon Bahk heads the committee consisting of all executive directors. |
| Ethics Management Committee | Byongwon Bahk Kwang-Dong Kim Min Joon Bang Myoung-Soo Choi Inbong Ha | Non-standing director Kwang-Dong Kim heads this committee consisting of all executive directors and no fewer than two non-standing directors. |
| Non-standing Director Candidate Nomination Committee | Byongwon Bahk Pyoung Wan Har Kwang-Dong Kim Min Joon Bang Inbong Ha | Non-standing director Inbong Ha heads this committee consisting of the Chairman/CEO and no fewer than three non-standing directors. |
| MOU Review Committee | Byongwon Bahk Bong-Soo Park Pyoung Wan Har Kwang-Dong Kim Inbong Ha Myoung-Soo Choi Min Joon Bang | Chairman/CEO Byongwon Bahk heads this committee consisting of the entire board of directors. |
| Audit Committee | Hi Taek Shin Bong-Soo Park Pyoung Wan Har Kwang-Dong Kim Inbong Ha Myoung-Soo Choi Min Joon Bang Hi Taek Shin | All non-standing directors are members of audit committee |
| Audit Committee Member Candidate Nomination Committee | Bong-Soo Park | Non-standing director Inbong Ha heads this committee consisting of the Chairman/CEO |

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Pyoung Wan Har

and no fewer than three non-standing
directors.

Kwang-Dong Kim

Inbong Ha

Myoung-Soo Choi

Min Joon Bang

Hi Taek Shin

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E. Stock Options

As of December 31, 2007

(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 | 18,850 |
| Kwang Woo Chun | Standing director | 2002.12.04 | Common | 80,000 | 76,000 | 4,000 | 0 | 18,850 |
| Euoo Sung Min | Standing director | 2002.12.04 | Common | 80,000 | 0 | 80,000 | 0 | 18,850 |
| Hwan Kyu Park | Non-standing dir. | 2002.12.04 | Common | 40,000 | 0 | 2,000 | 38,000 | 18,850 |
| Ki Chul Han | Non-standing dir. | 2002.12.04 | Common | 30,000 | 18,500 | 1,500 | 10,000 | 18,850 |
| Tae Ho Sohn | Non-standing dir. | 2002.12.04 | Common | 30,000 | 28,500 | 1,500 | 0 | 18,850 |
| Won Gihl Sohn | Non-standing dir. | 2002.12.04 | Common | 30,000 | 28,500 | 1,500 | 0 | 18,850 |
| Nam Hong Cho | Standing director | 2002.12.04 | Common | 10,000 | 9,500 | 500 | 0 | 18,850 |
| Sang Chul Lee | Standing director | 2002.12.04 | Common | 10,000 | 9,500 | 500 | 0 | 18,850 |
| Jae Woong Lee | Standing director | 2002.12.04 | Common | 10,000 | 0 | 500 | 9,500 | 18,850 |
| Gae Min Lee | Standing director | 2002.12.04 | Common | 10,000 | 9,500 | 500 | 0 | 18,850 |
| Kwang Sun Chung | Standing director | 2002.12.04 | Common | 10,000 | 0 | 10,000 | 0 | 18,850 |
| Hae-Seok Suh | Standing director | 2002.12.04 | Common | 10,000 | 0 | 500 | 9,500 | 18,850 |
| Duk Hoon Lee | Director of related company | 2002.12.04 | Common | 80,000 | 76,000 | 4,000 | 0 | 18,850 |
| Jong Wook Kim | Director of related company | 2002.12.04 | Common | 45,000 | 42,750 | 2,250 | 0 | 18,850 |
| Jin Kyu Park | Director of related company | 2002.12.04 | Common | 45,000 | 42,750 | 2,250 | 0 | 18,850 |
| Jong Ku Min | Director of related company | 2002.12.04 | Common | 30,000 | 0 | 30,000 | 0 | 18,850 |
| Jong Hwee Lee | Director of related company | 2002.12.04 | Common | 30,000 | 28,500 | 1,500 | 0 | 18,850 |
| Dong Myun Suh | Director of related company | 2002.12.04 | Common | 30,000 | 0 | 1,500 | 28,500 | 18,850 |
| Ki Shin Kim | Director of related company | 2002.12.04 | Common | 30,000 | 18,000 | 1,500 | 10,500 | 18,850 |
| Young Seok Kim | Director of related company | 2002.12.04 | Common | 30,000 | 28,500 | 1,500 | 0 | 18,850 |
| Byung Kil Choi | Director of related company | 2002.12.04 | Common | 30,000 | 28,500 | 1,500 | 0 | 18,850 |

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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 | 18,850 |
| Tae Woong Chung | Director of related company | 2002.12.04 | Common | 30,000 | 28,500 | 1,500 | 0 | 18,850 |
| Dong Chan Bae | Director of related company | 2002.12.04 | Common | 30,000 | 28,500 | 1,500 | 0 | 18,850 |
| Dae Hwan Kim | Director of related company | 2002.12.04 | Common | 10,000 | 9,500 | 500 | 0 | 18,850 |
| Young Ha Kim | Director of related company | 2002.12.04 | Common | 10,000 | 5,500 | 500 | 4,000 | 18,850 |
| Young Yong Kim | Director of related company | 2002.12.04 | Common | 10,000 | 3,500 | 500 | 6,000 | 18,850 |
| Taik Su Han | Director of related company | 2002.12.04 | Common | 10,000 | 9,500 | 500 | 0 | 18,850 |
| Sang Im Park | Director of related company | 2002.12.04 | Common | 10,000 | 0 | 500 | 9,500 | 18,850 |
| Joon Ho Hahm | Director of related company | 2002.12.04 | Common | 10,000 | 4,750 | 500 | 4,750 | 18,850 |
| Joon Ho Lee | Director of related company | 2002.12.04 | Common | 30,000 | 28,500 | 1,500 | 0 | 18,850 |
| Joo Sun Yeom | Director of related company | 2002.12.04 | Common | 20,000 | 19,000 | 1,000 | 0 | 18,850 |
| Ga Seok Chae | Director of related company | 2002.12.04 | Common | 20,000 | 19,000 | 1,000 | 0 | 18,850 |
| Sung Wook Park | Director of related company | 2002.12.04 | Common | 5,000 | 4,750 | 250 | 0 | 18,850 |
| Ki Seok Kim | Director of related company | 2002.12.04 | Common | 5,000 | 0 | 250 | 4,750 | 18,850 |
| Jae Ki Hong | Director of related company | 2002.12.04 | Common | 5,000 | 4,750 | 250 | 0 | 18,850 |
| Sam Su Pyo | Director of related company | 2002.12.04 | Common | 40,000 | 38,000 | 2,000 | 0 | 18,850 |
| Jung Rak Chun | Director of related company | 2002.12.04 | Common | 30,000 | 0 | 30,000 | 0 | 18,850 |
| Won Chul Hwang | Director of related company | 2002.12.04 | Common | 20,000 | 11,000 | 1,000 | 8,000 | 18,850 |
| Jong Hwee Kim | Director of related company | 2002.12.04 | Common | 15,000 | 0 | 15,000 | 0 | 18,850 |
| Sung Hoo Kwak | Director of related company | 2002.12.04 | Common | 15,000 | 0 | 15,000 | 0 | 18,850 |
| Seok Hwan Lee | Director of related company | 2002.12.04 | Common | 15,000 | 0 | 15,000 | 0 | 18,850 |

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| | | | | | | | | |
|----------------|-----------------------------|------------|--------|--------|---|--------|---|--------|
| Seok Hee Hwang | Director of related company | 2002.12.04 | Common | 40,000 | 0 | 40,000 | 0 | 18,850 |
| Choong Wan Lee | Director of related company | 2002.12.04 | Common | 35,000 | 0 | 35,000 | 0 | 18,850 |
| Ki Sang Chung | Director of related company | 2002.12.04 | Common | 30,000 | 0 | 30,000 | 0 | 18,850 |

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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 | 18,850 |
| Kwang Suh Koo | Director of related company | 2002.12.04 | Common | 15,000 | 0 | 15,000 | 0 | 18,850 |
| In Kee Baek | Director of related company | 2002.12.04 | | 30,000 | 28,500 | 1,500 | 0 | 18,850 |
| Seung Yang Han | Director of related company | 2002.12.04 | | 15,000 | 0 | 15,000 | 0 | 18,850 |
| Keun Soo Yook | Director of related company | 2002.12.04 | | 15,000 | 0 | 15,000 | 0 | 18,850 |
| Ki Jong Chung | Director of related company | 2002.12.04 | Common | 5,000 | 4,750 | 250 | 0 | 18,850 |
| Hun Il Nam | Director of related company | 2002.12.04 | Common | 30,000 | 10,500 | 1,500 | 18,000 | 18,850 |
| Young Soo Kim | Director of related company | 2002.12.04 | Common | 30,000 | 28,500 | 1,500 | 0 | 18,850 |
| Jin Ho Yoon | Director of related company | 2002.12.04 | Common | 20,000 | 19,000 | 1,000 | 0 | 18,850 |
| Seok Koo Yoon | Director of related company | 2002.12.04 | Common | 15,000 | 5,250 | 750 | 9,000 | 18,850 |
| Ji Yeon Joo | Director of related company | 2002.12.04 | Common | 15,000 | 14,250 | 750 | 0 | 18,850 |
| Ho Hyun Lee | Director of related company | 2002.12.04 | Common | 20,000 | 19,000 | 1,000 | 0 | 18,850 |
| Chan Kook Chung | Director of related company | 2002.12.04 | Common | 15,000 | 14,250 | 750 | 0 | 18,850 |
| Duk Yoon Kim | Director of related company | 2002.12.04 | Common | 15,000 | 12,250 | 750 | 2,000 | 18,850 |
| Young Wook Kim | Director of related company | 2002.12.04 | Common | 15,000 | 9,250 | 750 | 5,000 | 18,850 |
| Dae Kyu Ko | Director of related company | 2002.12.04 | Common | 15,000 | 10,250 | 750 | 4,000 | 18,850 |
| Total | | | | 1,560,000 | 959,000 | 420,000 | 181,000 | - |

1. Exercised options as of December 31, 2007
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 $\{6,800 * (1 + \text{Rate of return of the banking industry index})\}$

40% of granted = 6,800 Won

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2. Related Companies

* Woori Finance Holdings stake in Woori Investment & Securities includes preferred shares.

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

As of December 31, 2007

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

| Type | Name | Beginning Balance | | | Changes ¹ | | Ending Bal. | | | Latest Net Income ² | Note (Equity Method Gain/Loss) |
|----------|---|-------------------|-------|------------|----------------------|---------|-------------|-------|------------|--------------------------------|--------------------------------|
| | | Quantity | Share | Cost | Quantity | Cost | Quantity | Share | Cost | | |
| DOMESTIC | Woori Bank | 635,957 | 100.0 | 11,297,882 | | 988,781 | 635,957 | 100.0 | 12,286,663 | 1,777,544 | 1,727,999 |
| | Kwangju Bank | 44,080 | 99.9 | 630,995 | | 95,261 | 44,080 | 99.9 | 726,256 | 112,617 | 115,542 |
| | Kyongnam Bank | 51,800 | 99.9 | 794,984 | | 128,571 | 51,800 | 99.9 | 923,555 | 160,974 | 161,933 |
| | Woori Finance Info Sys. | 900 | 100.0 | 11,245 | | -1,165 | 900 | 100.0 | 10,080 | 261 | 937 |
| | Woori F&I | 2,000 | 100.0 | 124,874 | | 19,872 | 2,000 | 100.0 | 144,746 | 39,918 | 40,001 |
| | Woori 3 rd SPC | 2 | 100.0 | 24,317 | | -22,432 | 2 | 100.0 | 1,885 | -141 | -140 |
| | Woori Investment & Securities (formerly LGIS) | 46,325 | 35.0 | 649,355 | | 86,628 | 46,325 | 35.0 | 735,983 | 213,765 | 97,977 |
| | Woori CS Asset Management (formerly LGITM) | 4,663 | 70.0 | 47,655 | | 2,240 | 4,663 | 70.0 | 49,895 | 13,179 | 10,639 |
| | Woori Private Equity | 2,000 | 100.0 | 10,106 | | 1,843 | 2,000 | 100.0 | 11,949 | 1,856 | 1,856 |
| | Woori Financial | | | | 8,500 | 261,408 | 8,500 | 50.1 | 261,408 | 748 | -9,017 |
| | Foreign | | | | | | | | | | |
| | Total | 787,727 | | 13,591,413 | 8,500 | | 796,227 | | 15,152,420 | 2,320,721 | 2,147,727 |

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, 2007, except for Woori Credit Suisse Asset Management and Woori Investment & Securities for which the latest net income is for the year ended March 31, 2007. Woori Financial's net income is calculated on a post-acquisition basis.

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

As of December 31, 2007

(units: shares, %)

| Name | Relation | Type | Beginning balance | | Shares Held | | Ending balance | | Reasons Behind Change |
|-------|-----------|-----------|-------------------|-------|-------------|------------|----------------|-------|-----------------------|
| | | | Stock | Share | (+) | (-) | Stock | Share | |
| KDIC | Major S/H | Common | 628,458,609 | 77.97 | | 40,300,000 | 588,158,609 | 72.97 | After - hours Trading |
| | | Common | 628,458,609 | 77.97 | | 40,300,000 | 588,158,609 | 72.97 | |
| Total | | Preferred | | | | | | 0 | |
| | | Total | 628,458,609 | 77.97 | | 40,300,000 | 588,158,609 | 72.97 | |

Major Shareholder: KDIC

b. Share Ownership of More than 5%

As of December 31, 2007

(units: shares, %)

| No. | Name | Common Stock | | Preferred Stock | | Total | |
|-------|------|---------------|-------|-----------------|---|---------------|-------|
| | | No. of shares | % | No. of shares | % | No. of shares | % |
| 1 | KDIC | 588,158,609 | 72.97 | | | 588,158,609 | 72.97 |
| Total | | 588,158,609 | 72.97 | | | 588,158,609 | 72.97 |

c. Shareholder Distribution

As of December 31, 2007

| Items | Shareholder | | Number of shares | Ratio(%) |
|------------------------------------|-------------|----------|------------------|----------|
| | number | Ratio(%) | | |
| Total Minority Shareholders | 56,271 | 99.99 | 198,688,575 | 24.65 |
| Minority Shareholders (Companies) | 1,242 | 2.21 | 165,459,649 | 20.53 |
| Minority Shareholders (Individual) | 55,029 | 97.79 | 33,228,926 | 4.12 |
| Major Shareholders | 1 | | 588,158,609 | 72.97 |
| Main Shareholders | | | | |
| Total Other Shareholders | 2 | | 19,168,156 | 2.38 |
| Others Shareholders (Companies) | 1 | | 19,155,960 | 2.38 |
| Others Shareholders (Individual) | | | | |
| Others | 1 | | 12,196 | |
| Total | 56,274 | 100.0 | 806,015,340 | 100.0 |

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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 |
|----------------------|------|------------|------------|------------|------------|------------|------------|
| Ordinary Shares | High | 25,250 | 23,300 | 21,450 | 22,000 | 18,750 | 19,850 |
| | Low | 23,850 | 21,100 | 20,350 | 18,850 | 16,500 | 17,150 |
| Monthly Trade Volume | | 72,806,601 | 75,375,877 | 50,057,582 | 83,633,748 | 98,992,913 | 70,877,118 |

b. Foreign Stock Market (NYSE)

(units: US Dollars, ADR)

| Period | | July | August | September | October | November | December |
|----------------------|------|---------|---------|-----------|---------|----------|----------|
| ADR | High | 83.79 | 77.91 | 72.25 | 74.48 | 60.45 | 62.45 |
| | Low | 74.50 | 65.68 | 66.01 | 61.00 | 51.71 | 53.58 |
| Monthly Trade Volume | | 277,700 | 234,600 | 250,300 | 247,100 | 316,100 | 511,600 |

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

| Position | | Name | Common Stocks | | Note |
|--------------------------|----------------|-----------------|--------------------------------|--|--|
| | | | Owned (As of Dec. 31, 2007) | | |
| Chairman and CEO | Registered | Byongwon Bahk | 1,150 | | |
| Senior Managing Director | Non-Registered | Seong Mok Park | | | |
| Senior Managing Director | Non-Registered | Young-Gaeng Kim | | | Mr. Kim resigned as of Jan. 1, 2008 and joined Woori I&S as Senior Managing Director |
| Senior Managing Director | Non-Registered | Dongil Kim | | | Mr. Kim was newly appointed on April 25, 2007. |
| Non-standing Director | Registered | Pyoung Wan Har | 760 | | |
| Non-standing Director | Registered | Kwang-Dong Kim | 160 | | |
| Non-standing Director | Registered | Bong-Soo Park | 760 | | |
| Non-standing Director | Registered | Inbong Ha | 1,210 | | |
| Non-standing Director | Registered | Woon-Youl Choi | 1,220 | | Mr. Choi resigned as of Mar. 27, 2008 |
| Non-standing Director | Registered | Myoung-Soo Choi | | | |

* Mr. Min Jon Bang and Mr. Hi Taek Shin were newly appointed as non-standing directors at the general shareholder s meeting on Mar. 28, 2008

2. Employee Status

As of December 31, 2007

(units: persons, thousands of Won)

| Items | Staff | | | | Average Tenure Years | Yearly Compensation | Average Compensation Per Person | Note |
|--------|--------|-------|-------|-------|----------------------|---------------------|---------------------------------|------|
| | Admin. | Manu. | Misc. | Total | | | | |
| Male | 81 | | 1 | 82 | 2 years and 5 months | 3,583,212 | 43,697 | |
| Female | 8 | | 9 | 17 | 3 years and 6 months | 435,764 | 25,633 | |
| Total | 89 | | 10 | 99 | 2 years and 7 months | 4,018,976 | 40,595 | |

3. Labor Union Membership

| Items | Details | Remarks |
|------------------------------|---------------------------|---------|
| Total Membership Base | Deputy Director and below | |
| Actual Members | 21 | |
| Full-time Members | | |
| Associated Labor Union Group | | |
| Miscellaneous | | |

4. Number of Professional Personnel

| Items | Number | Responsibilities | Remarks |
|--------------|---------------|-------------------------|----------------|
| CPA | 3 | Financial accounting | |

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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 F&I | Subsidiary | Other loan | 50,000 | 50,000 | | | |
| | Total | | 50,000 | 50,000 | | | |

b. Payment Transactions

(units: shares)

| Name | Relation | Item | Beginning | Transactions | | Ending | Notes |
|--|------------|-----------------|-------------|--------------|----------|-------------|-------|
| | | | | 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 | 4,663,400 | | | 4,663,400 | |
| Woori Private Equity | Subsidiary | Common Stock | 2,000,000 | | | 2,000,000 | |
| Woori Financial | Subsidiary | Common Stock | | 8,499,955 | | 8,499,955 | Note |
| | Total | | 787,726,961 | 8,499,955 | | 796,226,916 | |

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EXHIBIT A

FINANCIAL STATEMENTS

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WOORI FINANCE HOLDINGS CO., LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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, 2007 and 2006, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years ended December 31, 2007 and 2006, 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)15,193 billion) and 6.1% ((Won)12,833 billion) of consolidated total assets as of December 31, 2007 and 2006, respectively, and total revenues constituting 11.6% ((Won)3,096 billion) and 14.8% ((Won) 2,839 billion) of consolidated total revenues for the years ended December 31, 2007 and 2006, respectively, and the financial statements of Woori Financial Co., Ltd., a consolidated subsidiary of the Company, which statements reflect total assets constituting 0.5% ((Won)1,154 billion) of consolidated total assets and total revenues constituting 0.6% ((Won)154 billion) of consolidated total revenues for the year ended December 31, 2007. The financial statements of Woori Investment Securities Co., Ltd. for the years ended December 31, 2007 and 2006 and Woori Financial Co., Ltd for the year ended December 31, 2007 were audited by other auditors, KPMG Samjong Accounting Corp., whose reports expressed unqualified opinions on those statements and have been furnished to us, and our opinion, insofar as it relates to the amounts included for Woori Investment Securities Co., Ltd. and Woori Financial Co., Ltd. are based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2007 and 2006, 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 7, 2008

Notice to Readers

This report is effective as of March 7, 2008, 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, 2007 AND 2006**

| <u>ASSETS</u> | Korean won | | Translation into U.S. dollars (Note 2) | |
|---|-------------------|-------------------|---|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| | (In millions) | | (In thousands) | |
| Cash and due from banks (Notes 3, 18, 30, 32 and 33) | (Won) 14,984,541 | (Won) 10,674,977 | US\$ 15,971,585 | US\$ 11,378,147 |
| Trading securities (Notes 4, 7, 9, 11, 18 and 33) | 16,228,419 | 12,869,717 | 17,297,398 | 13,717,456 |
| Available-for-sale securities (Notes 5, 7, 9, 11, 18 and 33) | 21,843,044 | 22,460,252 | 23,281,863 | 23,939,727 |
| Held-to-maturity securities (Notes 6, 7, 9, 11, 18 and 33) | 8,199,821 | 8,636,702 | 8,739,950 | 9,205,609 |
| Market index funds (Notes 7 and 9) | 1,397,878 | 2,164,637 | 1,489,958 | 2,307,223 |
| Investments accounted for using the equity method of accounting (Notes 8, 9 and 33) | 559,092 | 182,652 | 595,920 | 194,683 |
| Loans, net of allowances for possible loan losses (Notes 12, 13, 32 and 33) | 167,635,411 | 140,854,505 | 178,677,692 | 150,132,706 |
| Fixed assets (Notes 14, 17, 18 and 33) | 2,638,774 | 2,561,391 | 2,812,592 | 2,730,112 |
| Other assets, net of present value discounts (Notes 16, 32 and 33) | 16,133,343 | 11,592,497 | 17,196,059 | 12,356,104 |
| | (Won) 249,620,323 | (Won) 211,997,330 | US\$ 266,063,017 | US\$ 225,961,767 |
| <u>LIABILITIES AND SHAREHOLDERS EQUITY</u> | | | | |
| LIABILITIES | | | | |
| Deposits (Notes 20, 32 and 33) | (Won) 146,583,312 | (Won) 129,022,868 | US\$ 156,238,874 | US\$ 137,521,710 |
| Borrowings (Notes 21, 32 and 33) | 66,040,316 | 54,111,207 | 70,390,446 | 57,675,556 |
| Other liabilities (Notes 22, 32 and 33) | 21,889,695 | 15,438,450 | 23,331,587 | 16,455,393 |
| | 234,513,323 | 198,572,525 | 249,960,907 | 211,652,659 |
| SHAREHOLDERS EQUITY | | | | |
| Capital stock (Note 24) | 4,030,077 | 4,030,077 | 4,295,541 | 4,295,541 |
| Capital surplus | 188,237 | 187,955 | 200,636 | 200,336 |
| Capital adjustments (Note 24) | (55,812) | (55,854) | (59,488) | (59,533) |
| Accumulated other comprehensive income (Note 29) | 1,843,686 | 2,173,342 | 1,965,131 | 2,316,502 |
| Retained earnings | 7,145,883 | 5,601,869 | 7,616,588 | 5,970,869 |
| Minority interests | 1,954,929 | 1,487,416 | 2,083,702 | 1,585,393 |
| | 15,107,000 | 13,424,805 | 16,102,110 | 14,309,108 |
| | (Won) 249,620,323 | (Won) 211,997,330 | US\$ 266,063,017 | US\$ 225,961,767 |

See accompanying notes to consolidated financial statements.

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

| | Korean won | | Translation into U.S. dollars (Note 2) | |
|---|---|--------------|--|-------------|
| | 2007 | 2006 | 2007 | 2006 |
| | (In millions, except for income per common share data) | | (In thousands, except for income per common share data) | |
| OPERATING REVENUE INTEREST INCOME | | | | |
| (Note 32): | | | | |
| Interest on due from banks | (Won) 104,671 | (Won) 62,635 | US\$ 111,566 | US\$ 66,761 |
| Interest on trading securities | 678,575 | 408,031 | 723,273 | 434,908 |
| Interest on available-for-sale securities | 913,049 | 624,750 | 973,192 | 665,903 |
| Interest on held-to-maturity securities | 429,207 | 468,106 | 457,479 | 498,940 |
| Interest on loans | 10,702,366 | 8,294,730 | 11,407,340 | 8,841,111 |
| Other | 187,919 | 104,413 | 200,297 | 111,291 |
| | 13,015,787 | 9,962,665 | 13,873,147 | 10,618,914 |
| GAIN ON VALUATION AND DISPOSAL OF SECURITIES: | | | | |
| Gain on valuation of trading securities | 79,439 | 64,879 | 84,672 | 69,153 |
| Gain on disposal of trading securities | 512,482 | 264,580 | 546,239 | 282,008 |
| Gain on redemption of available-for-sale securities | 8,037 | 5,543 | 8,566 | 5,908 |
| Gain on disposal of available-for-sale securities | 693,746 | 619,114 | 739,444 | 659,896 |
| Recovery of loss on impairment of available-for-sale securities (Note 11) | 77,465 | 15,118 | 82,568 | 16,114 |
| Recovery of loss on impairment of held-to-maturity securities (Note 11) | 1,544 | 16,069 | 1,646 | 17,127 |
| Gain on valuation of market index funds | 106,953 | 521,929 | 113,998 | 556,309 |
| Gain on disposal of market index funds | 709,255 | 1,001,525 | 755,974 | 1,067,496 |
| | 2,188,921 | 2,508,757 | 2,333,107 | 2,674,011 |
| GAIN ON VALUATION AND DISPOSAL OF LOANS: | | | | |
| Reversal of allowances for possible loan losses (Note 12) | 4,551 | 7,835 | 4,851 | 8,351 |
| Gain on disposal of loans (Note 12) | 23,342 | 13,098 | 24,879 | 13,961 |
| | 27,893 | 20,933 | 29,730 | 22,312 |
| GAIN ON FOREIGN EXCHANGE: | | | | |
| Gain on foreign exchange | 2,898,866 | 2,359,730 | 3,089,817 | 2,515,167 |
| FEES (Note 32): | | | | |
| Commissions | 1,689,039 | 1,414,475 | 1,800,297 | 1,507,648 |
| Commissions received on credit cards | 20,822 | 28,493 | 22,194 | 30,370 |
| Guarantee fees | 29,285 | 21,853 | 31,214 | 23,292 |

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| | | | | |
|--|-----------|-----------|-----------|-----------|
| Other | 35,761 | 30,370 | 38,117 | 32,370 |
| | 1,774,907 | 1,495,191 | 1,891,822 | 1,593,680 |
| DIVIDENDS INCOME: | | | | |
| Dividends on trading securities | 14,753 | 7,153 | 15,725 | 7,624 |
| Dividends on available-for-sale securities | 85,282 | 28,672 | 90,899 | 30,561 |
| | 100,035 | 35,825 | 106,624 | 38,185 |

(Continued)

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

| | Korean won | | Translation into U.S. dollars (Note 2) | |
|--|---|---|--|--|
| | 2007 (In millions, except for income per common share data) | 2006 (In millions, except for income per common share data) | 2007 (In thousands, except for income per common share data) | 2006 (In thousands, except for income per common share data) |
| OTHER OPERATING REVENUE (Note 32): | | | | |
| Reversal of allowances for possible losses on acceptances and guarantees | (Won) 29 | (Won) 303 | US\$ 31 | US\$ 323 |
| Reversal of allowances for unused credit line | 3,137 | | 3,344 | |
| Reversal of other allowances | 4,424 | 21,392 | 4,715 | 22,801 |
| Gain on transaction of derivatives | 4,063,439 | 2,378,072 | 4,331,101 | 2,534,717 |
| Gain on valuation of derivatives (Note 35) | 2,256,828 | 945,793 | 2,405,487 | 1,008,093 |
| Gain on fair value hedged items | 151,869 | 34,444 | 161,873 | 36,713 |
| Trust management fees | 80,499 | 67,293 | 85,801 | 71,726 |
| Other | 83,491 | 65,577 | 88,991 | 69,897 |
| | 6,643,716 | 3,512,874 | 7,081,343 | 3,744,270 |
| | 26,650,125 | 19,895,975 | 28,405,590 | 21,206,539 |
| OPERATING EXPENSES INTEREST EXPENSE (Note 32): | | | | |
| Interest on deposits | 4,971,965 | 3,574,405 | 5,299,472 | 3,809,854 |
| Interest on borrowings | 1,047,857 | 709,851 | 1,116,880 | 756,609 |
| Interest on debentures | 1,667,394 | 1,210,385 | 1,777,227 | 1,290,114 |
| Interest on others | 232,496 | 88,670 | 247,811 | 94,511 |
| | 7,919,712 | 5,583,311 | 8,441,390 | 5,951,088 |
| LOSS ON VALUATION AND DISPOSAL OF SECURITIES: | | | | |
| Loss on valuation of trading securities | 120,183 | 31,578 | 128,099 | 33,658 |
| Loss on disposal of trading securities | 312,111 | 147,925 | 332,670 | 157,669 |
| Loss on redemption of available-for-sale securities | 39 | 522 | 42 | 556 |
| Loss on disposal of available-for-sale securities | 3,479 | 1,178 | 3,708 | 1,256 |
| Loss on impairment of available-for-sale securities (Note 11) | 453,544 | 2,599 | 483,419 | 2,770 |
| Loss on valuation of market index funds | 206,020 | 237,469 | 219,591 | 253,140 |
| Loss on disposal of market index funds | 666,199 | 1,197,745 | 710,082 | 1,276,642 |
| | 1,761,575 | 1,619,043 | 1,877,611 | 1,725,691 |
| LOSS ON VALUATION AND DISPOSAL OF LOANS: | | | | |

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| | | | | |
|--|-----------|-----------|-----------|-----------|
| Provision for possible loan losses (Note 12) | 647,289 | 581,427 | 689,926 | 619,726 |
| Loss on disposal of loans (Note 12) | 28,974 | 85,867 | 30,883 | 91,523 |
| | 676,263 | 667,294 | 720,809 | 711,249 |
| LOSS ON FOREIGN EXCHANGE: | | | | |
| Loss on foreign exchange (Continued) | 2,634,491 | 2,215,151 | 2,808,027 | 2,361,065 |

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

| | Korean won | | Translation into U.S. dollars (Note 2) | |
|---|---|---|--|--|
| | 2007 (In millions, except for income per common share data) | 2006 (In millions, except for income per common share data) | 2007 (In thousands, except for income per common share data) | 2006 (In thousands, except for income per common share data) |
| COMMISSIONS (Note 32): | | | | |
| Commissions in local currency | (Won) 154,025 | (Won) 183,569 | US\$ 164,171 | US\$ 195,661 |
| Commissions in foreign currencies | 24,931 | 18,513 | 26,573 | 19,733 |
| Commissions paid on credit cards | 200,772 | 116,749 | 213,997 | 124,439 |
| | 379,728 | 318,831 | 404,741 | 339,833 |
| OTHER OPERATING EXPENSES (Note 32): | | | | |
| Salaries, employee benefits and provision for severance benefits | 1,878,267 | 1,698,290 | 2,001,990 | 1,810,158 |
| Rent | 124,467 | 96,826 | 132,666 | 103,204 |
| Entertainment expense | 26,187 | 20,907 | 27,912 | 22,284 |
| Depreciation and amortization (Notes 14 and 15) | 378,671 | 270,041 | 403,614 | 287,829 |
| Taxes and dues | 147,437 | 155,962 | 157,149 | 166,235 |
| Advertising | 76,039 | 72,746 | 81,048 | 77,538 |
| Telecommunications | 58,277 | 53,106 | 62,116 | 56,604 |
| Service fees | 139,210 | 126,573 | 148,380 | 134,911 |
| IT operating expenses | 99,673 | 97,805 | 106,238 | 104,248 |
| Stock compensation cost (Note 25) | 1,092 | 344 | 1,164 | 367 |
| Other administrative expenses | 174,723 | 178,961 | 186,232 | 190,749 |
| Provision for allowances for possible losses on acceptances and guarantees | 58,953 | 31,595 | 62,836 | 33,676 |
| Provision for allowances for unused credit line | 40,458 | 153,582 | 43,123 | 163,699 |
| Provision for other allowances | 39,288 | 57,710 | 41,876 | 61,511 |
| Loss on transaction of derivatives | 4,095,540 | 2,409,415 | 4,365,316 | 2,568,125 |
| Loss on valuation of derivatives (Note 35) | 2,329,286 | 896,822 | 2,482,718 | 955,896 |
| Loss on fair value hedged items | 109,874 | 58,769 | 117,111 | 62,640 |
| Deposit insurance fee | 148,224 | 146,429 | 157,988 | 156,074 |
| Funds contribution fee | 249,516 | 200,711 | 265,952 | 213,932 |
| Subsidy for trust accounts adjustment | 893 | 1,032 | 952 | 1,100 |
| Other expenses | 64,932 | 16,351 | 69,209 | 17,428 |
| | 10,241,007 | 6,743,977 | 10,915,590 | 7,188,208 |
| | 23,612,776 | 17,147,607 | 25,168,168 | 18,277,134 |
| OPERATING INCOME | 3,037,349 | 2,748,368 | 3,237,422 | 2,929,405 |
| NON-OPERATING INCOME (Note 26) | 136,937 | 274,821 | 145,957 | 292,924 |
| NON-OPERATING EXPENSES (Note 26) | 129,382 | 109,477 | 137,905 | 116,688 |

(Continued)

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

| | Korean won | | Translation into U.S. dollars (Note 2) | |
|--|---|-----------------|--|----------------|
| | 2007 | 2006 | 2007 | 2006 |
| | (In millions, except for income per common share data) | | (In thousands, except for income per common share data) | |
| INCOME BEFORE INCOME TAX EXPENSE | (Won) 3,044,904 | (Won) 2,913,712 | US\$ 3,245,474 | US\$ 3,105,641 |
| INCOME TAX EXPENSE (Note 27) | 834,232 | 724,505 | 889,183 | 772,229 |
| NET INCOME OF SUBSIDIARY BEFORE PURCHASE | 8,678 | | 9,250 | |
| NET INCOME | (Won) 2,201,994 | (Won) 2,189,207 | US\$ 2,347,041 | US\$ 2,333,412 |
| CONTROLLING INTEREST | (Won) 2,026,872 | (Won) 2,029,319 | US\$ 2,160,384 | US\$ 2,162,992 |
| MINORITY INTEREST | 175,122 | 159,888 | 186,657 | 170,420 |
| | (Won) 2,201,994 | (Won) 2,189,207 | US\$ 2,347,041 | US\$ 2,333,412 |
| BASIC CONTROLLING NET INCOME PER COMMON SHARE (Note 28) | (Won) 2,515 | (Won) 2,518 | US\$ 2.681 | US\$ 2.684 |

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, 2007 AND 2006

| Korean won | Capital stock | Capital surplus | Capital adjustments | Accumulated other comprehensive income (In millions) | Retained earnings | Minority interests | Total |
|---|------------------|--------------------|------------------------|--|----------------------|-----------------------|------------------|
| January 1, 2006 | (Won) 4,030,077 | (Won) 142,608 | (Won) (52,747) | (Won) 1,705,456 | (Won) 3,896,255 | (Won) 1,383,313 | (Won) 11,104,962 |
| Dividend | | | | | (322,405) | (59,128) | (381,533) |
| Net income | | | | | 2,029,319 | 159,888 | 2,189,207 |
| 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) |
| Overseas business translation credit | | | | 2,696 | (1,331) | 6,130 | 7,495 |
| Valuation on derivative instruments | | | | (210) | | 138 | (72) |
| 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 | 13,92 |
| Others | | (4) | | | 31 | | 27 |
| December 31, 2006 | (Won) 4,030,077 | (Won) 187,955 | (Won) (55,854) | (Won) 2,173,342 | (Won) 5,601,869 | (Won) 1,487,416 | (Won) 13,424,805 |

(Continued)

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WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN

SHAREHOLDERS EQUITY (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

| Korean won | Capital stock | Capital surplus | Capital adjustments | Accumulated other comprehensive income (In millions) | Retained earnings | Minority interests | Total |
|--|-----------------|-----------------|---------------------|--|-------------------|--------------------|------------------|
| January 1, 2007 | (Won) 4,030,077 | (Won) 187,955 | (Won) (55,854) | (Won) 2,173,342 | (Won) 5,601,869 | (Won) 1,487,416 | (Won) 13,424,805 |
| Dividend | | | | | (483,608) | (83,336) | (566,944) |
| Net income | | | | | 2,026,872 | 175,122 | 2,201,994 |
| Changes in subsidiaries | | | | | | | |
| capital surplus | | 357 | | | | 355 | 712 |
| Gain on valuation of available-for-sale securities | | | | (325,879) | | 54,283 | (271,596) |
| Valuation using the equity method on subsidiaries | | | | (2,159) | | (3,440) | (5,599) |
| Overseas business translation credit | | | | 1,351 | 750 | 3,072 | 5,173 |
| Valuation on derivative instruments | | | | (2,969) | | (1,651) | (4,620) |
| Changes in minority interests | | | | | | 323,066 | 323,066 |
| Others | | (75) | 42 | | | 42 | 9 |
| December 31, 2007 | (Won) 4,030,077 | (Won) 188,237 | (Won) (55,812) | (Won) 1,843,686 | (Won) 7,145,883 | (Won) 1,954,929 | (Won) 15,107,000 |

(Continued)

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN****SHAREHOLDERS EQUITY (CONTINUED)****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

| Translation into | Capital | Capital | Capital | Accumulated | Retained | Minority | Total |
|--|----------------|--------------|---------------|----------------|----------------|----------------|-----------------|
| U.S. dollars (Note 2) | stock | surplus | adjustments | other | earnings | interests | |
| | | | | comprehensive | | | |
| | | | | income | | | |
| | | | | (In thousands) | | | |
| January 1, 2006 | US\$ 4,295,541 | US\$ 152,002 | US\$ (56,221) | US\$ 1,817,796 | US\$ 4,152,904 | US\$ 1,474,433 | US\$ 11,836,455 |
| Dividend | | | | | (343,642) | (63,023) | (406,665) |
| Net income | | | | | 2,162,992 | 170,420 | 2,333,412 |
| Gain on valuation of available-for-sale securities | | | | 499,187 | | (10,959) | 488,228 |
| Valuation using the equity method on subsidiaries | | | | (3,949) | | (9,135) | (13,084) |
| Overseas business translation credit | | | | 2,874 | (1,419) | 6,534 | 7,989 |
| Valuation on derivative instruments | | | | (225) | | 147 | (78) |
| Extinguishment of subsidiaries treasury stock | | 4,622 | | | | (4,622) | |
| Acquisition of subsidiaries treasury stock | | | (3,312) | | | (7,530) | (10,842) |
| Disposal of ownership interest of subsidiaries | | 40,291 | | 819 | | 19,854 | 60,964 |
| Gain on sale of subsidiaries treasury stock | | 3,425 | | | | 7,790 | 11,215 |
| Changes in minority interests | | | | | | 1,484 | 1,484 |
| Others | | (4) | | | 34 | | 30 |
| December 31, 2006 | US\$ 4,295,541 | US\$ 200,336 | US\$ (59,533) | US\$ 2,316,502 | US\$ 5,970,869 | US\$ 1,585,393 | US\$ 14,309,108 |

(Continued)

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN****SHAREHOLDERS EQUITY (CONTINUED)****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

| Translation into | | | | Accumulated other | | | |
|--|--------------------------|----------------------------|--------------------------------|--|------------------------------|-------------------------------|-----------------|
| U.S. dollars (Note 2) | Capital stock | Capital surplus | Capital adjustments | comprehensive income (In thousands) | Retained earnings | Minority interests | Total |
| January 1, 2007 | US\$ 4,295,541 | US\$ 200,336 | US\$ (59,533) | US\$ 2,316,502 | US\$ 5,970,869 | US\$ 1,585,393 | US\$ 14,309,108 |
| Dividend | | | | | (515,464) | (88,825) | (604,289) |
| Net income | | | | | 2,160,384 | 186,657 | 2,347,041 |
| Changes in subsidiaries capital surplus | | 381 | | | | 378 | 759 |
| Gain on valuation of available-for-sale securities | | | | (347,345) | | 57,859 | (289,486) |
| Valuation using the equity method on subsidiaries | | | | (2,301) | | (3,667) | (5,968) |
| Overseas business translation credit | | | | 1,440 | 799 | 3,274 | 5,513 |
| Valuation on derivative instruments | | | | (3,165) | | (1,760) | (4,925) |
| Changes in minority interests | | | | | | 344,347 | 344,347 |
| Others | | (81) | 45 | | | 46 | 10 |
| December 31, 2007 | US\$ 4,295,541 | US\$ 200,636 | US\$ (59,488) | US\$ 1,965,131 | US\$ 7,616,588 | US\$ 2,083,702 | US\$ 16,102,110 |

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, 2007 AND 2006**

| | Korean won | | Translation into U.S. dollars (Note 2) | |
|---|-----------------|-----------------|---|----------------|
| | 2007 | 2006 | 2007 | 2006 |
| | (In millions) | | (In thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Net income | (Won) 2,201,994 | (Won) 2,189,207 | US\$ 2,347,041 | US\$ 2,333,412 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | | |
| Loss on valuation of trading securities | 120,183 | 31,578 | 128,099 | 33,658 |
| Loss on impairment of available-for-sale securities | 453,544 | 2,599 | 483,419 | 2,770 |
| Loss on valuation of market index funds | 206,020 | 237,496 | 219,591 | 253,140 |
| Provision for possible loan losses | 647,289 | 581,427 | 689,926 | 619,726 |
| Provision for severance benefits | 158,210 | 127,615 | 168,632 | 136,021 |
| Depreciation and amortization | 378,671 | 270,041 | 403,614 | 287,829 |
| Stock-based compensation | 1,092 | 344 | 1,164 | 367 |
| Provision for allowances for possible losses on acceptances and guarantees | 58,953 | 31,595 | 62,836 | 33,676 |
| Provision for allowances for unused credit line | 40,458 | 153,582 | 43,123 | 163,699 |
| Provision for other allowances | 39,288 | 57,710 | 41,876 | 61,511 |
| Loss on transaction of derivatives | 4,095,540 | 2,409,415 | 4,365,316 | 2,568,125 |
| Loss on valuation of derivatives | 2,329,286 | 896,822 | 2,482,718 | 955,896 |
| Loss on fair value hedged items | 109,874 | 58,769 | 117,111 | 62,640 |
| Loss on valuation using the equity method of accounting | 20,877 | 16,377 | 22,263 | 17,456 |
| Loss on disposal of fixed assets | 1,694 | 4,813 | 1,806 | 5,130 |
| Loss on impairment of fixed assets | 3,273 | 269 | 3,489 | 287 |
| Loss on impairment of intangible assets | 580 | | 619 | |
| Loss on impairment of other assets | 1,805 | | 1,924 | |
| Gain on valuation of trading securities | (79,439) | (64,879) | (84,672) | (69,153) |
| Reversal of loss on impairment of available-for-sale securities | (77,465) | (15,118) | (82,568) | (16,114) |
| Reversal of loss on impairment of held-to-maturity securities | (1,544) | (16,069) | (1,646) | (17,127) |
| Gain on valuation of market index funds | (106,953) | (521,929) | (113,998) | (556,309) |
| Reversal of allowances for possible loan losses | (4,551) | (7,835) | (4,851) | (8,351) |
| Reversal of allowances for possible losses on acceptances and guarantees | (29) | (303) | (31) | (323) |
| Reversal of allowances for unused credit line | (3,137) | | (3,344) | |
| Reversal of other allowances | (4,424) | (21,392) | (4,715) | (22,801) |
| Gain on transaction of derivatives | (4,063,439) | (2,378,072) | (4,331,101) | (2,534,717) |
| Gain on valuation of derivatives | (2,256,828) | (945,793) | (2,405,487) | (1,008,093) |
| Gain on fair value hedged items | (151,869) | (34,444) | (161,873) | (36,713) |
| Gain on valuation using the equity method of accounting | (43,500) | (44,750) | (46,365) | (47,698) |
| Gain on disposal of fixed assets | (1,356) | (3,382) | (1,445) | (3,605) |
| Gain on disposal of other assets | (205) | (673) | (218) | (717) |
| Reversal of negative goodwill | (139) | (241) | (148) | (257) |
| Other non-operating income | | (135,912) | | (144,865) |

1,871,769 689,660 1,995,064 735,088

(Continued)

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

| | Korean won | | Translation into U.S. dollars (Note 2) | |
|--|---------------|---------------|---|--------------|
| | 2007 | 2006 | 2007 | 2006 |
| | (In millions) | | (In thousands) | |
| Changes in operating assets and liabilities: | | | | |
| Decrease in present value discounts | (Won) (3,938) | (Won) (4,192) | US\$ (4,197) | US\$ (4,468) |
| Increase in trading securities | (3,399,446) | (51,87,032) | (3,623,370) | (5,528,706) |
| Decrease (increase) in market index funds | 667,692 | (591,551) | 711,673 | (630,517) |
| Increase in available-for-sale securities | (4,187) | (3,047,432) | (4,463) | (3,248,169) |
| Decrease in held-to-maturity securities | 438,425 | 1,141,178 | 467,304 | 1,216,348 |
| Increase in loans | (26,600,121) | (34,518,858) | (28,352,293) | (36,792,643) |
| Increase in guarantee deposits | (110,496) | (57,086) | (117,774) | (60,846) |
| Increase in other accounts receivable | (634,942) | (3,696,560) | (676,766) | (3,940,055) |
| Increase in accrued income | (106,004) | (206,486) | (112,987) | (220,087) |
| Increase in prepaid expenses | (4,814) | (22,391) | (5,131) | (23,866) |
| Decrease (increase) in deferred income tax assets | (118,343) | 254,285 | (126,138) | 271,035 |
| Increase in CMA assets | (1,690,215) | (972,041) | (1,801,551) | (1,036,070) |
| Decrease in accounts receivable on disposal of assets | 850 | 2,444 | 906 | 2,605 |
| Increase in domestic exchange settlements debits | (226,229) | (174,682) | (241,131) | (186,188) |
| Increase in sundry assets | (2,879) | (1,871) | (3,069) | (1,994) |
| Payment of severance benefits | (130,917) | (207,090) | (139,541) | (220,731) |
| Decrease in deposits in employee retirement trust | 1,303 | 86,572 | 1,389 | 92,275 |
| Increase in post-retirement pension plan asset | (258) | | (275) | |
| Decrease in transfers to the National Pension Fund | 27 | 34 | 29 | 36 |
| Increase in other accounts payables | 846,516 | 4,213,969 | 902,277 | 4,491,547 |
| Increase in accrued expenses | 661,916 | 631,731 | 705,517 | 673,344 |
| Increase in income tax payable | 135,627 | 2,389 | 144,561 | 2,546 |
| Increase in unearned revenue | 29,696 | 23,986 | 31,652 | 25,566 |
| Increase (decrease) in deposits for letter of guarantees and others | 25,673 | (11,653) | 27,364 | (12,421) |
| Decrease in foreign exchange remittance pending | (62,042) | (48,577) | (66,129) | (51,777) |
| Increase in domestic exchange remittance pending | 169,364 | 141,209 | 180,520 | 150,510 |
| Increase (decrease) in deferred income tax liabilities | (21,947) | 100,216 | (23,393) | 106,817 |
| Increase in borrowings from trust accounts | 2,538,485 | 829,708 | 2,705,697 | 884,361 |
| Increase (decrease) in allowance for possible losses on acceptances and guarantees | (281) | 89 | (299) | 95 |

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| | | | | |
|--|--------------|--------------|--------------|--------------|
| Increase in allowance for unused credit line | 15,617 | | 16,646 | |
| Decrease in other allowances | (59,932) | (23,805) | (63,880) | (25,373) |
| Increase in accounts for agency businesses | 107,451 | 7,976 | 114,529 | 8,501 |
| Increase (decrease) in liabilities incurred by agency relationship | 385,986 | (349,372) | 411,411 | (372,385) |
| Increase in sundry liabilities | 17,486 | 227,420 | 18,638 | 242,400 |
| | (27,134,877) | (41,457,473) | (28,922,274) | (44,188,310) |
| Net cash used in operating activities | (23,061,114) | (38,578,606) | (24,580,169) | (41,119,810) |

(Continued)

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

| | 2007 | Korean won (In millions) | 2006 | Translation into U.S. dollars (Note 2) 2007 | 2006 (In thousands) |
|--|-------|-----------------------------|-------|---|---------------------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Net decrease (increase) in restricted due from banks | (Won) | (3,960,145) | (Won) | 990,790 | US\$ (4,221,003) US\$ 1,056,054 |
| Net decrease (increase) in investments accounted for using the equity method of accounting | | (615,379) | | 122,905 | (655,914) 131,001 |
| Net decrease in derivative instruments assets | | 5,177,381 | | 2,886,264 | 5,518,419 3,076,384 |
| Net increase in intangible assets | | (58,106) | | (226,577) | (294,288) (241,502) |
| Net increase in fixed assets | | (276,101) | | (161,753) | (61,933) (172,408) |
| Net increase in non-operating assets | | (4,313) | | (1,475) | (4,597) (1,572) |
| Net increase in operating lease assets | | (74,853) | | (6,565) | (79,784) (6,997) |
| Net decrease in derivative instruments liabilities | | (5,165,764) | | (3,113,912) | (5,506,037) (3,319,028) |
| Net cash provided by (used in) investing activities | | (4,977,280) | | 489,677 | (5,305,137) 521,932 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| Net increase in deposits | | 17,560,444 | | 21,934,877 | 18,717,165 23,379,745 |
| Net increase in borrowings | | 11,082,386 | | 16,986,474 | 11,812,392 18,105,387 |
| Payment of dividends | | (483,608) | | (322,405) | (515,464) (343,642) |
| Acquisition of treasury stock by subsidiaries | | | | (3,107) | |
| Net increase (decrease) in minority interests | | 161,796 | | (56,724) | 172,454 (60,460) |
| Net cash provided by financing activities | | 28,321,018 | | 38,539,115 | 30,186,547 41,077,718 |
| CHANGES IN CONSOLIDATED ENTITIES | | 66,795 | | (8,434) | 71,195 (8,990) |
| NET INCREASE IN CASH AND DUE FROM BANKS | | 349,419 | | 441,752 | 372,436 470,850 |
| CASH AND DUE FROM BANKS, BEGINNING OF THE YEAR (Note 30) | | 5,641,592 | | 5,199,840 | 6,013,208 5,542,358 |
| CASH AND DUE FROM BANKS, END OF THE YEAR (Note 30) | (Won) | 5,991,011 | (Won) | 5,641,592 | US\$ 6,385,644 US\$ 6,013,208 |

See accompanying notes to consolidated financial statements.

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006****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 10 subsidiaries and 23 2nd-tier subsidiaries as of December 31, 2007.

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, 2007, 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 588,158,609 shares (72.97% ownership).

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 major subsidiaries of the Company as of December 31, 2007 and 2006 are as follows:

| Parent companies | Subsidiaries | 2007 | | 2006 | | 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 | 35.0 | Dec. 31 |
| | Woori Credit Suisse Asset Management Co., Ltd. | 4,663,400 | 70.0 | 4,663,400 | 70.0 | Dec. 31 |
| | Woori Private Equity Co., Ltd. | 2,000,000 | 100.0 | 2,000,000 | 100.0 | Dec. 31 |
| | Woori Financial Co., Ltd.(*1) | 8,499,955 | 50.1 | | | Dec. 31 |
| Woori Bank | Woori Credit Information Co., Ltd. | 1,008,000 | 100.0 | 1,008,000 | 100.0 | Dec. 31(*8) |
| | Woori America Bank | 10,500,000 | 100.0 | 10,500,000 | 100.0 | Dec. 31(*8) |
| | PT. Bank Woori Indonesia | 1,618 | 95.2 | 1,618 | 95.2 | Dec. 31(*8) |

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| | | | | | |
|----------------------------------|------------|-------|------------|-------|-------------|
| Korea BTL Infrastructure Fund | 24,233,666 | 100.0 | 7,937,899 | 100.0 | Dec. 31 |
| Woori Global Market Asia Limited | 39,000,000 | 100.0 | 39,000,000 | 100.0 | Dec. 31(*8) |
| Woori Bank (China) Limited (*2) | | 100.0 | | | Dec. 31(*8) |
| ZAO Woori Bank (*2) | 19,999,999 | 100.0 | | | Dec. 31(*8) |

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| Parent companies | Subsidiaries | 2007 | | 2006 | | Financial statements as of |
|---|---|-------------------------|-----------------------------|------------------------|-----------------------------|----------------------------|
| | | Number of shares owned | Percentage of ownership (%) | Number of shares owned | Percentage of ownership (%) | |
| Woori F&I Co., Ltd. | Woori SB Asset Management Co., Ltd. | 408,000 | 51.0 | 408,000 | 51.0 | Dec. 31 |
| | Woori F&I Fifth Asset Securitization Specialty (*3) | 182,500 | 100.0 | | | Dec. 31 |
| | Woori F&I Sixth Asset Securitization Specialty (*3) | 98,780 | 100.0 | | | Dec. 31 |
| | Woori F&I Seventh Asset Securitization Specialty (*3) | 105,300 | 100.0 | | | Dec. 31 |
| | Woori Investment Securities Co., Ltd. | Woori Futures Co., Ltd. | 5,000,000 | 100.0 | 5,000,000 | 100.0 |
| Woori, Kyongnam & Kwangju Bank, Woori Investment Securities, Woori F&I & Woori PE | Woori Investment Securities Int'l Ltd. | 5,788,000 | 100.0 | 5,788,000 | 100.0 | Dec. 31(*8) |
| | Woori Investment Securities (H.K.) Ltd. | 22,500,000 | 100.0 | 22,500,000 | 100.0 | Dec. 31(*8) |
| | Woori Investment Securities America, Inc. | 300 | 100.0 | 300 | 100.0 | Dec. 31(*8) |
| | LG Investments Holding B.V. (Amsterdam) GG | 1,642,398,242 | 100.0 | 1,642,398,242 | 100.0 | Dec. 31(*8) |
| | High Technology Venture Investment | 208,000 | 42.9 | 208,000 | 42.9 | Dec. 31(*8) |
| | Global Technology Investment | 592,000 | 50.0 | 592,000 | 50.0 | Dec. 31(*8) |
| | MARS First Private Equity Fund | 13,500,000 | 52.9 | 9,000,000 | 52.9 | Dec. 31(*8) |
| | MARS Second Private Equity Fund (*4) | 24,178 million | 8.9 | | | Dec. 31 |
| | Connacht Capital Market Investment(*5) | 15,000,000 | 100.0 | | | Dec. 31(*8) |
| | Woori Investment Asia Pte. Ltd. (*6) | 50,000,000 | 100.0 | | | Dec. 31(*8) |
| | Woori Private Equity Fund (*7) | 128,296 | 61.0 | 1,613 | 60.6 | Dec. 31 |

(*1) On September 14, 2007, the Company acquired 8,499,955 shares (50.1%) of Hanmi Capital Co., Ltd. (Hanmi Capital) by (Won)271,149 million and it has been included in consolidation scope of the Company. In addition, on October 26, 2007, Hanmi Capital changed its corporate name into Woori Financial Co., Ltd. (Woori Financial)

(*2) On October 26 and November 22, 2007, Woori Bank acquired the whole interest of Woori Bank (China) Limited and ZAO Woori Bank, respectively.

(*3) Woori F&I acquired the whole interest of Woori F&I Fifth Asset Securitization Specialty on May 23, 2007 and Woori F&I Sixth Asset Securitization Specialty and Woori F&I Seventh Asset Securitization Specialty on December 12, 2007. Woori F&I Fifth SPC, Woori F&I Sixth SPC and Woori F&I Seventh SPC are excluded from consolidation and accounted for using the equity method of accounting since their amount of common stock did not exceed (Won)7 billion when they were established.

(*4) On March 20 and April 26, 2007, Woori Investment Securities acquired 129 and 2,289 shares of MARS Second Private Fund, respectively and included it in its consolidation scope since Woori Investment Securities can be involved in operating policy decision and participate on the board of directors as a general partner.

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- (*5) Since Connacht Capital Market Investment had been due for liquidation, it was accounted for using the equity method of accounting and excluded from consolidation for the year ended December 31, 2006. However, it has been included in consolidation scope of Woori Investment Securities as its liquidation process did not proceed for the year ended December 31, 2007.
- (*6) On August 31, 2007, Woori Investment Securities acquired the whole interest of Woori Investment Asia Pte. Ltd. (Woori Investment Asia) in Singapore and included Woori Investment Asia in its consolidation scope
- (*7) Woori Private Equity Fund is excluded from consolidation and accounted for using the equity method of accounting since its amount of total assets as of December 31, 2006 did not exceed (Won)7 billion.
- (*8) The financial statements as of December 31, 2007 are not reviewed.

(3) General information pertaining to the Company's subsidiaries as of December 31, 2007 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, 2007. Woori Bank is wholly owned by the Company. The head office of Woori Bank is located in Seoul, Korea. Woori Bank has 869 branches and offices in Korea, and 14 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, 2007, 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 147 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, 2007, 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. Kwangju Bank has 128 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, 2007, 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.

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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, 2007, 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, 2007, 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., Led. (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, 2006 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, 2007, 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, 2007, 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 123 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, 2006. On May 31, 2006, 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, 2007, 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, 2007, 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.

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i. Woori Private Equity Co., Ltd.

Woori Private Equity Co., Ltd. (Woori PE), established on October 24, 2006, has been engaged in direct investment in a private equity fund or investment advisory and management services. As of December 31, 2007, 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 Financial Co.,Ltd.

Woori Financial Co., Ltd. (formerly Hanmi Capital, Woori Financial), established on September 1989, has been engaged in lease, installment, factoring business. On September 14, 2007, the Company acquired 8,499,955 shares of Hanmi Capital by (Won)271,149 million and it has been included in consolidation scope of the Company. In addition, on October 26, 2007, Hanmi Capital changed its corporate name into Woori Financial Co., Ltd. (Woori Financial). As of December 31, 2007, the number of issued and outstanding common shares and contributed capital of Woori Financial are 16,963,128 shares and (Won)84,816 million, respectively, which the Company owns 50.11% of the common shares. The office of Woori Financial is located in Suwon, Korea. Woori Financial has 17 domestic branches in Korea.

k. 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, 2007, 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 15 branches and offices in Korea.

l. 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, 2007, 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.

m. 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, 2007, its common stock amounted to IDR 170,000 million consisting of 1,700 shares issued and outstanding of which Woori Bank owns 95.2%.

n. Korea BTL Infrastructure Fund

Korea BTL Infrastructure Fund (Korea BTL) was established on May 19, 2007 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, 2007, Korea BTL s common stock, which is wholly owned by Woori Bank, amounted to (Won)121,168 million, consisting of 24,233,666 shares issued and outstanding. The head office of Korea BTL is located in Seoul, Korea.

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o. 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, 2007, 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, 2007, 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.

p. Woori Private Equity Fund

Woori Private Equity Fund (Woori PEF) was established on July 6, 2006, based on the Act on Indirect Investment Asset Management Business and has been engaged in investments by private funding and intends to offer an investment return to investors by enhancing the investees' value by participation in investees' management and restructuring. As of December 31, 2007, the common stock of Woori PEF amounted to (Won)210,178 million consisting of 210,178 shares of which the Company's subsidiaries own 61.0%. The office of Woori PEF is located in Seoul, Korea.

q. The information of other 2nd - tier subsidiaries as of December 31, 2007 is as follows (Korean won in millions and U.S. dollar, EURO, HKD, CNY and RUB 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 Bank (China) Limited | Banking | CNY 2,400,000 | | 2007.10.26 | Beijing, China |
| ZAO Woori Bank | Banking | RUB 500,000 | 20,000,000 | 2007.11.22 | Moscow, Russia |
| Woori F&I Fifth Asset Securitization Specialty | Asset securitization | (Won) 912 | 182,500 | 2007.5.23 | Seoul, Korea |
| Woori F&I Sixth Asset Securitization Specialty | Asset securitization | (Won) 494 | 98,780 | 2007.12.12 | Seoul, Korea |
| Woori F&I Seventh Asset Securitization Specialty | Asset securitization | (Won) 527 | 105,300 | 2007.12.12 | Seoul, Korea |
| 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 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) 25,500 | 25,500,000 | 2005.1.26 | Seoul, Korea |
| MARS Second Private Equity Fund | Securities investments | (Won) 272,000 | 272,000,000,000 | 2007.2.8 | Seoul, Korea |
| Connacht Capital Market Investment | Securities investments | USD 150 | 15,000,000 | 1996.5.8 | Malaysia |
| Woori Investment Asia Pte. Ltd. | Investments | USD 50,000 | 5,000,000 | 2007.9.20 | Singapore |

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- (4) Affiliates accounted for using the equity method of accounting of the Company and its subsidiaries as of December 31, 2007 and 2006 are as follows:

| Investors | Investees | 2007 | | 2006 | | 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 (*11) |
| Woori, Kyongnam & Kwangju Bank | Korea Credit Bureau | 180,000 | 9.0 | 180,000 | 9.0 | Dec. 31 (*11) |
| Woori Bank | Korea Finance Security Co., Ltd. | 183,870 | 15.3 | 183,870 | 15.3 | Nov. 30 (*11) |
| | Woori Service Networks Co., Ltd. | 4,704 | 4.9 | 4,704 | 4.9 | Nov. 30 (*11) |
| | Woori SME Asset Securitization Specialty | 54,600 | 5.0 | 54,600 | 5.0 | Dec. 31 (*11) |
| | Woori SME First ABS Co., Ltd. | 82,960 | 5.0 | 82,960 | 5.0 | Dec. 31 (*11) |
| Woori Investment Securities | Connacht Capital Market Investment (*1) | | | 15,000,000 | 100.0 | |
| HTI & GTI | Athena Venture Fund (*2) | | 66.4 | | 66.4 | Dec. 31 (*11) |
| Woori F&I | Woori F&I Fourth Asset Securitization Specialty (*3) | | | 360 | 30.0 | |
| | Woori SB First Asset Securitization Specialty | 1,867,800 | 30.0 | 1,867,800 | 30.0 | Dec. 31 |
| | Woori SB Third Asset Securitization Specialty (*4) | 301,086 | 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 | 274,542 | 30.0 | 274,542 | 30.0 | Dec. 31 |
| | Woori SB Seventh Asset Securitization Specialty | 165,760 | 40.0 | 165,760 | 40.0 | Dec. 31 |
| | Woori SB Eighth Asset Securitization Specialty (*5) | 149,336 | 40.0 | | | Dec. 31 |
| | Woori BC Pegasus Asset Securitization Specialty | 581,580 | 30.0 | 581,580 | 30.0 | Dec. 31 |
| | Woori Marine First Asset Securitization Specialty (*6) | | | 72,576 | 30.0 | |
| | Woori Marine Third Asset Securitization Specialty | 156,834 | 30.0 | 156,834 | 30.0 | Dec. 31 |
| | Woori Stream First Asset Securitization Specialty | 249,408 | 40.0 | 249,408 | 40.0 | Dec. 31 |
| | Woori Stream Second Asset Securitization Specialty (*5) | 211,088 | 40.0 | | | Dec. 31 |
| | Woori Stream Third Asset Securitization Specialty (*5) | 152,472 | 40.0 | | | Dec. 31 |
| | Woori Stream Fourth Asset Securitization Specialty (*5) | 237,808 | 40.0 | | | Dec. 31 |
| | Hiking-Woori Capital (*7) | 245,000 | 49.0 | | | Dec. 31 |
| | Woori-Consus Capital(*7) | 245,000 | 44.0 | | | 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) | 1,331,695 | 30.0 | 1,072,065 | 24.1 | Sep. 30 |
| MARS Second | Seoul Lakeside Co., Ltd. (*9) | 76,000 | 47.5 | | | Dec. 31, 2006 |
| Woori PEF | Kumho Investment Bank(*10) | 7,100,000 | 41.4 | | | Sep. 30 |

(*1) It has been included in the consolidation scope of Woori Investment Securities as its liquidation process did not proceed during the year ended December 31, 2007.

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

(*3) Liquidated on September 21, 2007.

(*4) On January 9 and May 25, 2007, the investees reduce their capital. As a result, the number of shares owned decreased.

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- (*5) Woori F&I acquired Woori SB Eighth Asset Securitization Specialty on June 26, 2007, Woori Stream Second Asset Securitization Specialty on March 20, 2007, Woori Stream Third Asset Securitization Specialty on September 28, 2007, and Woori Stream Fourth Asset Securitization Specialty on December 27, 2007, respectively.
- (*6) On August 17, 2007, Woori Marine First Asset Securitization Specialty has been liquidated as its all asset backed securities were redeemed.
- (*7) On January 29 and December 24, 2007, Woori F&I acquired Hiking-Woori Capital and Woori-Consus Capital, respectively.
- (*8) On March 15, 2007, MARS First acquired the additional ownership interest of Sempio Foods Company.
- (*9) On April 26, 2007, MARS Second acquired 47.5% ownership interest of Seoul Lakeside. Seoul Lakeside is excluded from consolidation and accounted for using the equity method of accounting since MARS Second is not a major equity holder.
- (*10) On June 26, 2007, Woori PEF acquired 7,100,000 shares (41.4%) of Kumho Investment Bank.
- (*11) The financial statements for the year ended December 31, 2007 are not audited.

- (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, 2006 | Seoul, Korea | Significant influence over the investee |
| Korea Finance Security Co., Ltd. | Security service | | | | | |
| | /Investment | 6,000 | 1,200,000 | Dec. 7, 1990 | Seoul, Korea | Banking act |
| Woori Service Networks Co., Ltd. | Freight & staffing services | 200 | 96,000 | Aug. 1, 2005 | Seoul, Korea | The investee's material transaction with the investor |
| Woori SME Asset Securitization Specialty | Securitization | 5,460 | 75,971 | Aug. 1, 2005 | Seoul, Korea | Significant influence over the investee |
| Woori SME First ABS Co., Ltd. | Securitization | 8,347 | 1,669,360 | Oct. 25, 2005 | Seoul, Korea | |
| Athena Venture Fund | | USD 55,079 | | Sep. 22, 1997 | United States | Percentage of ownership exceeds 20%. |
| Woori SB First Asset Securitization Specialty | Securitization | 31,130 | 6,226,000 | Mar. 18, 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 | 414,400 | Dec. 1, 2006 | Seoul, Korea | |
| Woori SB Eighth Asset Securitization Specialty | | 1,867 | 373,340 | Jun. 1, 2007 | Seoul, Korea | |
| Woori BC Pegasus Asset Securitization Specialty | | 9,639 | 1,938,600 | Aug. 20, 2004 | Seoul, Korea | |
| | | 5,597 | 1,119,400 | Mar. 28, 2005 | Seoul, Korea | |

Woori Marine Second Asset
Securitization Specialty
Woori Marine Third Asset
Securitization Specialty

2,614 522,780 May 26, 2005 Seoul, Korea

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| Investees | Main business | Capital | Number of issued shares | Established date | Location | The rationale of application of equity method of accounting |
|--|---------------------------------------|---------|-------------------------|------------------|--------------------|---|
| Woori Stream First Asset Securitization Specialty | | 3,118 | 623,520 | Jun. 2, 2006 | Seoul, Korea | Percentage of ownership exceeds 20%. |
| Woori Stream Second Asset Securitization Specialty | | 2,639 | 527,720 | Mar. 5, 2007 | Seoul, Korea | |
| Woori Stream Third Asset Securitization Specialty | | 1,906 | 381,180 | Sep. 3, 2007 | Seoul, Korea | |
| Woori Stream Fourth Asset Securitization Specialty | | 2,973 | 594,520 | Dec. 5, 2007 | Seoul, Korea | |
| Hiking-Woori Capital | | USD 500 | 500,000 | Nov. 28, 2006 | China | |
| Woori-Consus Capital | | USD 500 | 500,000 | Oct. 29, 2007 | China | |
| SEMPIO Foods Company | Food & Beverages Manufacturing | 4,444 | 444,000 | Dec. 9, 1971 | Seoul, Korea | |
| Seoul Lakeside Co., Ltd. | Hotel | 1,600 | 160,000 | Aug. 22, 1986 | Gyeonggi-do, Korea | |
| Kumho Investment Bank | Specialized Credit Financial Business | 85,691 | 17,138,129 | Jun. 29, 1974 | Kwangju, Korea | |

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)938.2 to US\$ 1.00 at December 31, 2007, 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 consolidated financial statements were approved by the board of directors, of which board meeting was held on March 3, 2008.

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.25. The Company had adopted SKASs No.1 to No.20 (except for No.11) before the beginning of the 2007 and SKASs No.11 Discontinuing operations and No.21 Preparation and presentation of financial statements to No.25 Consolidated financial statement on or after January 1, 2007.

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Significant SKASs newly adopted are summarized below.

1) Change of presentation of financial statements

The Company and its subsidiaries have changed presentation of certain balance sheet and income statement items in accordance with SKAS No.21 Preparation and presentation of financial statements I and No.24 Preparation and presentation of financial statements II (financial industry) on or after January 1, 2007. As a result, intangible assets and non-operating assets, previously included in fixed assets and intangible assets, have been reclassified to other assets. In addition, the debentures, previously presented as a single item, have been included in borrowings and unrealized gains or losses, previously included in capital adjustments have been separately presented as accumulated other comprehensive income.

Also, the Company and its subsidiaries have started to present separately discontinued operations in the statements of income and made some changes in the classification between operating and non-operating items. As a result of these reclassifications, operating revenue amounting to (Won)804,134 and (Won)668,942 millions and operating expenses amounting to (Won)508,677 and (Won)121,754 millions for the year ended December 31, 2007 and 2006, respectively, increased and non-operating income and non-operating expenses decreased by the same amounts.

2) Earnings per share SKAS No.23

The Company and its subsidiaries adopted SKAS No.23 Earnings per share in 2007. The Company and its subsidiaries have computed basic earnings per common share or basic net income per common share by dividing the profit or loss from continuing operations or net income, respectively, by the weighted average number of ordinary shares outstanding during the period. For the purpose of calculating diluted earnings per share, the Company and its subsidiaries have adjusted profit or loss from continuing operations or net income and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

3) Consolidated financial statement SKAS No.25

The Company and its subsidiaries adopted SKAS No.25 Consolidated financial statement in 2007. This statement prescribes the preparation and presentation of consolidated financial statements in respect of the scope of a group and the theory of an enterprise entity. This statement identifies a group as an economic entity which is composed of a parent and its subsidiaries. If the Act on External Audit of Corporations and the Enforcement Decree of the Act define a parent and its subsidiaries, the members of the group is determined according to that Act. In addition, based on the theory of an enterprise entity, this statement requires to present losses applicable to the minority interest which exceed the minority interest in the subsidiary's equity as negative in the consolidated balance sheet and net income of consolidated entity in the consolidated statement of income and to separate net income into controlling interest and minority interest.

The adoption of these standards has no effect on the Company's net assets and net income for the years ended December 31, 2006.

b. Reclassification of financial statements for the prior period

For the comparative purpose, the Company and its subsidiaries have reclassified the balance sheet as of December 31, 2006 and statements of income, changes in shareholders' equity and cash flow for the year ended December 31, 2006. However, the above reclassifications have no effect on the Company and its subsidiaries' net assets as of December 31, 2006 and net income for the year ended December 31, 2006.

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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)938.2 and (Won)929.6 at December 31, 2007 and 2006, respectively) published by Seoul Money Brokerage Service, Ltd. and cross rates.

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 earning account and changes in capital surplus or accumulated other comprehensive income of the investees are reflected in the accumulated other comprehensive income account of the Company and its subsidiaries.

4) Date of the consolidated financial statements

The accompanying financial statements are stated as of December 31, 2007 and 2006, 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, 2007 and 2006, and the related consolidated statements of income for the years ended December 31, 2007 and 2006.

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5) Minority interests

Minority interests in the net assets of consolidated subsidiaries are presented within equity and identified separately from the Company's interests in subsidiaries. In addition, the Company and its subsidiaries present net income of consolidated entity in the consolidated statement of income and classify net income into controlling interest and minority interest.

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-sales 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 accumulated other comprehensive income and the accumulated unrealized gains or losses are reflected to net income when the securities are sold or written down. Equity securities without readily determinable fair value can be stated at acquisition cost on the financial statement if the fair value of the securities is not credibly determinable.

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

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.

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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 accumulated other comprehensive income 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 accumulated other comprehensive income. 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 accumulated other comprehensive income 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 accumulated other comprehensive income 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.

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.

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The classifications of the loans pursuant to the policies of the Company and its subsidiaries as of December 31, 2007 are as follows:

| Credit Rating | Classification | Loans to | | |
|---------------|----------------|--------------------------|-------------------|----------------------|
| | | Loans to corporate | households | Credit card accounts |
| AAA ~ BB- | Normal | Not less than 0.85(0.9)% | Not less than 1% | Not less than 1.5% |
| B+, B-, C | Precautionary | Not less than 7% | Not less than 10% | Not less than 15% |
| D | Substandard | Not less than 20% | Not less than 20% | Not less than 20% |
| D | Doubtful | Not less than 50% | Not less than 55% | Not less than 60% |
| D | 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 policy for estimating the allowance for possible losses on loans to corporations classified as Normal for the year ended December 31, 2007 as follows.

| Business-insensitive Industry | | Business-sensitive Industry (*) | |
|-------------------------------|----------------------|---------------------------------|---------------------|
| Before | After | Before | After |
| Not less than 0.7% | Not less than 0.85 % | Not less than 0.7% | Not less than 0.9 % |

(*) Constructions, wholesale and retail trade, accommodation and food service activities and real estate activities, renting and leasing prudent to Korea Standard Industry Code

The changes in accounting estimates described above are to reasonably estimate the allowance for possible losses on loans based on prior experience. The effect of changes in accounting estimates shall be applied prospectively. As of December 31, 2007, the allowance for possible losses on loans, allowances for acceptances and guarantees and allowances for unused credit line increased by (Won)168.9 billion, (Won)19.9 billion and (Won)31.4 billion, respectively, and the income before income tax decreased by (Won)220.2 billion as a result of the changes in accounting estimates.

g. Deferred loan origination fees and costs

The loan origination fees and costs are deferred and recorded as deductions from or additions to loans, when it is probable that future economic benefits associated with loan units will flow into the entity and when its cost can be measured reliably. The loan origination fees and costs are amortized or reversed in the straight-line method and adjusted to interest on loans.

h. 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.

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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.

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i. 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.

j. 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:

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

k. 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.

l. 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.

m. Amortization of discount (premium) on debentures

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

n. 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.

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o. 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, 2007 and 2006 amount to (Won)391,815 million and (Won)363,729 million, respectively (Note 23).

p. 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.

q. 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 accumulated other comprehensive income and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as a accumulated other comprehensive income 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 accumulated other comprehensive income is added to or deducted from the asset or the liability.

r. 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.

s. 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)938.2 and (Won)929.6 to \$1.00 at December 31, 2007 and 2006, 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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t. 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 2006, 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, 2007.

u. Provisions, contingent liabilities and contingent assets

The Company and its subsidiaries record liabilities of uncertain timing or amount, when they have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If there is material difference between the nominal value and present value of a provision, the amount of the provision are stated at the present value of the expenditures expected to be required to settle the obligation. In case the expenditure required settling a provision is expected to be reimbursed by another third party, the reimbursement is recognized as a separate asset when, and only when, it is virtually certain that reimbursement will be received if the entity settles obligation. In this case, gains on the reimbursement are offset by related losses in income statement.

3. CASH AND DUE FROM BANKS

(1) Cash and due from banks as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|--|-------------------------|-------------------------|
| Cash | (Won) 3,485,011 | (Won) 3,681,896 |
| Foreign currencies | 295,671 | 258,242 |
| Due from banks in local currency | | |
| Due from Bank of Korea | 6,935,045 | 3,482,148 |
| Due from depository institutions | 1,649,711 | 885,570 |
| Due from non-depository financial institutions | 273,494 | 509,511 |
| Due from the Korea Stock Exchange | 996,939 | 990,931 |
| Others | 7,658 | 42,107 |
| | 9,862,847 | 5,910,267 |
| Due from banks in foreign currencies | | |
| Due from banks on demand | 880,648 | 560,137 |
| Due from banks on time | 262,525 | 98,760 |
| Others | 197,839 | 165,675 |
| | 1,341,012 | 824,572 |
| | (Won) 14,984,541 | (Won) 10,674,977 |

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(2) Restricted due from banks as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 | Reason of restriction |
|--|-----------------|-----------------|--------------------------------------|
| Due from banks in local currency | | | |
| Bank of Korea | (Won) 6,935,044 | (Won) 3,482,148 | Banking law |
| Korea Exchange | 251 | 11,539 | Indemnity fund and others |
| Korea Securities Finance Corporation | 1,234,853 | 1,000,298 | Regulation of securities supervision |
| Samsung Securities and others | 76,613 | 102,295 | Subscription for futures |
| Hana Bank and others | 731 | 5,746 | Collateral for borrowing |
| Shinhan Bank and others | 799 | | Collateral for borrowing |
| Others | 1,616 | 11 | Collateral for guarantees and others |
| | 8,249,707 | 4,602,037 | |
| Due from banks in foreign currencies | | | |
| Bank of Korea | 134,484 | 120,072 | Banking law |
| Bank of Japan and others | 392,474 | 49,701 | Reserve deposits on overseas banks |
| Lehman Brothers and others | 122,399 | 94,165 | Collateral for credit derivatives |
| Bangladesh Bank and others | 15,011 | 17,198 | Reserve deposits on overseas banks |
| Bank of Indonesia | 29,852 | 9,333 | Reserve deposits on overseas banks |
| Industrial & Commercial Bank of China and others | 7,887 | 65,876 | Reserve deposits on overseas banks |
| ING Bank | 3,208 | 9,501 | Collateral for suit |
| Others | 38,508 | 65,502 | Security deposit and others |
| | 743,823 | 431,348 | |
| | (Won) 8,993,530 | (Won) 5,033,385 | |

(3) The maturity structures of due from bank as of December 31, 2007 and 2006 are as follows (Korean won in billions):

| | Less than 3 months | Less than 6 months | Less than 1 year | Less than 3 years | More than 3 years | Total |
|--------------------------------------|-----------------------|-----------------------|---------------------|----------------------|----------------------|--------------|
| <2007> | | | | | | |
| Due from banks in local currency | (Won) 2,800 | (Won) 221 | (Won) 457 | (Won) 20 | (Won) 6,365 | (Won) 9,863 |
| Due from banks in foreign currencies | 1,154 | 52 | 13 | 122 | | 1,341 |
| | (Won) 3,954 | (Won) 273 | (Won) 470 | (Won) 142 | (Won) 6,365 | (Won) 11,204 |
| <2006> | | | | | | |
| 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 |

Table of Contents**4. TRADING SECURITIES**

Details of trading securities as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | Face value | Acquisition cost | Fair value |
|--------------------------------------|-------------------|-------------------------|-------------------|
| <In local currency> | | | |
| Equity securities | | (Won) 387,229 | (Won) 378,679 |
| Government bonds | (Won) 1,320,266 | 1,268,826 | 1,272,623 |
| Financial debentures | 7,888,674 | 7,786,498 | 7,743,296 |
| Corporate bonds | 1,301,289 | 1,287,870 | 1,270,794 |
| Beneficiary certificates | | 1,046,333 | 1,096,182 |
| Others | | 4,326,866 | 4,340,144 |
| | | 16,103,622 | 16,101,718 |
| <In foreign currencies> | | | |
| Equity securities | | 2,269 | 2,481 |
| Bonds and others | 127,917 | 135,125 | 124,220 |
| | | 137,394 | 126,701 |
| | | (Won) 16,241,016 | (Won) 16,228,419 |

| <2006> | Face value | Acquisition cost | Fair value |
|--------------------------------------|-------------------|-------------------------|-------------------|
| <In local currency> | | | |
| 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 |
| <In foreign currencies> | | | |
| 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 |

5. AVAILABLE-FOR-SALE SECURITIES

(1) Available-for-sale securities as of December 31, 2007 and 2006 are as follows (Korean won in millions):

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| | 2007 | 2006 |
|--------------------------|------------------|------------------|
| <In local currency> | | |
| Equity securities | (Won) 4,760,991 | (Won) 4,380,376 |
| Capital contributions | 297,725 | 142,055 |
| Government bonds | 1,573,655 | 1,106,516 |
| Financial debentures | 10,877,690 | 11,221,898 |
| Corporate bonds | 1,382,835 | 2,149,046 |
| Beneficiary certificates | 1,211,680 | 1,535,085 |
| Others | 125,931 | 57,796 |
| | 20,230,507 | 20,592,772 |
| <In foreign currencies> | | |
| Equity securities | 182,054 | 72,280 |
| Bonds | 1,427,042 | 1,772,529 |
| Beneficiary Certificates | 3,441 | 20,778 |
| Others | | 1,893 |
| | 1,612,537 | 1,867,480 |
| | (Won) 21,843,044 | (Won) 22,460,252 |

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- (2) Equity securities in available-for-sale securities as of December 31, 2007 and 2006 are as follows (Korean won in millions, shares in thousands):

| | Number of shares owned | Percentage of ownership (%) | Acquisition cost | Book value |
|---|---------------------------|-----------------------------------|---------------------|---------------|
| <2007> | | | | |
| <Marketable equity Securities> | | | | |
| POSCO | 872 | 1.0 | (Won) 367,024 | (Won) 501,324 |
| Daewoo Engineering & Construction Co., Ltd. | 13,559 | 4.1 | 255,944 | 308,618 |
| KP Chemical Corporation | 8,167 | 8.4 | 16,342 | 53,493 |
| Ssangyong Cement Industry Co., Ltd | 850 | 1.1 | 14,275 | 13,765 |
| Hynix Semiconductor Inc. | 39,918 | 9.2 | 152,309 | 1,042,408 |
| Hyundai Eng. & Const. Co., Ltd. | 8,334 | 14.5 | 232,204 | 1,190,354 |
| Hyundai Corporation (*1) | 5,070 | 22.7 | 68,589 | 103,497 |
| Shinhan Financial Group. | 1,258 | 0.3 | 72,591 | 67,307 |
| SK Networks Co., Ltd. | 11,009 | 4.4 | 47,265 | 231,314 |
| Hu-Chems | 605 | 2.8 | 8,984 | 11,635 |
| Others | | | 124,636 | 230,657 |
| | | | 1,360,162 | 3,754,372 |
| <Non-marketable securities> | | | | |
| Stocks subject to fair value valuation: | | | | |
| SK Networks Co., Ltd. (preferred stock) | 271 | 0.1 | 10,003 | 22,184 |
| Korea Aerospace Industries Ltd. (preferred stock) | 2,006 | 2.4 | 22,338 | 6,945 |
| Daewoo Electronics Corp. | 5,747 | 5.4 | 13,695 | 3,404 |
| Kocref-Cr-Reit 6 | 3,800 | 14.5 | 19,000 | 18,795 |
| New Airport Hiway Co., Ltd. | 923 | 2.1 | 5,072 | 13,238 |
| Korea Securities Finance Corporation | 9,419 | 13.8 | 47,968 | 63,087 |
| Korea Housing Guarantee Co., Ltd. | 6,899 | 1.1 | 10,014 | 27,665 |
| Hyundai Merchant Marine Co., Ltd. (preferred stock) | 3,334 | 2.2 | 50,005 | 50,628 |
| Kumho Life Insurance Co., Ltd. | 2,109 | 5.0 | 10,545 | 32,626 |
| Korea Exchange | 1,000 | 5.0 | 6,616 | 116,862 |
| Korea Securities Computer Corporation | 218 | 4.1 | 1,097 | 5,565 |
| Korea Infrastructure fund 2 | 7,277 | 15.3 | 34,208 | 72,785 |
| Kocref NPS Cr-Reit 2 | 6,000 | 13.3 | 30,000 | 43,860 |
| Others | | | 98,539 | 139,454 |
| Stocks not subject to fair value valuation: | | | | |
| Samsung Life Insurance Co., Ltd. | 555 | 2.8 | 159,262 | 159,262 |
| Kyongnam Trading Inc., | 60 | 10.0 | 300 | 300 |
| KiHyup Technology Banking Corp. | 400 | 6.9 | 2,000 | 2,000 |
| KIDB Bonds Brokerage Corp. | 100 | 8.0 | 500 | 500 |
| Kyobo Investment Trust Management | 300 | 5.0 | 1,500 | 1,500 |
| Delta Invest Management | | | | |
| Advisory Co., Ltd. | 55 | 6.7 | 550 | 550 |
| Paragon Management Advisory Co., Ltd. | 106 | 17.2 | 630 | 630 |
| Hangaram Management Advisory Co., Ltd. | 30 | 10.0 | 300 | 300 |
| Hungkuk Investment Trust Management Co., Ltd. | 100 | 5.0 | 500 | 500 |
| My Asset Invest Management Advisory Co., Ltd. | 230 | 7.5 | 1,150 | 1,150 |
| I Venture Investment Co., Ltd. | 140 | 7.0 | 383 | 383 |
| MVP Capital Co., Ltd. | 200 | 9.6 | 1,000 | 1,000 |
| DOBEsys.Inc | 6 | 10.3 | 1,200 | 1,200 |
| KSEnergy Corporation | 4,017 | 7.2 | 5,959 | 5,959 |
| Reality Advisors Korea | 200 | 14.3 | 1,000 | 1,000 |

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| | | | | |
|-----------------|-----|-----|-----------------|-----------------|
| Capital Partner | 100 | 7.1 | 500 | 500 |
| Others | | | 261,378 | 212,787 |
| | | | 797,212 | 1,006,619 |
| | | | (Won) 2,157,375 | (Won) 4,760,991 |

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

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| | Number of shares owned | Percentage of ownership (%) | Acquisition cost | Book value |
|---|---------------------------|-----------------------------------|---------------------|---------------|
| <2006> | | | | |
| <Marketable equity Securities> | | | | |
| POSCO | 436 | 0.2 | (Won) 104,019 | (Won) 134,704 |
| Daewoo Engineering & Construction Co., Ltd. | 14,123 | 4.1 | 258,448 | 255,366 |
| Daewoo International Corporation | 1,875 | 2.0 | 4,602 | 62,910 |
| KP Chemical Corporation | 8,383 | 8.6 | 17,256 | 37,138 |
| Kocref-Cr-Reit 1 (*1) | 4,100 | 15.4 | 20,500 | 41,000 |
| Hynix Semiconductor Inc. | 42,054 | 13.2 | 152,309 | 1,351,528 |
| Hyundai Eng. & Const. Co., Ltd. | 15,952 | 14.4 | 232,204 | 759,514 |
| Hyundai Corporation (*2) | 5,070 | 22.7 | 68,589 | 96,790 |
| LG Card Co., Ltd. | 10,204 | 8.1 | 93,037 | 676,065 |
| SK Networks Co., Ltd. | 11,009 | 4.6 | 47,265 | 253,664 |
| Hu-Chems | 1,197 | 5.6 | 17,785 | 19,561 |
| Others | | | 102,669 | 125,675 |
| | | | 1,118,683 | 3,813,915 |
| <Non-marketable securities> | | | | |
| Stocks subject to fair value valuation; | | | | |
| SK Networks Co., Ltd. (preferred stock) | 672 | 0.3 | 24,809 | 45,535 |
| Korea Aerospace Industries Ltd. (preferred stock) | 2,006 | 2.4 | 22,338 | 6,965 |
| Daewoo Electronics Corp. | 5,741 | 5.4 | 13,672 | 6,728 |
| Kocref-Cr-Reit 6 | 3,800 | 14.5 | 19,000 | 19,889 |
| New Airport Hiway Co., Ltd. | 923 | 2.1 | 5,072 | 13,077 |
| Korea Securities Finance Corporation | 5,313 | 7.8 | 27,203 | 33,534 |
| Korea Housing Guarantee Co., Ltd. | 5,147 | 0.8 | 5,753 | 21,220 |
| Hyundai Merchant Marine Co., Ltd. | 3,334 | 2.2 | 50,005 | 50,768 |
| Kumho Life Insurance Co., Ltd. | 2,109 | 5.0 | 10,545 | 26,871 |
| Others | | | 81,141 | 112,317 |
| Stocks not subject to fair value valuation; | | | | |
| Samsung Life Insurance Co., Ltd. | 555 | 2.8 | 159,262 | 159,262 |
| Kyongnam Trading Inc. | 60 | 10.0 | 300 | 300 |
| ChonNam Corporation Co., Ltd. | 60 | 9.8 | 300 | 300 |
| Korea Securities Computer Corporation | 218 | 4.1 | 1,097 | 1,097 |
| The Korea Economic Daily | 270 | 1.4 | 1,465 | 1,465 |
| Korea Securities Depository | 163 | 2.7 | 1,436 | 1,436 |
| Korea Exchange | 1,000 | 5.0 | 6,616 | 6,616 |
| KiHyup Technology Banking Corp. | 400 | 6.9 | 2,000 | 2,000 |
| KIDB Bonds Brokerage Corp. | 200 | 16.0 | 1,000 | 1,000 |
| I Investment Trust Management | 100 | 3.2 | 500 | 500 |
| Kyobo Investment Trust Management | 300 | 5.0 | 1,500 | 1,500 |
| Delta Invest Management Advisory Co., Ltd. | 55 | 7.1 | 550 | 550 |
| Paragon Management Advisory Co., Ltd. | 106 | 17.2 | 630 | 630 |
| Hangaram Management Advisory Co., Ltd. | 30 | 10.0 | 300 | 300 |
| My Asset Invest Management Advisory Co., Ltd. | 230 | 7.5 | 1,150 | 1,150 |
| I Venture Investment Co., Ltd. | 140 | 7.0 | 406 | 406 |
| MVP Capital Co., Ltd. | 200 | 9.6 | 1,000 | 1,000 |
| Final Data Inc. | 67 | 1.3 | 323 | 323 |
| Reality Advisors Korea | 200 | 14.3 | 1,000 | 1,000 |
| Capital Partner | 100 | 7.1 | 500 | 500 |
| Others | | | 93,888 | 48,222 |
| | | | 534,761 | 566,461 |

- (*1) Not accounted for using the equity method of accounting since the Company and its subsidiaries have no voting rights.
- (*2) Not accounted for using the equity method of accounting since the investee is under corporate restructuring by an agreement with credit committee.

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- (3) Capital contribution in available-for-sale securities as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | | 2006 | |
|---|-----------------------------|---------------|-----------------------------|---------------|
| | Percentage of ownership (%) | Book value | Percentage of ownership (%) | Book value |
| Stock Market Stabilization Fund | 8.8 | (Won) 53 | 8.8 | (Won) 53 |
| Contributions to Fund for Consolidation of Bad Debts | 1.3 | 50,500 | | |
| Korea Asset Management Corp. | 5.1 | 18,533 | 4.8 | 13,473 |
| LG Investment Seventh Fund | 8.0 | 710 | 8.0 | 710 |
| Macquarie Opportunities | 8.5 | 37,295 | 8.9 | 32,486 |
| Consus Investment 3 rd Private Equity Fund | 19.6 | 13,463 | 19.6 | 15,355 |
| KTB 2005 Private Equity Fund | 14.7 | 13,713 | 14.6 | 10,698 |
| KTB 2006 Private Equity Fund | 3.2 | 8,355 | 3.2 | 8,000 |
| Others | | 155,103 | | 61,280 |
| | | (Won) 297,725 | | (Won) 142,055 |

- (4) Debt securities in available-for-sale securities in local currency as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | Face value | Acquisition cost | Amortized cost | Book value |
|----------------------|------------------|------------------|------------------|------------------|
| Government bonds | (Won) 1,599,213 | (Won) 1,602,737 | (Won) 1,584,394 | (Won) 1,573,655 |
| Financial debentures | 11,019,284 | 10,911,342 | 10,960,061 | 10,877,690 |
| Corporate bonds | 1,482,359 | 1,404,205 | 1,387,372 | 1,382,835 |
| | (Won) 14,100,856 | (Won) 13,918,284 | (Won) 13,931,827 | (Won) 13,834,180 |

| <2006> | Face value | Acquisition cost | Amortized cost | Book value |
|----------------------|------------------|------------------|------------------|------------------|
| Government bonds | (Won) 1,120,122 | (Won) 1,139,415 | (Won) 1,116,689 | (Won) 1,106,516 |
| Financial debentures | 11,346,482 | 11,168,835 | 11,242,360 | 11,221,898 |
| Corporate bonds | 2,163,827 | 2,177,010 | 2,157,604 | 2,149,046 |
| | (Won) 14,630,431 | (Won) 14,485,260 | (Won) 14,516,653 | (Won) 14,477,460 |

- (5) Beneficial certificates in available-for-sale securities in local currency as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | | 2006 | |
|------------------------------------|------------------|---------------|------------------|--------------|
| | Acquisition cost | Fair value | Acquisition cost | Fair value |
| Daehan Investment Trust Management | (Won) 357,970 | (Won) 367,430 | (Won) 50,000 | (Won) 52,139 |
| Woori CS Asset Management | | | 430,273 | 467,121 |
| I Investment Trust Management | | | 50,000 | 50,061 |
| Korea Investment Trust Management | 3,000 | 3,225 | 53,000 | 54,065 |
| Hanil Investment Trust Management | | 2 | | 13 |

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| | | | | |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
| CJ Investment Trust Management | 30,000 | 35,571 | | |
| TongYang Investment Trust Management | 25,000 | 25,033 | 9,170 | 9,571 |
| Kyobo Investment Trust Management | 8,672 | 7,155 | 90,013 | 90,212 |
| Yurie Asset Management | 50,000 | 50,187 | 50,000 | 50,557 |
| Others | 626,179 | 723,077 | 699,795 | 761,346 |
| | (Won) 1,100,821 | (Won) 1,211,680 | (Won) 1,432,251 | (Won) 1,535,085 |

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(6) Other available-for-sale securities in local currency as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | | 2006 | |
|--------------------------------|------------------|---------------|------------------|--------------|
| | Acquisition cost | Fair value | Acquisition cost | Fair value |
| Bills bought in local currency | (Won) 105,186 | (Won) 101,916 | (Won) 11,356 | (Won) 11,356 |
| Others | 1,011 | 24,015 | 9,636 | 46,440 |
| | (Won) 106,197 | (Won) 125,931 | (Won) 20,992 | (Won) 57,796 |

(7) Available-for-sales securities in foreign currencies as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | Face value | Acquisition cost | Fair value | Book value |
|--------------------------|-----------------|------------------|-----------------|-----------------|
| Equity securities | | (Won) 182,464 | (Won) 182,054 | (Won) 182,054 |
| Bonds | (Won) 1,944,499 | 1,964,723 | 1,427,042 | 1,427,042 |
| Beneficiary certificates | | 23,481 | 3,441 | 3,441 |
| | | (Won) 2,170,668 | (Won) 1,612,537 | (Won) 1,612,537 |
| <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 |

6. HELD-TO-MATURITY SECURITIES

Held-to-maturity securities as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | Face value | Acquisition cost | Amortized cost (book value) | Fair value |
|-------------------------------|-----------------|------------------|--------------------------------|-----------------|
| <Bonds in local currency> | | | | |
| Government bonds | (Won) 2,373,871 | (Won) 2,269,130 | (Won) 2,329,081 | (Won) 2,290,751 |
| Financial debentures | 4,425,000 | 4,422,567 | 4,421,184 | 4,383,401 |
| Corporate bonds | 1,288,200 | 1,307,643 | 1,291,126 | 1,275,781 |
| | 8,087,071 | 7,999,340 | 8,041,391 | 7,949,933 |
| <Bonds in foreign currencies> | 143,765 | 143,661 | 145,933 | 145,933 |
| <Loaned securities> | 12,617 | 12,497 | 12,497 | 12,328 |
| | (Won) 8,243,453 | (Won) 8,155,498 | (Won) 8,199,821 | (Won) 8,108,194 |
| <2006> | Face value | Acquisition cost | Amortized cost (book value) | Fair value |

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| | | | | |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| <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 |

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

(1) Structured securities as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | Face value | | Fair value (book value) | | Inherent risks |
|---|-------------------|-----------|------------------------------------|-----------|--|
| <Structured securities related to stock> | | | | | |
| Convertible bonds | (Won) | 470 | (Won) | 470 | Stock price deflation |
| Bonds with warrants | | 2,054 | | 433 | |
| Market index funds | | 1,825,642 | | 1,397,878 | Market index deflation |
| | | 1,828,166 | | 1,398,781 | |
| <Structured securities related to credit risk> | | | | | |
| Credit linked notes | | 28,146 | | 25,047 | Credit risk of credit linked underlying assets |
| Asset backed securities | | 872,647 | | 390,047 | |
| Others | | 55,774 | | 48,191 | |
| | | 956,567 | | 463,285 | |
| <Structured securities related to interest rate> | | | | | |
| CMS linked notes | | 110,000 | | 109,436 | Fluctuation on spread of swap interest rate |
| | (Won) | 2,894,733 | (Won) | 1,971,502 | |
| <2006> | | | | | |
| <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 | |

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(2) Private equity funds and entrusted assets to investment as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|------------------------|---------------------|---------------------|
| Due from banks | (Won) 368,364 | (Won) 195,459 |
| Securities | 1,016,034 | 1,170,626 |
| Call loans | 279,380 | 322,105 |
| Other assets | 24,077 | 49,242 |
| Derivative assets | 492 | 275 |
| Total assets | 1,688,347 | 1,737,707 |
| Other liabilities | 95,880 | 54,158 |
| Derivative liabilities | 123 | 251 |
| Total liabilities | 96,003 | 54,409 |
| Total net assets | (Won) 1,592,344 | (Won) 1,683,298 |

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- (1) Valuation of investment equity securities accounted for using the equity method of accounting for the year ended December 31, 2007 are as follows (Korean won in millions):

| | Acquisition cost | Jan. 1, 2007 | Gain (loss) on valuation | Other increase (decrease) | Dec. 31, 2007 |
|---|---------------------|--------------|-----------------------------|---------------------------------|---------------|
| BC Card | (Won) 11,668 | (Won) 60,746 | (Won) 11,393 | (Won) (1,184) | (Won) 70,955 |
| Korea Finance Security | 758 | 2,443 | 625 | (55) | 3,013 |
| Korea Credit Bureau | 4,500 | 3,530 | (143) | (216) | 3,171 |
| Woori Service Networks Co., Ltd. | 24 | 53 | 31 | (2) | 82 |
| Woori SME Asset Securitization Specialty | 273 | 86 | 140 | | 226 |
| Woori SME First ABS Co., Ltd. | 415 | 269 | 64 | | 333 |
| Woori Private Equity Fund | 128,296 | | 2,212 | 126,323 | 128,535 |
| Connacht Capital | 17,897 | 25,923 | | (25,923) | |
| Athena Venture Fund | 13,175 | 9,733 | 11,607 | (14,709) | 6,631 |
| Sempio Foods Company | 22,915 | 16,696 | 1,783 | 6,611 | 25,090 |
| Seoul Lakeside Co.,Ltd. | 270,000 | | (18,713) | 270,000 | 251,287 |
| Woori F&I Fourth Asset Securitization Specialty | 33 | 172 | 6 | (178) | |
| Woori F&I Fifth Asset Securitization Specialty | 9,035 | | 1,783 | 8,481 | 10,264 |
| Woori F&I Sixth Asset Securitization Specialty | 4,849 | | (91) | 450 | 359 |
| Woori F&I Seventh Asset Securitization Specialty | 5,175 | | (78) | 5,167 | 5,089 |
| Woori SB First Asset Securitization Specialty | 9,339 | | 215 | 48 | 263 |
| Woori SB Third Asset Securitization Specialty | 11,274 | 9,906 | 631 | (7,600) | 2,937 |
| Woori SB Fifth Asset Securitization Specialty | 7,373 | 14,178 | 1,692 | (8,298) | 7,572 |
| Woori SB Sixth Asset Securitization Specialty | 6,977 | 9,343 | 2,957 | (5,628) | 6,672 |
| Woori SB Seventh Asset Securitization Specialty | 3,608 | 9,637 | 924 | (4,414) | 6,147 |
| Woori SB Eighth Asset Securitization Specialty | 2,787 | | 582 | 2,576 | 3,158 |
| Woori BC Pegasus Asset Securitization Specialty | 2,908 | 650 | (668) | 18 | |
| Woori Marine First Asset Securitization Specialty | 1,469 | 910 | (21) | (889) | |
| Woori Marine Second Asset Securitization Specialty | 1,679 | 2,644 | 199 | (1,075) | 1,768 |
| Woori Marine Third Asset Securitization Specialty | 5,952 | 7,745 | 1,669 | (3,669) | 5,745 |
| Woori Stream First Asset Securitization Specialty | 5,270 | 7,988 | 3,654 | (5,525) | 6,117 |
| Woori Stream Second Asset Securitization Specialty | 5,154 | | 1,333 | 3,036 | 4,369 |
| Woori Stream Third Asset Securitization Specialty | 3,664 | | (523) | 4,330 | 3,807 |
| | 6,850 | | (30) | 5,349 | 5,319 |

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| | | | | | |
|---|---------------|---------------|--------------|---------------|---------------|
| Woori Stream Fourth Asset Securitization Specialty | | | | | |
| Hiking-Woori Capital | 230 | | (597) | 597 | |
| Woori-Consus | 227 | | (23) | 206 | 183 |
| | (Won) 563,774 | (Won) 182,652 | (Won) 22,613 | (Won) 353,827 | (Won) 559,092 |

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- (2) 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 cost | Jan. 1, 2006 | Gain (loss) on valuation | Other increase (decrease) | Dec. 31, 2006 |
|---|---------------------|---------------|-----------------------------|---------------------------------|---------------|
| BC Card | (Won) 11,668 | (Won) 56,443 | (Won) 5,682 | (Won) (1,379) | (Won) 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 |

Table of Contents**9. CLASSIFICATION OF SECURITIES**

(1) Securities in foreign currencies by country as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | | 2006 | |
|--|-----------------|-----------|-----------------|-----------|
| | Amount | Ratio (%) | Amount | Ratio (%) |
| <Trading securities> | | | | |
| Korea | (Won) 100,108 | 79.01 | (Won) 176,463 | 98.22 |
| United States | 4,744 | 3.74 | | |
| Other | 21,849 | 17.24 | 3,193 | 1.78 |
| | 126,701 | | 179,656 | |
| <Available-for-sales securities> | | | | |
| Korea | 297,438 | 18.45 | 222,284 | 11.90 |
| United States | 209,617 | 13.00 | 291,385 | 15.60 |
| Cayman islands | 370,175 | 22.96 | 693,179 | 37.12 |
| China | | | 22,158 | 1.19 |
| United Kingdom | | | 33,867 | 1.81 |
| Philippines | 1,501 | 0.09 | 1,487 | 0.08 |
| Other | 733,806 | 45.51 | 603,120 | 32.30 |
| | 1,612,537 | | 1,867,480 | |
| <Held-to-maturity securities> | | | | |
| Korea | 31,483 | 21.57 | 53,554 | 39.16 |
| United States | 18,719 | 12.83 | 19,033 | 13.92 |
| Indonesia | 95,731 | 65.60 | 64,152 | 46.92 |
| | 145,933 | | 136,739 | |
| <Investments accounted for using equity method of accounting> | | | | |
| United States | 6,631 | 97.31 | 9,733 | 27.30 |
| Malaysia | | | 25,923 | 72.70 |
| China | 183 | 2.69 | | |
| | 6,814 | | 35,656 | |
| | (Won) 1,891,985 | | (Won) 2,219,531 | |

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(2) Securities by type as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | In local currency | | In foreign currencies | | Total | |
|--------------------------|-------------------|-----------|-----------------------|-----------|------------------|-----------|
| | Amount | Ratio (%) | Amount | Ratio (%) | Amount | Ratio (%) |
| <Trading securities> | | | | | | |
| Securities | (Won) 378,679 | 2.35 | (Won) 2,625 | 2.07 | (Won) 381,304 | 2.35 |
| Floating rate bonds | 197,932 | 1.23 | 7,959 | 6.28 | 205,891 | 1.27 |
| Fixed rate bonds | 10,169,092 | 63.16 | 113,960 | 89.94 | 10,283,052 | 63.36 |
| Beneficiary certificates | 1,156,656 | 7.18 | 1,881 | 1.48 | 1,158,537 | 7.14 |
| Other | 4,199,359 | 26.08 | 276 | 0.22 | 4,199,635 | 25.88 |
| | (Won) 16,101,718 | | (Won) 126,701 | | (Won) 16,228,419 | |

| | | | | | | |
|----------------------------------|------------------|-------|-----------------|-------|------------------|-------|
| <Available-for-sales securities> | | | | | | |
| Securities | (Won) 4,760,991 | 23.53 | (Won) 182,054 | 11.29 | (Won) 4,943,045 | 22.63 |
| Capital contribution | 297,725 | 1.47 | | | 297,725 | 1.36 |
| Floating rate bonds | 1,026,645 | 5.07 | 691,413 | 42.88 | 1,718,058 | 7.87 |
| Fixed rate bonds | 12,857,512 | 63.56 | 735,158 | 45.59 | 13,592,670 | 62.23 |
| Convertible bonds | | | 470 | 0.03 | 470 | |
| Beneficiary certificate | 1,211,680 | 5.99 | | | 1,211,680 | 5.55 |
| Other | 75,954 | 0.38 | 3,442 | 0.21 | 79,396 | 0.36 |
| | (Won) 20,230,507 | | (Won) 1,612,537 | | (Won) 21,843,044 | |

| | | | | | | |
|-------------------------------|-----------------|-------|---------------|-------|-----------------|-------|
| <Held-to-maturity securities> | | | | | | |
| Floating rate bonds | (Won) 174,700 | 2.17 | (Won) 31,483 | 21.57 | (Won) 206,183 | 2.51 |
| Fixed rate bonds | 7,879,188 | 97.83 | 114,450 | 78.43 | 7,993,638 | 97.49 |
| | (Won) 8,053,888 | | (Won) 145,933 | | (Won) 8,199,821 | |

| <2006> | 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 | |

| | | | | | | |
|----------------------------------|------------------|-------|-----------------|-------|------------------|-------|
| <Available-for-sales securities> | | | | | | |
| 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 | |

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| <Held-to-maturity securities> | | | | | | | | | |
|-------------------------------|-------|-----------|-------|-------|---------|-------|-------|-----------|-------|
| 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 | |

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(3) Bonds by issuer and others by industry as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | In local currency | | In foreign currencies | | Total | |
|---|-------------------|-----------|-----------------------|-----------|------------------|-----------|
| | Amount | Ratio (%) | Amount | Ratio (%) | Amount | Ratio (%) |
| <Trading securities> | | | | | | |
| Others excluding bonds: | | | | | | |
| Manufacturing | (Won) 353,031 | 6.07 | (Won) 531 | 11.11 | (Won) 353,562 | 6.08 |
| Construction | 109,954 | 1.89 | | | 109,954 | 1.89 |
| Retail | 22,035 | 0.38 | | | 22,035 | 0.38 |
| Finance & insurance | 4,670,183 | 80.31 | 1,599 | 33.44 | 4,671,782 | 80.27 |
| Others | 659,802 | 11.35 | 2,652 | 55.45 | 662,454 | 11.38 |
| | (Won) 5,815,005 | | (Won) 4,782 | | (Won) 5,819,787 | |
| Bonds: | | | | | | |
| Government & Government owned corporate | | | | | | |
| | (Won) 2,038,641 | 19.82 | (Won) | | (Won) 2,038,641 | 19.59 |
| Financial institutions | 7,043,324 | 68.47 | 7,959 | 6.53 | 7,051,283 | 67.74 |
| Corporations | 1,192,334 | 11.59 | 113,960 | 93.47 | 1,306,294 | 12.55 |
| Others | 12,414 | 0.12 | | | 12,414 | 0.12 |
| | (Won) 10,286,713 | | (Won) 121,919 | | (Won) 10,408,632 | |
| <Available-for-sales securities> | | | | | | |
| Others excluding bonds: | | | | | | |
| Manufacturing | (Won) 1,628,608 | 25.46 | (Won) | | (Won) 1,628,608 | 24.74 |
| Construction | 1,542,769 | 24.12 | | | 1,542,769 | 23.44 |
| Retail | 429,486 | 6.71 | | | 429,486 | 6.53 |
| Finance & insurance | 2,298,072 | 35.93 | 182,030 | 98.13 | 2,480,102 | 37.68 |
| Others | 497,392 | 7.78 | 3,465 | 1.87 | 500,857 | 7.61 |
| | (Won) 6,396,327 | | (Won) 185,465 | | (Won) 6,581,822 | |
| Bonds: | | | | | | |
| Government & Government owned corporate | | | | | | |
| | (Won) 7,924,581 | 57.28 | (Won) 48,704 | 3.42 | (Won) 7,973,285 | 52.25 |
| Financial institutions | 5,474,968 | 39.58 | 934,769 | 65.50 | 6,409,737 | 42.00 |
| Corporations | 64,506 | 0.46 | 238,211 | 16.69 | 302,717 | 1.98 |
| Others | 370,125 | 2.68 | 205,358 | 14.39 | 575,483 | 3.77 |
| | (Won) 13,834,180 | | (Won) 1,427,042 | | (Won) 15,261,222 | |
| <Held-to-maturity securities> | | | | | | |
| Government & Government owned corporate | | | | | | |
| | (Won) 5,982,115 | 74.28 | (Won) 98,242 | 67.32 | (Won) 6,070,357 | 74.25 |
| Financial institutions | 1,587,398 | 19.71 | 24,400 | 16.72 | 1,611,798 | 19.65 |
| Corporations | 72,984 | 0.90 | 4,572 | 3.13 | 77,556 | 0.95 |
| Others | 411,391 | 5.11 | 18,719 | 12.83 | 430,110 | 5.25 |
| | (Won) 8,053,888 | | (Won) 145,933 | | (Won) 8,199,821 | |
| <Market index funds> | | | | | | |
| Financial institutions | (Won) 1,397,878 | 100.00 | (Won) | | (Won) 1,397,878 | 100.00 |

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| <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 | | | | | | |
| Financial institutions | (Won) 981,646 | 12.91 | (Won) 56,976 | 67.91 | (Won) 6,368,542 | 12.77 |
| Corporations | 6,311,566 | 82.99 | | | 311,970 | 4.06 |
| Others | 311,970 | 4.10 | 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 | | | | | | |
| Financial institutions | (Won) 8,457,967 | 58.42 | (Won) 110,864 | 6.25 | (Won) 8,568,831 | 52.73 |
| Corporations | 5,783,025 | 39.94 | 351,526 | 19.83 | 6,134,551 | 37.75 |
| Others | 196,468 | 1.36 | 350,368 | 19.77 | 546,836 | 3.37 |
| | 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 | | | | | | |
| Financial institutions | (Won) 5,995,221 | 70.53 | (Won) 85,403 | 62.46 | (Won) 6,080,624 | 70.41 |
| Corporations | 2,397,505 | 28.21 | 19,964 | 14.60 | 2,417,469 | 27.99 |
| Others | 70,937 | 0.83 | | | 70,937 | 0.82 |
| | 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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- (4) Securities in foreign currencies by currency as of December 31, 2007 and 2006 are as follows (Korean won in millions, U.S. dollars in thousands, EUROS in thousands, Japanese yen in millions, Hong Kong dollars in thousands, Chinese yuan in thousands and Indonesia Rupiah in millions):

| <2007> | Currencies | Amounts in currencies | Translation to USD | Korean won equivalent |
|---|------------|-----------------------|--------------------|-----------------------|
| <Available-for-sales securities> | | | | |
| Equity securities | USD | 100,006 | US\$ 100,006 | (Won) 93,826 |
| | EUR | 27,342 | 40,254 | 37,766 |
| | JPY | 47,116 | 41,849 | 39,263 |
| | HKD | 93,120 | 11,937 | 11,199 |
| Bonds | USD | 1,370,853 | 1,370,853 | 1,286,135 |
| | EUR | 99,290 | 146,180 | 137,146 |
| | CNY | 29,281 | 4,009 | 3,761 |
| Beneficiary Certificates | EUR | 2,492 | 3,669 | 3,441 |
| | | | US\$ 1,718,757 | (Won) 1,612,537 |
| <Held-to-maturity securities> | | | | |
| Bonds | USD | 53,509 | US\$ 53,509 | (Won) 50,202 |
| | IDR | 958,268 | 102,037 | 95,731 |
| | | | US\$ 155,546 | (Won) 145,933 |
| <2006> | | | | |
| | Currencies | Amounts in currencies | Translation to USD | Korean won equivalent |
| <Available-for-sales securities> | | | | |
| 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 |
| <Held-to-maturity securities> | | | | |
| Bonds | USD | 72,860 | US\$ 72,860 | (Won) 67,730 |
| | IDR | 623,436 | 74,235 | 69,009 |
| | | | US\$ 147,095 | (Won) 136,739 |

10. MATURITY OF DEBT SECURITIES

Maturity of debt securities as of December 31, 2007 and 2006 is as follows (Korean won in billions):

| <2007> | Less than 3 months | Total |
|--------|--------------------|-------|
|--------|--------------------|-------|

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| | Less than 6 months | Less than 1 year | Less than 5 years | Less than 10 years | More than 10 years | |
|----------------------------------|-----------------------|---------------------|----------------------|-----------------------|-----------------------|--------------|
| <Available-for-sales securities> | | | | | | |
| Book value | (Won) 1,009 | (Won) 730 | (Won) 1,646 | (Won) 9,706 | (Won) 1,789 | (Won) 15,261 |
| <Held-to-maturity securities> | | | | | | |
| Book value | 692 | 409 | 780 | 5,904 | 354 | 8,200 |
| Fair value | 692 | 408 | 778 | 5,832 | 337 | 8,108 |

| <2006> | Less than 3 months | Less than 6 months | Less than 1 year | Less than 5 years | Less than 10 years | More than 10 years | Total |
|----------------------------------|-----------------------|-----------------------|---------------------|----------------------|-----------------------|-----------------------|--------------|
| <Available-for-sales securities> | | | | | | | |
| Book value | (Won) 1,411 | (Won) 1,817 | (Won) 4,105 | (Won) 7,411 | (Won) 921 | (Won) 585 | (Won) 16,250 |
| <Held-to-maturity securities> | | | | | | | |
| 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 |

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, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|--|---------------|---|
| <Available-for-sales securities> | | |
| Equity securities: | | |
| Realid Technology Co., Ltd. | (Won) 700 | Kimhae CCI Credit Union (Won) 10 |
| STARVANKOREA | 84 | The Korea Economic Daily 35 |
| I Venture Investment Co., Ltd. | 23 | I Venture Investment Co., Ltd. 294 |
| Daewoo Electronics Corp.. | 3,244 | Korea Asset Trust Investment Co., Ltd. 62 |
| Inkel Corp. | 1,092 | Sannaedle Co., Ltd. 44 |
| Miraecity.com Co., Ltd. | 36 | Miraecity.com Co., Ltd. 414 |
| Hanbit Electronics Co., Ltd. | 500 | Tong Il Industries Co., Ltd. 10 |
| Pantech | 3,328 | Erae I&C Co., Ltd. 156 |
| Hyundai IT Corp. | 4,964 | STARVANKOREA 616 |
| Chon Nam Corporation Co., Ltd. | 300 | Atec Engineering Co., Ltd. 510 |
| Others | 42 | Trigem Computer Inc. 68 |
| | | Thrunet Shopping Inc. 80 |
| | | Inance 300 |
| Debt securities: | | |
| Bonds in foreign currencies related to CDO | | |
| (*1) | 419,191 | |
| ANCHOR STONE FUND | 20,040 | |
| | (Won) 453,544 | (Won) 2,599 |

- (*1) Woori Bank has invested in Collateralized Debt Obligations (CDO), of which the face value is amounted to USD 1,090 million. Of this amount, USD 491 million is attributed to the U.S. subprime credit markets where these CDO s are collateralized by residential mortgage backed securities. As a result of the instability of the U.S. real estate and credit markets, Woori Bank recognized (Won)454.7 billion of loss (loss on valuation of trading securities and available-for-sale securities) for the year ended December 31, 2007 and (Won)78.8 billion as a loss on valuation of available-for-sale securities recorded in accumulated other comprehensive income. Woori Bank expects conditions in the U.S. residential real estate and credit markets to remain uncertain for the foreseeable future, and therefore the future fair value estimate of CDO could differ from that of Woori Bank as of December 31, 2007.

- (2) Recovery of impairment of available-for-sale and held-to-maturity securities for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|--|--------------|--|
| <Available-for-sales securities> | | |
| Equity securities: | | |
| Contributions to Fund for Consolidation of Bad Debts | | |
| | (Won) 55,560 | CJ Investment & Securities (Won) 1,056 |
| Kyungeun Mutual Saving & Finance | 3,103 | SSangyong Corporation 1,205 |
| Hyundai Eng. & Const. Co., Ltd. | 18,002 | Kumho Life Insurance Co., Ltd. 12,588 |
| Sehwa Precision Co., Ltd. | 30 | |
| Debt securities: | | |
| Haitai International Inc. | 28 | Etronics Corp. 174 |
| Others | 742 | Daewoo Motor Co., Ltd. 42 |
| | | Hicontech Co.,Ltd. 53 |

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(Won) 77,465

(Won) 15,118

<Held-to-maturity securities>

Debt securities:

Hanvit LSP Finance LTD-SUB

(Won) 1,544

Hanvit LSP Finance LTD-SUB

(Won) 16,069

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, 2007 and 2006 are as follows (Korean won in billions):

| <2007> | Normal | Precautionary | Substandard | Doubtful | Loss | Total |
|--|---------------|---------------|-------------|-----------|-----------|---------------|
| Usance | (Won) 2,719 | (Won) 12 | (Won) 24 | (Won) | (Won) | (Won) 2,755 |
| Credit card accounts | 3,242 | 47 | 1 | 27 | 7 | 3,324 |
| Bills bought in foreign currencies | 4,304 | 5 | 6 | | | 4,315 |
| Bills bought in local currency | 1,166 | | | | | 1,166 |
| Loans in local currency | 134,866 | 1,159 | 523 | 224 | 254 | 137,026 |
| Loans in foreign currencies | 10,403 | 145 | 11 | 1 | 7 | 10,567 |
| Factoring receivables | 86 | | | | | 86 |
| Advances for customers on guarantees | 3 | 1 | 3 | 4 | 7 | 18 |
| Privately placed bonds | 5,357 | 1 | | | | 5,358 |
| Loans to be converted to equity securities | | 1 | | 50 | | 51 |
| Finance leases (Note 19) | 264 | 3 | 1 | 5 | 18 | 291 |
| Loans for installment | 444 | 6 | | 2 | | 452 |
| Others | 1,462 | | | | 9 | 1,471 |
| | (Won) 164,316 | (Won) 1,380 | (Won) 569 | (Won) 313 | (Won) 302 | (Won) 166,880 |

| <2006> | Normal | Precautionary | Substandard | Doubtful | Loss | Total |
|--|---------------|---------------|-------------|-----------|-----------|---------------|
| Usance | (Won) 2,071 | (Won) 9 | (Won) 36 | (Won) | (Won) | (Won) 2,116 |
| Credit card accounts | 2,325 | 47 | | 26 | 7 | 2,405 |
| Bills bought in foreign currencies | 4,292 | 36 | 28 | | 1 | 4,357 |
| Bills bought in local currency | 390 | | | | | 390 |
| Loans in local currency | 114,019 | 1,243 | 616 | 197 | 350 | 116,425 |
| Loans in foreign currencies | 8,338 | 128 | 46 | 19 | 13 | 8,544 |
| Factoring receivables | 104 | | | | | 104 |
| Advances for customers on guarantees | 3 | 3 | 7 | 4 | 17 | 34 |
| Privately placed bonds | 5,834 | | | | | 5,834 |
| Loans to be converted to equity securities | | | | 51 | 7 | 58 |
| Finance leases | 49 | 1 | 2 | 4 | 19 | 75 |
| Others | 985 | | | | 10 | 995 |
| | (Won) 138,410 | (Won) 1,467 | (Won) 735 | (Won) 301 | (Won) 424 | (Won) 141,337 |

- (2) Reconciliation of the loans subject to allowance for the possible loan losses with loans as of December 31, 2007 and 2006 are as follows (Korean won in billions):

| | 2007 | 2006 |
|--|---------------|---------------|
| Loans, net of allowance | (Won) 167,635 | (Won) 140,855 |
| (+) Allowance for possible loan losses | 2,304 | 2,118 |

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| | | |
|---|---------------|---------------|
| (+) Deferred loan origination fees | 91 | |
| Loans at gross | 170,030 | 142,973 |
| Reconciliation items: | | |
| (-) Inter-bank loans | (1,813) | (996) |
| (-) Bonds purchased under resale agreements | (10) | (201) |
| (-) Call loans | (1,326) | (439) |
| (-) Incidental expenses on finance leases | (1) | |
| | (3,150) | (1,636) |
| The loans subject to allowance for possible loan losses | (Won) 166,880 | (Won) 141,337 |

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- (3) Classification of allowances for possible loan losses as of December 31, 2007 and 2006 are as follows (Korean won in billions):

| <2007> | Normal | Precautionary | Substandard | Doubtful | Loss | Total |
|--|-------------|---------------|-------------|-----------|-----------|-------------|
| Usance | (Won) 23 | (Won) 2 | (Won) 12 | (Won) | (Won) | (Won) 37 |
| Credit card accounts | 49 | 7 | | 16 | 7 | 79 |
| Bills bought in foreign currencies | 37 | 1 | 1 | | | 39 |
| Bills bought in local currency | 10 | | | | | 10 |
| Loans in local currency | 1,250 | 96 | 141 | 121 | 254 | 1,862 |
| Loans in foreign currencies | 89 | 25 | 2 | 1 | 7 | 124 |
| Factoring receivables | 1 | | | | | 1 |
| Advances for customers on guarantees | | | 1 | 2 | 7 | 10 |
| Privately placed bonds | 46 | | | | | 46 |
| Loans to be converted to equity securities | | | | 49 | | 49 |
| Finance leases | 1 | | | 4 | 18 | 23 |
| Loans for installment | 5 | | | 1 | | 6 |
| Others | 9 | | | | 9 | 18 |
| | (Won) 1,520 | (Won) 131 | (Won) 157 | (Won) 194 | (Won) 302 | (Won) 2,304 |

| <2006> | Normal | Precautionary | Substandard | Doubtful | Loss | Total |
|--|-------------|---------------|-------------|-----------|-----------|-------------|
| Usance | (Won) 15 | (Won) 1 | (Won) 11 | (Won) | (Won) | (Won) 27 |
| Credit card accounts | 35 | 7 | 1 | 15 | 7 | 65 |
| Bills bought in foreign currencies | 30 | 6 | 13 | | 1 | 50 |
| Bills bought in local currency | 3 | | | | | 3 |
| Loans in local currency | 971 | 130 | 137 | 105 | 350 | 1,693 |
| Loans in foreign currencies | 58 | 30 | 9 | 9 | 13 | 119 |
| Factoring receivables | 1 | | | | | 1 |
| Advances for customers on guarantees | | 1 | 2 | 2 | 17 | 22 |
| Privately placed bonds | 41 | | | | | 41 |
| Loans to be converted to equity securities | | | | 51 | 7 | 58 |
| Finance leases | 1 | | | 4 | 19 | 24 |
| Others | 5 | | | | 10 | 15 |
| | (Won) 1,160 | (Won) 175 | (Won) 173 | (Won) 186 | (Won) 424 | (Won) 2,118 |

- (4) The percentages of allowances for possible loan losses to loans subject to allowance for possible loan losses as of December 31, 2007, 2006 and 2004 are as follows (Korean won in billions):

| | Loans subject to allowance for possible loan losses | Allowance | Ratio (%) |
|------|--|-------------|-----------|
| 2007 | (Won) 166,880 | (Won) 2,304 | 1.38 |
| 2006 | 141,337 | 2,118 | 1.50 |
| 2005 | 106,736 | 1,705 | 1.60 |

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- (5) The changes in allowances for possible loan losses for the years ended December 31, 2007 and 2006 are as follows (Korean won in billions):

| | 2007 | 2006 |
|--|-------------|-------------|
| January 1 | (Won) 2,118 | (Won) 1,705 |
| Reconciliation items: | | |
| Provision for possible loan losses, net of reversal of allowances for possible loan losses | 643 | 574 |
| Increase due to repurchase non-performing loans | | 18 |
| Reversal due to recovery of write-off loans | 125 | 162 |
| Write-off of loans | (466) | (273) |
| Other | (116) | (68) |
| December 31 | (Won) 2,304 | (Won) 2,118 |

- (6) Classifications of loans in local currency by industry as of December 31, 2007 and 2006 are as follows (Korean won in billions):

| | 2007 | Ratio (%) | 2006 | Ratio (%) |
|---|---------------|-----------|---------------|-----------|
| <Loans for corporate> | | | | |
| Manufacturing | (Won) 22,952 | 16.57 | (Won) 19,635 | 16.72 |
| Dealing with real estate & leasing | 17,332 | 12.51 | 12,426 | 10.58 |
| Retail | 9,427 | 6.80 | 8,721 | 7.43 |
| Construction | 10,206 | 7.37 | 7,173 | 6.11 |
| Hotel & food | 2,947 | 2.13 | 2,678 | 2.28 |
| Transportation, warehouse & telecommunication | 1,994 | 1.44 | 1,440 | 1.23 |
| Finance & insurance | 3,369 | 2.43 | 3,194 | 2.72 |
| Others | 10,573 | 7.63 | 6,228 | 5.31 |
| | 78,800 | | 61,495 | |
| <Loans for household> | 59,751 | 43.13 | 55,904 | 47.62 |
| | (Won) 138,551 | | (Won) 117,399 | |

- (7) Classification of loans in local currency by customer as of December 31, 2007 and 2006 are as follows (Korean won in billions):

| | 2007 | Ratio (%) | 2006 | Ratio (%) |
|------------------------------------|--------------|-----------|--------------|-----------|
| <Loans for corporate> | | | | |
| Loans for working capital | (Won) 60,771 | 43.86 | (Won) 49,406 | 42.08 |
| Loans for equipment capital | 13,660 | 9.86 | 9,073 | 7.73 |
| <Loans for household> | | | | |
| Loans for living capital | 56,252 | 40.60 | 51,697 | 44.04 |
| Loans for housing capital | 3,297 | 2.38 | 4,109 | 3.50 |
| Others | 262 | 0.19 | 110 | 0.09 |
| <Loans for public sector & others> | | | | |
| Loans for working capital | 2,242 | 1.62 | 1,613 | 1.37 |
| Loans for equipment capital | 542 | 0.39 | 417 | 0.36 |
| Interbank loans | 1,525 | 1.10 | 974 | 0.83 |

(Won) 138,551

(Won) 117,399

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- (8) Classification of loans in foreign currencies(including usance) by country as of December 31, 2007 and 2006 are as follows (Korean won in billions):

| | 2007 | Ratio (%) | 2006 | Ratio (%) |
|---------------|--------------|-----------|--------------|-----------|
| Korea | (Won) 9,278 | 68.17 | (Won) 7,234 | 67.73 |
| United States | 1,554 | 11.42 | 1,179 | 11.03 |
| Japan | 300 | 2.20 | 216 | 2.02 |
| China | 292 | 2.15 | 897 | 8.40 |
| Others | 2,185 | 16.06 | 1,155 | 10.82 |
| | (Won) 13,609 | | (Won) 10,681 | |

- (9) Significant disposal of loans for the years ended December 31, 2007 and 2006 are as follows (Korean won in billions):
<2007>

| Seller | Buyers | Nominal amount | Allowance at disposition date | Consideration | Gain (loss) on sale of loans |
|-----------------|------------------------------------|----------------|-------------------------------|---------------|------------------------------|
| Woori Bank | Woori Stream Second SPC | (Won) 103 | (Won) 34 | (Won) 79 | (Won) 10 |
| | Woori SB Eighth SPC | 50 | 11 | 40 | 1 |
| | Korea Asset Management Corporation | 126 | 18 | 97 | (11) |
| | Woori Stream Third SPC | 67 | 9 | 56 | (2) |
| | Woori Stream Fourth SPC | 129 | 23 | 109 | 3 |
| Woori Financial | Hanmi Autoplus First SPC | 130 | 1 | 133 | 4 |
| | | (Won) 605 | (Won) 96 | (Won) 514 | (Won) 5 |

<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 |

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

(1) Restructuring of loans for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| | Classification | Nominal amount | Discharge | Restructuring Equity securities | Modification of terms |
|----------------------------------|----------------|----------------|-----------|---------------------------------|-----------------------|
| Hankook Ilbo | Workout | (Won) 39,754 | (Won) | (Won) 39,754 | (Won) |
| Daewoo Electronics Corp. | Workout | 46,643 | | | 46,643 |
| Hyundai IT Corp. | Restructuring | 20,562 | | 13,258 | 7,304 |
| BOE Hydys Technology Co., Ltd. | Restructuring | 20,466 | | 5,541 | 14,925 |
| VK Corporation | Restructuring | 3,472 | 285 | 2,709 | 478 |
| Pantech | Workout | 13,754 | | 13,754 | |
| Pantech & Curitel | Workout | 17,416 | | 17,416 | |
| Nex Display Technology Co., Ltd. | Workout | 2,702 | | | 2,702 |
| H.G. Tech.,Co | Workout | 1,215 | | | 1,215 |
| Haegang Fenster. Co., Ltd. | Workout | 6,593 | | | 6,593 |
| | | (Won) 172,577 | (Won) 285 | (Won) 92,432 | (Won) 79,860 |

| <2006> | Classification | Nominal amount | Discharge | Restructuring Equity securities | Modification of terms |
|--|--------------------|----------------|-----------|---------------------------------|-----------------------|
| Trigem Computer Inc. | Court receivership | (Won) 268 | (Won) | (Won) 137 | (Won) 131 |
| Chunyang Industrial Co., Ltd. | Mediation | 1,105 | | | 1,105 |
| Myungsan Development | Mediation | 648 | | | 648 |
| Daekyung Technos Co., Ltd. | Court receivership | 211 | 211 | | |
| Shinwon Information Technology Co., Ltd. | Mediation | 781 | | | 781 |
| New Star Digital Co., Ltd. | Mediation | 1,500 | | | 1,500 |
| | | (Won) 4,513 | (Won) 211 | (Won) 137 | (Won) 4,165 |

(2) Loans to be converted to equity securities as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | Nominal amount | Allowance | Book value | Fair value of equity securities |
|---------------|----------------|--------------|-------------|---------------------------------|
| Dongkook Corp | (Won) 50,363 | (Won) 48,617 | (Won) 1,746 | (Won) 1,746 |
| Others | 545 | 28 | 517 | |
| | (Won) 50,908 | (Won) 48,645 | (Won) 2,263 | (Won) 1,746 |
| <2006> | Nominal amount | Allowance | Book value | Fair value of equity |

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| | | | | securities |
|-------------------------|--------------|--------------|-----------|-------------------|
| 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

Table of Contents**14. FIXED ASSETS**

(1) Fixed assets as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | Acquisition cost | Accumulated depreciation | Accumulated impairment loss | Book value |
|-----------------------------|-----------------------------|-------------------------------------|--|-------------------|
| Land | (Won) 1,393,695 | (Won) | (Won) 3,914 | (Won) 1,389,781 |
| Buildings | 1,185,875 | 301,822 | 1,470 | 882,583 |
| Structures in leased office | 248,890 | 177,932 | | 70,958 |
| Equipment and furniture | 1,071,191 | 875,717 | | 195,474 |
| Construction in process | 51,673 | | | 51,673 |
| Leased assets | 104,926 | 56,621 | | 48,305 |
| | (Won) 4,056,250 | (Won) 1,412,092 | (Won) 5,384 | (Won) 2,638,774 |

| <2006> | Acquisition cost | Accumulated depreciation | Accumulated impairment loss | Book value |
|-----------------------------|-----------------------------|-------------------------------------|--|-------------------|
| Land | (Won) 1,383,425 | (Won) | (Won) 2,675 | (Won) 1,383,425 |
| Buildings | 1,146,934 | 267,843 | 844 | 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) 3,830,591 | (Won) 1,265,681 | (Won) 3,519 | (Won) 2,561,391 |

(2) Changes in fixed assets for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | Jan. 1, 2007 | Acquisition | Business Combination | Disposition | Depreciation | Impairment | Others | Dec. 31, 2007 |
|-----------------------------|-------------------------|--------------------|---------------------------------|--------------------|---------------------|-------------------|---------------|--------------------------|
| Land | (Won) 1,383,425 | (Won) 10,147 | (Won) 2,259 | (Won) (3,773) | (Won) | (Won) (2,290) | (Won) 13 | (Won) 1,389,781 |
| Buildings | 878,247 | 38,987 | 2,580 | (3,298) | (33,032) | (983) | 82 | 882,583 |
| Structures in leased office | 63,331 | 38,572 | | (10) | (30,788) | | (147) | 70,958 |
| Equipment and furniture | 197,512 | 118,262 | 672 | (2,668) | (118,180) | | (124) | 195,474 |
| Construction in process | 21,379 | 56,006 | | (23,722) | | | (1,990) | 51,673 |
| Leased assets | 17,497 | 49,894 | | | (19,086) | | | 48,305 |
| | (Won) 2,561,391 | (Won) 311,868 | (Won) 5,511 | (Won) (33,471) | (Won) (201,086) | (Won) (3,273) | (Won) (2,166) | (Won) 2,638,774 |

| <2006> | Jan. 1, 2007 | Acquisition | Disposition | Depreciation | Impairment | Others | Dec. 31, 2007 |
|---------------------|-------------------------|--------------------|--------------------|---------------------|-------------------|---------------|--------------------------|
| Land | (Won) 1,354,662 | (Won) 9,671 | (Won) (10,152) | (Won) | (Won) (217) | (Won) 29,461 | (Won) 1,383,425 |
| Buildings | 853,973 | 24,282 | (7,029) | (32,321) | (52) | 39,394 | 878,247 |
| | 51,747 | 39,353 | (43) | (27,420) | | (306) | 63,331 |

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| | | | | | | | |
|-----------------------------|-----------------|---------------|----------------|-----------------|-------------|--------------|-----------------|
| Structures in leased office | | | | | | | |
| 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) 34,713 | (Won) 2,561,391 |

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(3) Impairment loss on fixed assets for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| | Book value | Net realizable value | Impairment Loss | Reason | Decision of net realizable value |
|-----------|-------------|----------------------|-----------------|------------------------|----------------------------------|
| <2007> | | | | | |
| Land | (Won) 3,119 | (Won) 829 | (Won) 2,290 | Decrease of fair value | Biding price |
| Buildings | 1,656 | 673 | 983 | Decrease of fair value | Biding price |
| | (Won) 4,775 | (Won) 1,502 | (Won) 3,273 | | |

| | Book value | Net realizable value | Impairment Loss | Reason | Decision of net realizable value |
|-----------|------------|----------------------|-----------------|------------------------|----------------------------------|
| <2006> | | | | | |
| 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 | | |

15. INTANGIBLE ASSETS

(1) Intangible assets as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|---------------------------|---------------|---------------|
| Goodwill | | |
| The Company | (Won) 182,524 | (Won) 71 |
| Woori Bank | 3,113 | 7,084 |
| | 185,637 | 7,155 |
| Negative goodwill | (2,355) | (2,494) |
| Deferred development cost | 84,178 | 99,585 |
| Software | 22,989 | 28,471 |
| Other intangible assets | 118,314 | 143,753 |
| | (Won) 408,763 | (Won) 276,470 |

(2) Changes in goodwill and negative goodwill for the year ended December 31, 2007 are as follows (Korean won in millions):

| | Jan. 1, 2007 | Increase | Amortization | Translation | Dec. 31, 2007 |
|-------------------------|--------------|----------|--------------|-------------|---------------|
| Woori F&I | (Won) 71 | (Won) | (Won) (5) | (Won) | (Won) 66 |
| Woori Investment | | | | | |
| Securities | (2,494) | | 139 | | (2,355) |
| Woori America Bank (*1) | 7,084 | | (4,035) | 64 | 3,113 |

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| | | | | | |
|-----------------|-------------|---------------|----------------|----------|---------------|
| Woori Financial | 192,152 | (9,694) | | 182,458 | |
| | (Won) 4,661 | (Won) 192,152 | (Won) (13,595) | (Won) 64 | (Won) 183,282 |

(*1) 2nd-tier subsidiary

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(3) Changes in intangible assets for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | Jan. 1, 2007 | Acquisition | Business combination | Disposition | Amortization | Impairment | Others | Dec. 31, 2007 |
|---------------------|-----------------|--------------|-------------------------|-------------|-----------------|--------------|-------------|------------------|
| Goodwill | (Won) 7,155 | (Won) | (Won) 192,152 | (Won) | (Won) | (*1)(16,096) | (Won) 2,426 | (Won) 185,637 |
| Negative goodwill | (2,494) | | | | 139 | | | (2,355) |
| Deferred dev t cost | 99,585 | 20,640 | 580 | | (36,803) | (580) | 756 | 84,178 |
| Software | 28,471 | 8,126 | | | (12,736) | | (872) | 22,989 |
| Others | 143,753 | 16,203 | | (1) | (41,615) | | (26) | 118,314 |
| | (Won) 276,470 | (Won) 44,969 | (Won) 192,732 | (Won) (1) | (Won) (107,111) | (Won) (580) | (Won) 2,284 | (Won) 408,763 |

(*1) Included amortization of goodwill amounting to (Won)2,362 million, which Woori financial recorded in its financial statement before the acquisition by the Company.

| <2006> | Jan. 1, 2006 | Acquisition | Disposition | Amortization | Others | Dec. 31, 2006 |
|---------------------|-----------------|---------------|-------------|----------------|---------------|------------------|
| Goodwill | (Won) 21,871 | (Won) | (Won) | (Won) (12,918) | (Won) (1,798) | (Won) 7,155 |
| Negative goodwill | (2,735) | | | 241 | | (2,494) |
| Deferred dev t 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) | (957) | 143,753 |
| | (Won) 210,898 | (Won) 164,106 | (Won) (280) | (Won) (96,181) | (Won) (2,073) | (Won) 276,470 |

16. OTHER ASSETS

Other assets as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|---|------------------|------------------|
| Intangible assets (Note 15) | (Won) 408,763 | (Won) 276,470 |
| Non-operating assets | 6,680 | 2,367 |
| Guarantee deposits | 1,245,982 | 1,129,927 |
| Other accounts receivable | 6,349,146 | 5,701,906 |
| Accrued income | 1,017,048 | 901,301 |
| Prepaid expenses | 77,971 | 71,558 |
| Deferred income tax assets (Note 27) | 157,780 | 31,378 |
| CMA assets | 3,114,195 | 1,423,980 |
| Operating lease assets (Note 19) | 179,040 | 5,013 |
| Accounts receivable on disposal of assets | 800 | 1,650 |
| Derivative instruments assets (Note 35) | 2,626,113 | 1,330,911 |
| Domestic exchange settlements debits | 871,915 | 645,686 |
| Sundry assets | 94,804 | 91,182 |
| | 16,150,237 | 11,613,329 |
| Present value discount | (16,894) | (20,832) |
| | (Won) 16,133,343 | (Won) 11,592,497 |

Table of Contents**17. INSURANCE**

Insurance coverage as of December 31, 2007 and 2006 is as follows (Korean won in millions):

| | 2007 | | 2006 | |
|--|------------------------------|-----------------|------------------------------|-----------------|
| | Balance of covered assets | Coverage | Balance of covered assets | Coverage |
| Insurance for losses: | | | | |
| Buildings used for business purposes | (Won) 721,485 | (Won) 733,637 | (Won) 716,575 | (Won) 719,188 |
| Equipment and furniture | 231,869 | 226,600 | 187,983 | 303,941 |
| Guarantee deposits | | | 3,286 | 2,674 |
| Operating lease assets | 170,734 | 1,043 | | |
| Finance leases | 236,410 | 15,608 | | |
| Insurance for fire: | | | | |
| Real estate not used for business purposes | | | 34 | 34 |
| Equipment and furniture | 13,163 | 18,791 | 12,177 | 11,186 |
| Buildings used for business purposes | 162,343 | 166,703 | 161,700 | 161,885 |
| Tangible asset overseas | 1,258 | 5,802 | 2,781 | 11,371 |
| Structures in leased assets | 14,061 | 19,324 | 12,024 | 18,787 |
| Insurance for liability of: | | | | |
| Reparation of directors | | 67,517 | | 32,789 |
| Reparation of professionals | | 2,000 | | 1,000 |
| Umbrella policy | | 2,110 | | |
| Insurance for security of | | | | |
| Employees | | 19,391 | | 19,448 |
| | (Won) 1,551,323 | (Won) 1,278,526 | (Won) 1,096,560 | (Won) 1,282,303 |

Table of Contents**18. COLLATERALIZED ASSETS**

Collateralized assets as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| Collateralized | | 2007 | 2006 | Purpose |
|--|--|------------------|------------------|--|
| | assets | (Won) 2,631,569 | (Won) 3,186,035 | |
| Bank of Korea | Securities | | | Borrowings, settlement risk and other |
| Lehman Brothers and others | Due from banks in foreign currencies, Securities | 426,547 | 202,352 | Trading credit derivatives |
| Federal Reserve Bank | Securities | 3,000 | | Guarantee for FRB discount window |
| Samsung Securities Co., Ltd. and others | Securities | 26,804 | 36,200 | Futures maintenance margin |
| Samsung futures and others | Securities | 204,307 | 437,643 | Futures maintenance margin |
| Nova Scotia Bank and others | Securities | 87,141 | 95,000 | Borrowings in foreign currency |
| Sumitomo Mitsui Banking Co. | Securities | 109,750 | 90,000 | Borrowings in foreign currency |
| Hana Bank and others | MMDA, Securities | 135,315 | 46,816 | Borrowings |
| Mizuho Corporate Bank | Securities | 19,790 | 80,177 | Borrowings in foreign currency |
| Korea Securities Depository & Trust accounts | Securities | 8,240,993 | 6,022,392 | Collateral for customer s RP |
| Citibank and others | Land and buildings | 144,051 | 143,345 | Leasehold deposits |
| Korea Securities Financed Corporation and others | Securities | 1,000 | 458,790 | Collateral for issuing securities and others |
| Korea Exchange | Securities | 16,000 | 34,855 | Futures option maintenance margin |
| Wooriswan Co., Ltd. | Securities in foreign currencies | | 108,187 | Borrowings in foreign currency |
| Doosan Capital and others | Due from banks, Securities | 3,460 | | Borrowings |
| | | (Won) 12,049,727 | (Won) 10,941,792 | |

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(1) Operating lease assets

Future minimum lease payments to be received under operating lease contracts as of December 31, 2007 are as follows (Korean won in millions):

| | local currency | Foreign currencies | Total |
|---------------------------------|----------------|--------------------|---------------|
| Jan.1.1, 2008 ~ Dec.12.31, 2008 | (Won) 68,063 | (Won) | (Won) 68,063 |
| Jan.1.1, 2009 ~ Dec.12.31, 2009 | 47,056 | | 47,056 |
| Jan.1.1, 2010 ~ Dec.12.31, 2010 | 13,885 | | 13,885 |
| Jan.1.1, 2011 ~ Dec.12.31, 2011 | 696 | | 696 |
| | (Won) 129,700 | (Won) | (Won) 129,700 |

(2) Lease payment receivables under finance lease

The present value of the gross investment and minimum lease payments to be received as of December 31, 2007 are as follows (Korean won in millions):

| | local currency | Foreign currencies | Total |
|---|----------------|--------------------|---------------|
| Jan.1.1, 2008 ~ Dec.12.31, 2008 | (Won) 135,618 | (Won) 2,436 | (Won) 138,054 |
| Jan.1.1, 2009 ~ Dec.12.31, 2009 | 93,700 | 1,765 | 95,465 |
| Jan.1.1, 2010 ~ Dec.12.31, 2010 | 74,042 | 5,259 | 79,301 |
| Jan.1.1, 2011 ~ Dec.12.31, 2011 | 9,210 | | 9,210 |
| Jan.1.1, 2012 ~ Dec.12.31, 2012 | 1,273 | | 1,273 |
| Gross investment under finance lease | 313,843 | 9,460 | 323,303 |
| Unearned interest income | (29,835) | (1,613) | (31,448) |
| Net investment under finance lease | 284,008 | 7,847 | 291,855 |
| Cancelled finance lease payment receivables | | | 298 |
| Lease payment receivables under finance lease | | | (Won) 292,153 |

(3) Operating lease expenses

Future minimum lease payments to be paid under operating lease contracts as of December 31, 2007 are as follows (Korean won in millions):

| | local currency | Foreign currencies | Total |
|---------------------------------|----------------|--------------------|-------------|
| Jan.1.1, 2008 ~ Dec.12.31, 2008 | (Won) 6,219 | (Won) | (Won) 6,219 |
| Jan.1.1, 2009 ~ Dec.12.31, 2009 | 1,712 | | 1,712 |
| | (Won) 7,931 | (Won) | (Won) 7,931 |

(4) Finance lease liabilities

The gross amount and the present value of the minimum lease payments as of December 31, 2007 are as follows (Korean won in millions):

| | local currency | Foreign currencies | Total |
|---------------------------------|----------------|--------------------|--------------|
| Jan.1.1, 2008 ~ Dec.12.31, 2008 | (Won) 20,112 | (Won) | (Won) 20,112 |
| Jan.1.1, 2009 ~ Dec.12.31, 2009 | 20,259 | | 20,259 |
| Jan.1.1, 2010 ~ Dec.12.31, 2010 | 8,554 | | 8,554 |
| Jan.1.1, 2011 ~ Dec.12.31, 2011 | 5,787 | | 5,787 |
| Jan.1.1, 2012 ~ Dec.12.31, 2012 | 4,340 | | 4,340 |
| | 59,052 | | 59,052 |
| Prepaid interest expenses | (5,061) | | (5,061) |
| | (Won) 53,991 | (Won) | (Won) 53,991 |

Table of Contents**20. DEPOSITS**

(1) Deposits as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|---------------------------|-------------------|-------------------|
| Deposits on demand | (Won) 11,769,661 | (Won) 11,358,192 |
| Deposits at termination | 126,364,219 | 112,051,504 |
| Deposits on notes payable | 5,095,831 | 4,115,380 |
| Deposits on CMA | 3,353,601 | 1,497,792 |
| | (Won) 146,583,312 | (Won) 129,022,868 |

(2) Deposits on demand as of December 31, 2007 and December 31, 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|---|------------------|------------------|
| Deposits on demand in local currency: | | |
| Current deposits | (Won) 609,356 | (Won) 685,266 |
| Current deposits for household | 37,289 | 52,479 |
| Demand deposits | 3,508,207 | 3,326,314 |
| Special deposits | 3,242,198 | 3,665,225 |
| Official deposits | 755,670 | 537,163 |
| Deposits for security customer | 1,117,803 | 1,039,054 |
| Others | 21,926 | 3,831 |
| | 9,292,449 | 9,309,332 |
| Deposits on demand in foreign currencies: | | |
| Current deposits | 811,232 | 479,564 |
| Demand deposits | 1,547,026 | 1,470,978 |
| Deposits at notice | 4,652 | 19,935 |
| Special deposits | 35,009 | 21,405 |
| Others | 79,293 | 56,978 |
| | 2,477,212 | 2,048,860 |
| | (Won) 11,769,661 | (Won) 11,358,192 |

(3) Deposits at termination as of December 31, 2007 and December 31, 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|-------------------------------------|------------------|------------------|
| Savings deposits in local currency: | | |
| Savings deposits | (Won) 15,485,256 | (Won) 17,015,721 |
| Money market deposit account | 19,069,529 | 14,640,657 |
| Time deposits | 60,330,749 | 55,230,046 |
| Installment deposits | 3,256,258 | 3,757,604 |
| Long-term savings for housing | 1,501,539 | 1,191,778 |

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| | | |
|--|-------------------|-------------------|
| Others | 66,979 | 392,247 |
| | 99,710,310 | 92,228,053 |
| Mutual installments | | |
| Installment deposits for the loans granted | 166,473 | 201,215 |
| Mutual installment for housing | 246,203 | 321,343 |
| | 412,676 | 522,558 |
| Money in trust | 1,807,754 | 1,867,799 |
| Negotiable certificates of deposits | 21,552,651 | 15,148,249 |
| Saving deposits in foreign currencies: | | |
| Time deposits | 2,880,378 | 2,264,365 |
| Installment deposits | 450 | 20,480 |
| | 2,880,828 | 2,284,845 |
| | (Won) 126,364,219 | (Won) 112,051,504 |

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(4) Deposits from other financial institutions as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | Banks | Credit specialized | | Total |
|--------------------------------|-----------------|------------------------|--------------------|------------------|
| | | financial institutions | Other institutions | |
| Deposits in local currency | (Won) 6,129,548 | (Won) 1,854,112 | (Won) 10,263,971 | (Won) 18,247,631 |
| Deposits in foreign currencies | 29,090 | | | 29,090 |
| | (Won) 6,158,638 | (Won) 1,854,112 | (Won) 10,263,971 | (Won) 18,276,721 |

| <2006> | Banks | Credit specialized | | Total |
|--------------------------------|-----------------|------------------------|--------------------|------------------|
| | | financial institutions | Other institutions | |
| 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 |

(5) Maturities of deposits as of December 31, 2007 and 2006 are as follows (Korean won in billions):

| <2007> | 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) 32,561 | (Won) 13,493 | (Won) 29,388 | (Won) 3,890 | (Won) 40,724 | (Won) 120,056 |
| Deposits in foreign currencies (*2) | 2,252 | 428 | 609 | 40 | 2,053 | 5,382 |
| Negotiable certificates of deposits (*3) | 6,739 | 6,854 | 7,629 | 561 | 3 | 21,786 |
| | (Won) 41,552 | (Won) 20,775 | (Won) 37,626 | (Won) 4,491 | (Won) 42,780 | (Won) 147,224 |

(*1) Before eliminating (Won)383 billion of inter-company transactions

(*2) Before eliminating (Won)24 billion of inter-company transactions

(*3) Before eliminating (Won)233 billion of inter-company transactions

| <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

Table of Contents**21. BORROWINGS**

(1) Borrowings as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|--|------------------|------------------|
| Call money | (Won) 4,002,415 | (Won) 3,388,961 |
| Bills sold | 158,969 | 189,589 |
| Bonds sold under repurchase agreements | 6,386,475 | 4,751,142 |
| Borrowings in local currency | 7,418,468 | 6,454,813 |
| Borrowings in foreign currencies | 9,201,296 | 8,618,513 |
| Debentures in local currency | 30,238,018 | 23,687,476 |
| Debentures in foreign currencies | 5,193,860 | 4,093,546 |
| Securities sold | 256,236 | 10,401 |
| Market index funds sold | 3,184,579 | 2,916,766 |
| | (Won) 66,040,316 | (Won) 54,111,207 |

(2) Borrowings in local currency as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | Lender | 2007 | | 2006 | |
|----------------------------------|--|-------------------|-----------------|-------------------|-----------------|
| | | Interest rate (%) | Amounts | Interest rate (%) | Amounts |
| Borrowings from the B.O.K | Bank of Korea | 2.8 ~ 3.3 | (Won) 932,369 | 2.8 | (Won) 1,363,294 |
| Borrowings from government funds | Small Business Corporation | 2.0 ~ 5.2 | 511,930 | 2.0 ~ 4.9 | 542,378 |
| | Ministry of Labor | 0.0 ~ 5.0 | 341,961 | 0.0 ~ 5.0 | 316,636 |
| | Ministry of Information and Communication | 3.3 | 135,737 | 3.0 | 184,328 |
| | Institute for Information Technology Advancement | 2.0 ~ 7.0 | 19,532 | 1.4 ~ 6.3 | 5,123 |
| | Ministry of Commerce, Industry and Energy | 3.4 ~ 3.9 | 33,872 | 3.4 ~ 3.9 | 51,385 |
| | Korea Energy Management Corporation | 2.0 ~ 3.6 | 336,053 | 2.0 ~ 3.0 | 270,906 |
| | Korea Environment & Resources Corporation | 5.0 | 6,904 | 4.0 | 45,102 |
| | Environmental Management Corporation, and others | 2.0 ~ 5.0 | 502,540 | 0.0 ~ 7.0 | 509,115 |
| | | | 1,888,529 | | 1,924,973 |
| Others | Seoul City | 0.0 ~ 4.0 | 1,386,466 | 0.0 ~ 4.0 | 1,267,638 |
| | Busan City | 0.0 ~ 5.1 | 1,193,712 | 0.0 ~ 5.1 | 534,403 |
| | Kwangju City and others | 0.0 ~ 6.0 | 358,507 | 6.0 | 349,701 |
| | Ulsan City | 1.7 ~ 3.0 | 27,393 | 1.7 ~ 2.8 | 36,051 |
| | Others | 0.0 ~ 9.2 | 1,631,492 | 0.0 ~ 8.3 | 978,753 |
| | | | 4,597,570 | | 3,166,546 |
| | | | (Won) 7,418,468 | | (Won) 6,454,813 |

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(3) Borrowings in foreign currencies as of December 31, 2007 and 2006 are as follows:

| <2007> | | Lender | Interest rate (%) | U.S. dollars (In thousands) | Korean won equivalent (In millions) |
|--|-------------------------------|--------|-------------------|--------------------------------|--|
| Borrowings in foreign currencies | Overdraft | | 0.0 ~ 5.6 | US\$ 735,451 | (Won) 689,999 |
| | Foreign financial institution | | 0.9 ~ 7.7 | 4,966,882 | 4,659,929 |
| | Local banks | | 4.7 ~ 5.7 | 141,366 | 132,630 |
| | Others | | 0.8 ~ 7.7 | 3,946,894 | 3,702,976 |
| | | | | 9,790,593 | 9,185,534 |
| Off-shore borrowings in foreign currencies | | | | | |
| | Sumitomo Mitsui Bank | | 5.6 | 5,000 | 4,691 |
| | Bumiputra-Commerce Bank | | 5.4 | 5,000 | 4,691 |
| | Commonwealth Bank | | 5.5 | 6,800 | 6,380 |
| | | | | 16,800 | 15,762 |
| | | | | US\$ 9,807,393 | (Won) 9,201,296 |
| <2006> | | Lender | Interest rate (%) | U.S. dollars (In thousands) | Korean won 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 |
| Off-shore borrowings in foreign currencies | | | | | |
| | Sumitomo Mitsui Bank | | 5.6 | 5,000 | 4,648 |
| | | | | US\$ 9,271,164 | (Won) 8,618,513 |

(4) Debentures as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|----------------------------------|------------------|------------------|
| Debentures in local currency | (Won) 30,285,423 | (Won) 23,723,237 |
| Less: discounts | (47,405) | (35,761) |
| | 30,238,018 | 23,687,476 |
| Debentures in foreign currencies | 5,207,244 | 4,105,311 |
| Add: premiums | 165 | 261 |
| Less: discounts | (13,549) | (12,026) |
| | 5,193,860 | 4,093,546 |

(Won) 35,431,878

(Won) 27,781,022

(5) Debentures in local currency as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | | 2006 | |
|--------------------------------|------------------|-------------------|------------------|-------------------|
| | Face value | Interest rate (%) | Face value | Interest rate (%) |
| Ordinary bonds | (Won) 26,956,796 | 3.8 ~ 7.9 | (Won) 20,434,450 | 3.5 ~ 10.1 |
| Subordinated bonds | 3,499,643 | 5.0 ~ 10.3 | 3,326,595 | 5.0 ~ 10.3 |
| Convertible bonds | 49 | 0.0 | | |
| | 30,456,488 | | 23,761,045 | |
| Loss on hedging for fair value | (171,065) | | (37,808) | |
| | (Won) 30,285,423 | | (Won) 23,723,237 | |

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- (6) Debentures in foreign currencies as of December 31, 2007 and 2006 are as follows (Korean won in millions, U.S. dollars in thousands, Japanese Yen in millions, Hong Kong dollars in thousands, Euro in thousands, Singapore dollars in thousands):

| <2007> | Currencies | Face value in foreign currencies | Korean won equivalent | Interest rate (%) |
|--------------------------------|------------|----------------------------------|-----------------------|-------------------|
| Ordinary bonds | USD | 2,995,000 | (Won) 2,809,909 | 4.2 ~ 6.2 |
| | JPY | 255,000 | 212,499 | 1.1 ~ 1.6 |
| | HKD | 878,000 | 105,588 | 3.9 ~ 5.8 |
| | EUR | 300,000 | 414,378 | 5.2 |
| | SGD | 145,000 | 94,096 | 2.8 ~ 3.5 |
| Subordinated bonds | USD | 1,600,000 | 1,501,120 | 4.9 ~ 6.1 |
| | | | 5,137,590 | |
| Gain on hedging for fair value | | | 69,654 | |
| | | | (Won) 5,207,244 | |

| <2006> | Currencies | Face value in foreign currencies | Korean won equivalent | Interest rate (%) |
|--------------------------------|------------|----------------------------------|-----------------------|-------------------|
| 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 | |

- (7) Borrowings from other financial institutions as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | Bank of Korea | General bank | Other financial institutions | Total |
|--|---------------|-----------------|------------------------------|------------------|
| Call money | (Won) | (Won) 1,118,175 | (Won) 2,936,776 | (Won) 3,949,875 |
| Bonds sold under repurchase agreements | | 10,950 | 4,500,270 | 4,511,220 |
| Borrowings in local currency | 932,369 | 222,077 | 390,000 | 1,544,446 |
| Borrowings in foreign currencies | | 4,950,789 | 4,194,509 | 9,145,298 |
| | (Won) 932,369 | (Won) 6,301,991 | (Won) 12,021,555 | (Won) 19,255,915 |
| <2006> | Bank of Korea | General bank | Other financial institutions | Total |
| Call money | (Won) | (Won) 1,094,661 | (Won) 1,175,700 | (Won) 2,270,361 |
| Bonds sold under repurchase agreements | | | 109,450 | 109,450 |

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| | | | | |
|----------------------------------|-----------------|-----------------|-----------------|------------------|
| Borrowings in local currency | 1,363,294 | 53,811 | 547,156 | 1,964,261 |
| Borrowings in foreign currencies | | 7,627,535 | 403,885 | 8,031,420 |
| | (Won) 1,363,294 | (Won) 8,776,007 | (Won) 2,236,191 | (Won) 12,375,492 |

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(8) Maturities of borrowings as of December 31, 2007 and 2006 are as follows (Korean won in billions):

| <2007> | Less than 3 months | Less than 6 months | Less than 1 year | Less than 3 years | More than 3 years | Total |
|---|--------------------|--------------------|------------------|-------------------|-------------------|--------------|
| Call money | (Won) 4,002 | (Won) | (Won) | (Won) | (Won) | (Won) 4,002 |
| Bills sold | 158 | 1 | | | | 159 |
| Bonds sold under repurchase agreements (*1) | 3,057 | 3,015 | 307 | 37 | | 6,416 |
| Borrowings in local currency (*2) | 1,449 | 280 | 574 | 2,094 | 3,069 | 7,466 |
| Borrowings in foreign currencies | 4,539 | 2,483 | 1,477 | 572 | 130 | 9,201 |
| Debentures in local currency | 589 | 3,757 | 5,104 | 15,464 | 5,271 | 30,285 |
| Debentures in foreign currencies | 243 | 42 | 557 | 1,356 | 3,009 | 5,207 |
| | (Won) 14,037 | (Won) 9,678 | (Won) 8,019 | (Won) 19,523 | (Won) 11,479 | (Won) 62,736 |

(*1) Before eliminating (Won)29 billion of inter-company transactions

(*2) Before eliminating (Won)47 billion of inter-company transactions

| <2006> | Less than 3 months | Less than 6 months | Less than 1 year | Less than 3 years | More than 3 years | Total |
|---|--------------------|--------------------|------------------|-------------------|-------------------|--------------|
| Call money | (Won) 3,389 | (Won) | (Won) | (Won) | (Won) | (Won) 3,389 |
| Bills sold | 19 | 17 | | | 153 | 189 |
| Bonds sold under repurchase agreements (*1) | 4,126 | 296 | 329 | 2 | | 4,753 |
| Borrowings in local currency (*2) | 1,609 | 166 | 451 | 1,690 | 2,637 | 6,553 |
| Borrowings in foreign currencies | 3,940 | 2,927 | 838 | 792 | 122 | 8,619 |
| Debentures in local currency | 720 | 2,173 | 3,843 | 12,785 | 4,202 | 23,723 |
| Debentures in foreign currencies | 12 | | 226 | 1,007 | 2,860 | 4,105 |
| | (Won) 13,815 | (Won) 5,579 | (Won) 5,687 | (Won) 16,276 | (Won) 9,974 | (Won) 51,331 |

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

(*2) Before eliminating (Won)98 billion of inter-company transactions

Table of Contents**22. OTHER LIABILITIES**

Other liabilities as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|---|------------------|------------------|
| Accrued severance benefits (Note 23) | (Won) 391,815 | (Won) 363,729 |
| Less: deposits in employee retirement trust | (161,174) | (162,477) |
| Less: post-retirement pension plan asset | (258) | |
| Less: transfers to the National Pension Fund | (153) | (180) |
| Other accounts payable | 6,445,584 | 5,580,926 |
| Accrued expenses (Note 25) | 2,944,648 | 2,276,438 |
| Income tax payable | 413,893 | 278,266 |
| Unearned revenue | 170,687 | 138,819 |
| Deposits for letter of guarantees and other | 170,687 | 121,559 |
| Foreign exchange remittances pending | 244,210 | 291,652 |
| Domestic exchange remittances pending | 1,815,698 | 1,646,334 |
| Deferred income tax liabilities (Note 27) | 73,258 | 95,205 |
| Borrowings from trust accounts | 4,155,148 | 1,616,663 |
| Allowances for acceptances and guarantees (Note 34) | 115,161 | 56,518 |
| Allowances for unused credit line (Note 34) | 362,973 | 310,035 |
| Other allowances (Note 34) | 127,365 | 152,433 |
| Derivative liabilities (Note 35) | 2,951,296 | 1,577,153 |
| Accounts for agency businesses | 241,781 | 134,330 |
| Liabilities incurred by agency relationship | 929,411 | 543,425 |
| Sundry liabilities | 438,742 | 417,622 |
| | (Won) 21,889,695 | (Won) 15,438,450 |

23. 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, 2007 and 2006 amount to (Won)391,815 million and (Won)363,729 million, respectively. The details of changes in the accrued severance benefits for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions).

| | 2007 | 2006 |
|---|---------------|---------------|
| January 1 | (Won) 363,729 | (Won) 443,204 |
| Provision for severance benefits | 158,210 | 127,615 |
| Increase due to acquisition of a subsidiary | 793 | |
| Payments of accrued severance benefits | (130,917) | (207,090) |
| December 31 | (Won) 391,815 | (Won) 363,729 |

- (2) The Company and its subsidiaries have deposited for employee retirement insurance. As of December 31, 2007 and 2006, the deposits amounting to (Won)161,174 million and (Won)162,477 million, respectively, and the transfer from National Pension amounting to (Won)153 million and (Won)180 million, respectively, and the post-retirement pension plan asset amounting to (Won)258 million as of December 31, 2007, are presented as a deduction from accrued severance benefits.

Table of Contents**24. SHAREHOLDERS EQUITY**

- (1) The authorized shares and issued shares of common stock as of December 31, 2007 and 2006 are as follows:

| | 2007 | 2006 |
|-----------------------------------|---------------|---------------|
| 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) As of December 31, 2007 and 2006, the Company held 2,560 and 2,555 shares of treasury stock amounting to (Won)18million, respectively.
- (3) The changes in the capital stock of the Company during the period from incorporation to December 31, 2007 are as follows (Korean won in millions):

| Date | Description | Number of shares issued | Capital stock |
|-------------------|-------------------------------|-------------------------|-----------------|
| 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 |
| Dec. 31, 2004 | | 796,455,558 | 3,982,278 |
| In 2005 | Exercise of convertible bonds | 9,559,782 | 47,799 |
| December 31, 2006 | | 806,015,340 | 4,030,077 |
| December 31, 2007 | | 806,015,340 | (Won) 4,030,077 |

- (4) Dividends to net income ratio for the years ended December 31, 2007 and 2006 are as follows:

| | 2007 | 2006 |
|-------------------------------|-------------|-------------|
| The number of issued shares | 806,015,340 | 806,015,340 |
| The number of treasury stocks | 2,560 | 2,555 |
| Shares subject to dividend | 806,012,780 | 806,012,785 |
| Dividend per share | (Won) 250 | (Won) 600 |

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| | | | | |
|------------------------------|-------|-------------------|-------|-------------------|
| Par value | (Won) | 5,000 | (Won) | 5,000 |
| Dividend ratio per share | | 5.0% | | 12.0% |
| Gross dividend | (Won) | 201,503 million | (Won) | 483,608 million |
| Net income | (Won) | 2,031,195 million | (Won) | 2,029,319 million |
| Dividend ratio by net income | | 9.92% | | 23.83% |

Table of Contents**25. STOCK-BASED COMPENSATION**

- (1) On December 4, 2002, the Company granted stock options to 62 directors of the Company and its subsidiaries. In 2006, 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 194,250 and 468,500 stock options were exercised and settled by paying cash amounting to (Won)2,204 million and (Won)4,592 million for the years ended December 31, 2007 and 2006, respectively. In connection with this, the Company revalued stock based compensation and recorded (Won)1,459 million of the stock-based payment as liabilities as of December 31, 2007.
- (2) The summary of stock-based compensation granted as of December 31, 2007 is as follows:

| | Type A | Type B |
|--------------------------------------|---|-------------------|
| Settlement | Cash settlement | Cash settlement |
| Exercise price | (Won)11,921 | (Won)6,800 |
| Exercisable period | During the 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 | 590,000 shares | 369,000 shares |
| Exercisable number of rights | 130,000 shares | 51,000 shares |
| Par value | (Won)6,618 | (Won)11,739 |
| Stock-based compensation liabilities | (Won)860 million | (Won) 599 million |

26. NON-OPERATING INCOME AND EXPENSE

- (1) Non-operating income for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|--|---------------|---------------|
| Gain on valuation using the equity method of accounting (Note 8) | (Won) 43,500 | (Won) 44,750 |
| Gain on disposal of fixed assets | 1,356 | 3,382 |
| Rental income | 10,331 | 8,655 |
| Gain on disposal of other assets | 205 | 673 |
| Others | 81,545 | 217,361 |
| | (Won) 136,937 | (Won) 274,821 |

- (2) Non-operating expenses for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|--|--------------|--------------|
| Loss on valuation using the equity method of accounting (Note 8) | (Won) 20,887 | (Won) 16,377 |
| Loss on disposal of fixed assets | 1,694 | 4,813 |
| Loss on impairment of fixed assets (Note 14) | 3,273 | 269 |
| Loss on impairment of other assets | 1,805 | |

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| | | |
|---|---------------|---------------|
| Loss on impairment of intangible assets (Note 15) | 580 | |
| Donations | 28,555 | 33,129 |
| Others | 72,588 | 54,889 |
| | (Won) 129,382 | (Won) 109,477 |

Table of Contents**27. INCOME TAX EXPENSE**

(1) Income tax expense for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|--|----------------------|----------------------|
| Tax payables | (Won) 818,416 | (Won) 564,711 |
| Changes in deferred income tax assets (liabilities) by temporary differences | (214,669) | 330,266 |
| Changes in deferred income tax assets by fair valuation | (10,357) | 2,938 |
| Changes in deferred income tax assets by tax loss carry-forwards | 75,700 | 18,163 |
| Tax effect on contribution carryover deduction | 977 | (1,877) |
| Income tax expenses to be charged to equity | 164,165 | (189,696) |
| Income tax expense | (Won) 834,232 | (Won) 724,505 |

(2) Increase or decrease in cumulative temporary differences and tax loss carry-forwards for the year ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | Jan. 1, 2007(*1) | Increase | Decrease | Dec. 31, 2007 |
|--|-------------------|-------------------|-------------------|-------------------|
| (Temporary differences to be charged to income tax expense) | | | | |
| Securities | (Won) (304,601) | (Won) (182,238) | (Won) (245,229) | (Won) (241,610) |
| Gain (loss) on valuation using the equity method of accounting | (4,416,960) | (2,119,650) | (494,856) | (6,041,754) |
| Depreciation | 44,273 | 8,408 | 3,077 | 49,604 |
| Other allowances | 414,978 | 415,656 | 354,407 | 476,227 |
| Restructuring of loans | 17,749 | 4,100 | 4,368 | 17,481 |
| Allowances for acceptances and guarantees | 56,187 | 113,764 | 55,085 | 114,866 |
| Gain (loss) on valuation of derivatives | 49,681 | 63,929 | 51,526 | 62,084 |
| Loss on fair valuation | (63,514) | (103,753) | (63,514) | (103,753) |
| Other allowances for doubtful accounts | 39,805 | | 18,050 | 21,755 |
| Accrued salaries expenses | 76,039 | 10,512 | 18,161 | 68,390 |
| Allowances for possible loan losses | 714,501 | 22,277 | 38,164 | 698,614 |
| Loss on valuation of securities | 1,000,944 | 1,269,235 | 1,000,944 | 1,269,235 |
| Accrued severance benefits | 95,034 | 74,628 | 57,883 | 111,779 |
| Deposits with employee retirement insurance trust | (64,871) | (57,706) | (44,810) | (78,397) |
| Advanced depreciation provisions | (60,414) | | (76) | (60,338) |
| Dividends of tax heaven | 14,340 | 13,993 | 14,340 | 13,993 |
| Reserve for technology development | (253) | | (253) | |
| Others | (89,339) | 30,614 | (85,980) | 27,255 |
| | (Won) (2,476,421) | (Won) (436,230) | (Won) (681,917) | (Won) (3,594,568) |
| (Temporary differences to be charged to equity) | | | | |
| Gain (loss) on valuation of available-for-sale securities | (Won) (2,910,708) | (Won) (2,642,455) | (Won) (2,910,701) | (Won) (2,642,462) |
| Other comprehensive income due to the equity method of accounting | (2,322,256) | 17 | (329,301) | (1,992,938) |
| Other negative comprehensive income due to the equity method of accounting | (1,362) | (3,560) | (1,362) | (3,560) |
| Other negative retained earnings due to the equity method of accounting | | 1 | | 1 |
| Unrealized gain (loss) of derivatives | (1,239) | 355 | (1,239) | 355 |

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| | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| Gain on disposal of investments accounted for using the equity method of accounting | 34,604 | | | 34,604 |
| | (Won) (5,200,961) | (Won) (2,645,642) | (Won) (3,242,603) | (Won) (4,604,000) |
| Temporary differences total | (Won) (7,677,382) | (Won) (3,081,872) | (Won) (2,560,686) | (Won) (8,198,568) |

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| <2007> | Jan. 1, 2007(*1) | Increase | Decrease | Dec. 31, 2007 |
|---|-------------------|-------------------|-------------------|-------------------|
| Unrealizable temporary differences (*2) | (Won) (6,833,924) | | | (Won) (8,188,875) |
| Realizable temporary differences | (843,458) | | | (79,693) |
| Tax effects for temporary differences | (232,557) | | | (21,916) |
| Tax effects for temporary differences of oversea subsidiaries | 8,206 | | | 12,234 |
| Tax effects for fair valuation (*3) | 147 | | | 10,504 |
| Tax effects for tax loss carry-forwards | 158,500 | | | 82,800 |
| Tax effect on contribution carry-over deductions | 1,877 | | | 900 |
| Net deferred tax assets (liabilities) | (Won) (63,827) | | | (Won) 84,522 |
| <2006> | Jan. 1, 2006(*1) | Increase | Decrease | Dec. 31, 2006 |
| (Temporary differences to be charged to income tax expense) | | | | |
| 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 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) |
| (Temporary differences to be charged to equity) | | | | |
| 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) |
| Other comprehensive income due to the equity method of accounting | (1,717,493) | (612,792) | (5,871) | (2,324,414) |
| Other negative comprehensive income due to the equity method of accounting | 7,308 | (1,362) | 7,308 | (1,362) |
| Unrealized 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 |

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| | | |
|--|---------------|----------------|
| Tax effects for tax loss carry-forwards | 176,663 | 158,500 |
| Tax effect on contribution carry-over deductions | | 1,877 |
| Net deferred tax assets (liabilities) | (Won) 285,663 | (Won) (63,827) |

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

(*2) Unrealizable temporary differences as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | | 2007 | 2006 |
|---------------|-----------------------------------|-------------------|-------------------|
| The Company | Valuation using the equity method | (Won) (8,036,411) | (Won) (6,747,902) |
| Kyongnam Bank | Advanced depreciation provisions | (60,388) | (60,414) |
| | Other | (22,076) | (25,608) |
| | | (Won) (8,118,875) | (Won) (6,833,924) |

(*3) Resulting from fair valuation of Woori Investment Securities and Woori Financial's assets and liabilities at acquisition.

(3) Details of income tax expense (benefits) for the years ended December 31, 2007 and 2006, and the deferred income tax assets (liabilities) as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | Income tax expense | Deferred income tax assets | Deferred income tax liabilities |
|-----------------------------|-----------------------|----------------------------------|---------------------------------------|
| Woori Bank | (Won) 600,310 | (Won) 128,134 | (Won) 1,002 |
| Kyongnam Bank | 60,014 | 29 | 22,410 |
| Kwangju Bank | 40,325 | 12,633 | 1 |
| WFIS | 266 | 2,005 | 11 |
| Woori F&I | 15,946 | 73 | 1,871 |
| Woori Investment Securities | 112,520 | 5,550 | 47,091 |
| Woori CS | 6,314 | 1,226 | |
| Woori PE | 707 | 167 | |
| Woori Financial | (2,170) | 7,963 | 872 |
| | (Won) 834,232 | (Won) 157,780 | (Won) 73,258 |

| <2006> | Income tax expense | Deferred income tax assets | Deferred income tax liabilities |
|-----------------------------|-----------------------|-------------------------------|------------------------------------|
| 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 |

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

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| Year incurred | Amount | Utilized | Remaining | Expiration |
|---------------|-----------------|-----------------|-----------------|---------------|
| 2001 | (Won) 210,873 | (Won) 210,873 | (Won) | Dec. 31, 2006 |
| 2002 | 130,724 | 130,724 | | Dec. 31, 2007 |
| 2003 | 1,328,129 | 861,282 | 466,847 | Dec. 31, 2008 |
| 2004 | 396,463 | | 396,463 | Dec. 31, 2009 |
| 2005 | 112,270 | 202 | 112,068 | Dec. 31, 2010 |
| 2006 | 22,324 | | 22,324 | Dec. 31, 2011 |
| 2007 | 65,073 | | 65,073 | Dec. 31, 2012 |
| | (Won) 2,265,856 | (Won) 1,203,081 | (Won) 1,062,775 | |

As of December 31, 2007 and 2006, recognized deferred tax assets in tax loss carry-forwards above are as follows (Korean won in millions):

| Subsidiaries | 2007 | 2006 |
|--------------|--------------|---------------|
| Woori Bank | (Won) 82,800 | (Won) 158,500 |

Table of Contents**28. EARNINGS PER COMMON SHARE**

- (1) Basic controlling net income per common share for the years ended December 31, 2007 and 2006 are as follows (Korea won in millions except for per share data):

| | 2007 | 2006 |
|--|-----------------|-----------------|
| Controlling net income on common shares | (Won) 2,026,872 | (Won) 2,029,319 |
| Weighted average number of common shares (in shares) | 806,012,783 | 806,012,788 |
| Basic controlling net income per common share | (Won) 2,515 | (Won) 2,518 |

29. ACCUMULATED OTHER COMPREHENSIVE INCOME

- (1) Accumulated other comprehensive income as of December 31, 2007 and December 31, 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|--|-----------------|-----------------|
| Gain on valuation of available-for-sale securities | (Won) 1,839,694 | (Won) 2,165,573 |
| Cumulative effect of foreign currency translation | 1,190 | (162) |
| Gain on valuation of derivatives for cash flow hedge (Note 35) | 1,904 | 4,874 |
| Valuation using the equity method of accounting | 898 | 3,057 |
| | (Won) 1,843,686 | (Won) 2,173,342 |

- (2) Comprehensive income statements for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|---|-----------------|-----------------|
| Net income | (Won) 2,201,994 | (Won) 2,189,207 |
| Gain on valuation of available-for-sale securities | (271,596) | 474,048 |
| Cumulative effect of foreign currency translation | 4,423 | 13,626 |
| Gain on valuation of derivatives for cashflow hedge | (4,620) | 5,779 |
| Valuation using the equity method on subsidiaries | (5,599) | (12,275) |
| Comprehensive income | (Won) 1,924,602 | (Won) 2,670,385 |

30. CONSOLIDATED STATEMENTS OF CASH FLOWS

Restricted due from banks is excluded in cash and due from banks in consolidated statements of cash flows (Korean won in millions).

| | 2007 | 2006 |
|--|------------------|------------------|
| Cash and due from bank of Balance sheets | (Won) 14,984,541 | (Won) 10,674,977 |

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| | | |
|---|-----------------|-----------------|
| Restricted due form from banks (Note 3) | (8,993,530) | (5,033,385) |
| Cash in statements of cash flows | (Won) 5,991,011 | (Won) 5,641,592 |

Table of Contents**31. CONSOLIDATED OPERATIONAL RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2007 AND 2006**

| | Three months ended Dec. 31, 2007 (In millions, except for income per share data) (Unaudited) | Three months ended Dec. 31, 2006 (Unaudited) |
|---|---|--|
| Operating revenue | (Won) 8,191,876 | (Won) 5,126,680 |
| Operating expenses | (7,884,655) | (4,941,525) |
| Operating income | 307,221 | 185,155 |
| Non-operating income | 42,713 | 481,769 |
| Non-operating expenses | (45,930) | (83,524) |
| Income before income tax and minority interests | 304,004 | 583,400 |
| Income tax expense | 70,075 | 118,644 |
| Income before minority interests | 233,929 | 464,756 |
| Minority interests gain | 34,669 | 32,593 |
| Controlling net income | (Won) 199,260 | (Won) 432,163 |
| Controlling net income per common share | (Won) 247 | (Won) 536 |

32. INTER-COMPANY TRANSACTIONS

A. Significant balances as of December 31, 2007 and transactions for the year ended December 31, 2007 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 Financial | Woori Investment Securities | Woori CS | Woori PE | Others |
|---------------|----------------|---------------|------------------|-----------------|-------------|--------------------|-----------------------------------|--------------|-------------|--------------|
| Woori Bank | (Won) 33,487 | (Won) | (Won) 10,883 | (Won) 13,058 | (Won) 1,056 | (Won) 21,000 | (Won) 356,485 | (Won) 22,776 | (Won) 3,143 | (Won) 48,801 |
| Kyongnam Bank | | 6,827 | | 14 | | 10,000 | 483 | 16,592 | | |
| Kwangju Bank | | 4,898 | 5 | | 1,903 | | 5,200 | 25,000 | 2,500 | |
| Others | | 42,565 | 23,052 | | 2,229 | 258 | 22,087 | | | 25,123 |
| | (Won) 33,487 | (Won) 54,290 | (Won) 33,940 | (Won) 13,072 | (Won) 5,188 | (Won) 31,258 | (Won) 384,255 | (Won) 64,368 | (Won) 5,643 | (Won) 73,924 |

2) Deposits

| | Woori Bank | Kyongnam Bank | Kwangju Bank | Others |
|-----------------------------|-------------------|--------------------------|-------------------------|---------------|
| The Company | (Won) 33,487 | (Won) | (Won) | (Won) |
| Woori Bank | | 6,827 | 4,898 | 42,565 |
| Kyongnam Bank | 10,883 | | 5 | 23,052 |
| Kwangju Bank | 13,058 | 14 | | |
| WFIS | 1,056 | | 1,903 | 2,229 |
| Woori Investment Securities | 356,485 | 483 | 5,200 | 22,087 |
| Woori CS | 22,776 | 16,592 | 25,000 | |
| Woori PE | 3,143 | | 2,500 | |
| Woori Financial | 21,000 | 10,000 | | 258 |
| Others | 48,801 | | | 25,123 |
| | (Won) 510,689 | (Won) 33,916 | (Won) 39,506 | (Won) 115,314 |

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3) Loans

| | Woori Bank | Kyongnam Bank | Kwangju Bank | Woori Financial | Others |
|-----------------------------|---------------|---------------|--------------|-----------------|--------------|
| Woori Bank | (Won) 50,000 | (Won) 9,417 | (Won) 38,799 | (Won) 14,848 | |
| Kyongnam Bank | 50,000 | | | | |
| Woori Investment Securities | 100,000 | | | 28,000 | 11,125 |
| Woori Financial | | 20,000 | 30,000 | | |
| Others | 120,585 | | | | 3,300 |
| | (Won) 270,585 | (Won) 29,417 | (Won) 68,799 | (Won) 28,000 | (Won) 29,273 |

4) Borrowings

| | Woori Bank | Kyongnam Bank | Woori Investment Securities | Woori Financial | Others |
|-----------------|---------------|---------------|-----------------------------|-----------------|---------------|
| Woori Bank | (Won) 120,585 | (Won) 50,000 | (Won) 100,000 | (Won) 20,000 | (Won) 3,300 |
| Kyongnam Bank | 9,417 | | | 20,000 | |
| Kwangju Bank | 38,799 | | | 30,000 | |
| Woori Financial | | | 28,000 | | |
| Others | 14,848 | | 11,125 | | 3,300 |
| | (Won) 63,064 | (Won) 50,000 | (Won) 139,125 | (Won) 50,000 | (Won) 123,885 |

5) Other assets

| | The Company | Woori Bank | Kyongnam Bank | Kwangju Bank | WFIS | Woori Investment Securities | Woori CS | Others |
|-----------------------------|--------------|---------------|---------------|--------------|--------------|-----------------------------|-------------|---------------|
| The Company | (Won) 27,275 | (Won) 201 | (Won) 79,968 | (Won) 3,985 | (Won) 19,884 | (Won) 48,128 | (Won) 459 | (Won) 229,635 |
| Woori Bank | 26,960 | | 79,968 | 3,985 | 19,884 | 48,128 | 459 | 229,635 |
| Kyongnam Bank | | 28,934 | | 1,120 | 2,418 | 244 | 459 | 17,107 |
| Kwangju Bank | | 31,731 | | | 1,675 | 64 | 909 | 6,329 |
| WFIS | 63 | 197 | 6 | 4 | | | | |
| Woori Investment Securities | | 3,672 | | 1,153 | 23 | | 3,177 | 4,600 |
| Woori CS | | 352 | | | | | | |
| Woori Financial | | 6,576 | 72 | 274 | | 29,638 | | |
| Others | 252 | 65,375 | | | | 1,224 | 44 | 26 |
| | (Won) 27,275 | (Won) 137,038 | (Won) 80,046 | (Won) 6,536 | (Won) 24,000 | (Won) 79,298 | (Won) 5,048 | (Won) 257,697 |

6) Other liabilities

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| | Woori | | | | | | | | | |
|-----------------------------|-------------|---------------|---------------|--------------|-----------|-----------------------|-----------|-----------------|--------------|--------|
| | The Company | Woori Bank | Kyongnam Bank | Kwangju Bank | WFIS | Investment Securities | Woori CS | Woori Financial | Others | |
| | (Won) | (Won) | (Won) | (Won) | (Won) | (Won) | (Won) | (Won) | (Won) | (Won) |
| The Company | 201 | 29,960 | 28,934 | 31,731 | 63 | 3,672 | 352 | 6,576 | 252 | 65,375 |
| Woori Bank | | 79,968 | | | 6 | | | 72 | | |
| Kyongnam Bank | | 3,985 | 1,120 | | 4 | 1,153 | | 274 | | |
| Kwangju Bank | | 19,884 | 2,418 | 1,675 | | 23 | | | | |
| WFIS | | | | | | | | | | |
| Woori Investment Securities | | 48,128 | 244 | 64 | | | | 29,638 | | 1,224 |
| Woori CS | | 459 | 459 | 909 | | 3,177 | | | | 44 |
| Others | | 229,635 | 17,107 | 6,329 | | 4,600 | | | | 26 |
| | (Won) 201 | (Won) 409,019 | (Won) 50,282 | (Won) 40,708 | (Won) 270 | (Won) 12,625 | (Won) 352 | (Won) 36,560 | (Won) 66,921 | |

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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) 7,883 | (Won) | (Won) 832 | (Won) 2,017 | (Won) 17 | (Won) 23 | (Won) 19,173 | (Won) 737 | (Won) 11,188 |
| Kyongnam Bank | 1,381 | 58 | | 183 | 11 | 1 | 775 | 815 | 406 |
| Kwangju Bank | 1,389 | 161 | 161 | | 10 | 1 | 1,546 | 1,300 | 281 |
| Woori F&I | 799 | | | | | | | | |
| Woori Investment Securities | | 54 | 36 | 232 | | | | | 644 |
| Woori Financial | | 29 | 318 | 509 | | | 361 | | |
| Others | 5 | 6,221 | 870 | | | | 645 | | 158 |
| | (Won) 11,457 | (Won) 6,523 | (Won) 2,217 | (Won) 2,941 | (Won) 38 | (Won) 25 | (Won) 22,500 | (Won) 2,852 | (Won) 12,677 |

2) Interest expense

| | Woori Bank | Kyongnam Bank | Kwangju Bank | Woori F&I | Woori Investment Securities | Woori Financial | Others |
|-----------------------------|--------------|---------------|--------------|-----------|-----------------------------|-----------------|-------------|
| The Company | (Won) 7,883 | (Won) 1,381 | (Won) 1,389 | (Won) 799 | (Won) | (Won) | (Won) 5 |
| Woori Bank | | 58 | 161 | | 54 | 29 | 6,221 |
| Kyongnam Bank | 832 | | 161 | | 36 | 318 | 870 |
| Kwangju Bank | 2,017 | 183 | | | 232 | 509 | |
| WFIS | 17 | 11 | 10 | | | | |
| Woori F&I | 23 | 1 | 1 | | | | |
| Woori Investment Securities | 19,173 | 775 | 1,546 | | | 361 | 645 |
| Woori CS | 737 | 815 | 1,300 | | | | |
| Others | 11,188 | 403,6306 | 281 | | 644 | | 158 |
| | (Won) 41,870 | (Won) | (Won) 4,849 | (Won) 799 | (Won) 966 | (Won) 1,217 | (Won) 7,899 |

3) Fees (income)

| | Woori Bank | Woori Investment Securities | Woori CI | Others |
|---------------|------------|-----------------------------|----------|--------|
| The Company | (Won) | (Won) 1,963 | (Won) | (Won) |
| Woori Bank | | 694 | 20,559 | 2,065 |
| Kyongnam Bank | | 29 | 80 | 87 |
| Kwangju Bank | | 24 | 21 | |

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| | | | |
|-----------------------------|-------------|-------------|---------------------------|
| Woori Investment Securities | 538 | 37 | 20,818 |
| Woori CS | 1,098 | | |
| Other | 9 | 3,724 | 209 |
| | (Won) 1,645 | (Won) 6,434 | (Won) 20,697 (Won) 23,179 |

4) Commissions (expense)

| | The Company | Woori Bank | Kyongnam Bank | Kwangju Bank | Woori Investment Securities | Others |
|-----------------------------|-------------|--------------|---------------|--------------|-----------------------------|-------------|
| Woori Bank | (Won) | (Won) | (Won) | (Won) | (Won) 538 | (Won) 9 |
| Woori Investment Securities | 1,963 | 694 | 29 | 24 | | 3,724 |
| Woori CI | | 20,559 | 80 | 21 | 37 | |
| Others | | 2,065 | 87 | | 20,818 | 209 |
| | (Won) 1,963 | (Won) 23,318 | (Won) 196 | (Won) 45 | (Won) 21,393 | (Won) 3,942 |

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5) Other income

| | Woori Bank | | Kyongnam Bank | Kwangju Bank | WFIS | Woori Investment Securities | | Woori CS | Others |
|-----------------------------|------------|--------|---------------|--------------|---------------|-----------------------------|-----------|----------|--------|
| The Company | (Won) | 1,345 | (Won) | (Won) | 1,642 | (Won) | (Won) | (Won) | (Won) |
| Woori Bank | | | 937 | 461 | 219,129 | 4,818 | | | 17 |
| Kyongnam Bank | | 9,039 | | | 26,912 | | | | 32 |
| Kwangju Bank | | 391 | | | 20,192 | 201 | | | |
| WFIS | | 4,594 | | | | | | | |
| Woori Investment Securities | | 7,061 | 36 | 411 | 563 | | | | |
| Others | | 27,412 | 1,146 | 231 | 214 | 1,202 | 242 | | |
| | (Won) | 49,842 | (Won) 2,119 | (Won) 1,103 | (Won) 268,652 | (Won) 6,221 | (Won) 242 | (Won) | 49 |

6) Other expenses

| | The Company | Woori Bank | Kyongnam Bank | Kwangju Bank | WFIS | Woori Investment Securities | | Others |
|-----------------------------|-------------|---------------|---------------|--------------|-------------|-----------------------------|--------------|--------|
| Woori Bank | (Won) 1,345 | (Won) | (Won) 9,039 | (Won) 391 | (Won) 4,594 | (Won) 7,061 | (Won) 27,412 | (Won) |
| Kyongnam Bank | | 937 | | | | 36 | 1,146 | |
| Kwangju Bank | | 461 | | | | 411 | 231 | |
| WFIS | 1,642 | 219,129 | 26,912 | 20,192 | | 563 | 214 | |
| Woori Investment Securities | | 4,818 | | 201 | | | 1,202 | |
| Woori CS | | | | | | | | 242 |
| Other | | | 17 | 32 | | | | |
| | (Won) 2,987 | (Won) 225,362 | (Won) 35,983 | (Won) 20,784 | (Won) 4,594 | (Won) 8,071 | (Won) 30,447 | |

- 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, 2007, is as follows (Korean won in millions):

| | Jan. 1, 2007 | Realized | Increase | Dec. 31, 2007 |
|-----------------------------|--------------|---------------|---------------|----------------|
| Woori Bank | (Won) 588 | (Won) (9,370) | (Won) (3,567) | (Won) (12,349) |
| Kyongnam Bank | 5 | (5) | 102 | 102 |
| Kwangju Bank | 3,688 | 6,466 | 152 | 10,306 |
| WFIS | 1,726 | 675 | | 2,401 |
| Woori F&I | (384) | (250) | | (634) |
| Woori 3rd SPC | (139) | | | (139) |
| Woori Investment Securities | | 15 | (144) | (129) |
| | (Won) 5,484 | (Won) (2,469) | (Won) (3,457) | (Won) (442) |

Table of Contents**33. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES**

The significant assets and liabilities in foreign currencies as of December 31, 2007 and 2006 are as follow (Korean won in millions and U.S. dollars in thousands):

| <2007> | | U.S. dollars (*1) | Korean won equivalent |
|--------------|---|-------------------|-----------------------|
| Assets; | Cash in foreign currencies | US\$ 315,147 | (Won) 295,671 |
| | Due from bank in foreign currencies | 1,429,346 | 1,341,012 |
| | Trading securities | 135,047 | 126,701 |
| | Available-for-sale securities | 1,718,756 | 1,612,537 |
| | Held-to-maturities securities | 155,546 | 145,933 |
| | Investments accounted for using the equity method of accounting | 7,263 | 6,814 |
| | Usance | 2,936,027 | 2,754,581 |
| | Loans in foreign currencies | 11,569,470 | 10,854,476 |
| | Bills bought in foreign currencies | 4,600,090 | 4,315,804 |
| | Call loans | 865,358 | 811,879 |
| | Fixed assets | 18,963 | 17,791 |
| | Other assets | 466,170 | 437,361 |
| | | US\$ 24,217,183 | (Won) 22,720,560 |
| Liabilities; | Deposit in foreign currencies | US\$ 5,710,978 | (Won) 5,358,040 |
| | Borrowing in foreign currencies | 9,807,393 | 9,201,296 |
| | Payable in foreign currencies | 244,735 | 229,610 |
| | Deposits for letter of guarantees | 93,289 | 87,524 |
| | Bonds sold under repurchase agreements in foreign currency | 8,733 | 8,193 |
| | Call money | 981,362 | 920,714 |
| | Debentures | 5,550,249 | 5,207,244 |
| | Other liabilities | 181,105 | 169,913 |
| | | US\$ 22,577,844 | (Won) 21,182,534 |
| | | | |
| <2006> | | U.S. dollars (*1) | Korean won equivalent |
| 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 |
| | Usance | 2,276,125 | 2,115,886 |
| | Loans in foreign currencies | 9,213,488 | 8,564,859 |
| | 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 |

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| | | |
|-------------------|-----------------|------------------|
| 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 |

(*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, 2007 and 2006, respectively.

Table of Contents**34. CONTINGENCIES AND COMMITMENTS**

- (1) Confirmed acceptances and guarantees and non-confirmed acceptances and guarantees as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | | 2007 | 2006 |
|--|--|-----------------|-----------------|
| Confirmed acceptances and guarantees: | | | |
| Local currency: | Guarantees for debenture issuance | (Won) 15,315 | (Won) 59,532 |
| | Guarantees for loans | 123,873 | 105,337 |
| | Guarantees for bills | 5,000 | |
| | Others | 1,378,590 | 733,153 |
| | | 1,522,778 | 898,022 |
| Foreign currencies: | Acceptance | 248,605 | 266,764 |
| | Guarantee in acceptance of imported goods | 121,552 | 104,500 |
| | Credit derivatives sold (*1) | 595,757 | 255,640 |
| | Others | 3,614,550 | 1,847,726 |
| | | 4,580,464 | 2,474,630 |
| | | (Won) 6,103,242 | (Won) 3,372,652 |
| Non-confirmed acceptances and guarantees: | | | |
| | Local letter of credit in foreign currencies | (Won) 625,038 | (Won) 604,063 |
| | Local letter of credit in local currency | 87,954 | 78,674 |
| | Letter of credit | 3,523,593 | 2,422,997 |
| | Others | 4,497,314 | 1,183,712 |
| | | (Won) 8,733,899 | (Won) 4,289,446 |

- (*1) As of December 31, 2007, (Won)469,100 million (USD 500 million) and (Won)117,275 million (USD 125 million) included in credit derivatives sold of Woori Bank are Credit Default Swaps for CDOs and individual corporations, respectively. Woori Bank classified them as confirmed acceptances and guarantees and recorded the allowance for acceptances and guarantees amounting to (Won)4,984 million. In addition, the accounting for credit derivatives sold may subsequently be modified in accordance with the Interpretation for Derivatives in 2008 and a portion of credit derivatives sold may be stated at fair value. An uncertainty in the global financial market conditions could have further effects on the fair value relating to the above credit derivative sold.

- (2) Endorsed bills and the loan commitments as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|---|------------------|------------------|
| Loan commitments in local currency | (Won) 56,854,985 | (Won) 64,964,944 |
| Loan commitments in foreign currencies | 12,735,302 | 8,713,433 |
| Other commitments in foreign currencies | 621,605 | 414,155 |
| | (Won) 70,211,892 | (Won) 74,092,532 |
| Endorsed bills without guarantee | (Won) 11,597,149 | (Won) 47,992 |

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| | | |
|-------------------------------|------------------|--------------|
| Endorsed bills with guarantee | 29,565 | 20,912 |
| | (Won) 11,626,714 | (Won) 68,904 |

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(3) The allowance for acceptances and guarantees as of December 31, 2007 and 2006 are as follows (Korean won in billions):

| | 2007 | | | 2006 | | |
|---------------|-------------|-----------|-----------------|------------|-----------|-----------------|
| | Allowance | Ratio (%) | Outstanding(*1) | Allowance | Ratio (%) | Outstanding(*1) |
| Normal | (Won) 109.0 | 0.7 | (Won) 15,203.0 | (Won) 46.4 | 0.6 | (Won) 7,871.9 |
| Precautionary | 1.1 | 5.3 | 20.9 | 5.6 | 6.5 | 85.6 |
| Substandard | 4.8 | 40.7 | 11.8 | 4.0 | 23.7 | 16.9 |
| Doubtful | 0.2 | 28.6 | 0.7 | 0.2 | 28.6 | 0.7 |
| Loss | | | | 0.3 | 100.0 | 0.3 |
| | (Won) 115.1 | | (Won) 15,236.4 | (Won) 56.5 | | (Won) 7,975.4 |

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

(4) As of December 31, 2007, the Company and its subsidiaries had filed 2,611 lawsuits as a plaintiff pleading damages amounting to (Won)1,004 billion and had been designated as a defendant in 270 lawsuits claiming damages amounting to (Won)261 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. | 49 | 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 |
| | 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 allowances for unused credit line and other allowances as of December 31, 2007 and 2006 are as follows (Korean won in billions):

| | 2007 | 2006 |
|--|-----------|-----------|
| Unused commitments on credit cards and loans | (Won) 363 | (Won) 310 |
| Lawsuits | 49 | 60 |
| Loans sold under repurchase obligation (*1) | | 1 |
| Disposal of Petro Bank | 5 | 12 |
| Mileage on credit cards | 72 | 63 |
| Others | 1 | 17 |
| | (Won) 490 | (Won) 463 |

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(*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 as of December 31, 2006.

Table of Contents**35. DERIVATIVES**

(1) Unsettled commitments from derivatives as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | For trading | | For hedging | | Total |
|---------------------------------|--------------------|-------------------|--------------------|------------------|-------------------|
| Interest rate: | | | | | |
| Interest rate forwards | (Won) | 10,638 | (Won) | 1,604,281 | (Won) 1,614,919 |
| Interest rate swaps | | 56,976,661 | | 20,300,361 | 77,277,022 |
| Interest rate futures | | 1,025,893 | | | 1,025,893 |
| Long interest options | | 3,273,510 | | | 3,273,510 |
| Short interest options | | 2,454,478 | | 100,000 | 2,554,478 |
| | | 63,741,180 | | 22,004,642 | 85,745,822 |
| Currency: | | | | | |
| Currency forwards | | 114,454,702 | | 4,093,653 | 118,548,355 |
| Currency swaps | | 14,021,224 | | 1,923,570 | 15,944,794 |
| Currency futures | | 1,735,247 | | 2,139 | 1,737,386 |
| Long currency options | | 7,977,448 | | 104,735 | 8,082,183 |
| Short currency options | | 5,799,785 | | | 5,799,785 |
| | | 143,988,406 | | 6,124,097 | 150,112,503 |
| Stock & Stock Index: | | | | | |
| Stock index futures | | 85,534 | | 13,549 | 99,083 |
| Stock swaps | | 6,755 | | 3,793,124 | 3,799,879 |
| Long stock index options | | 1,257,021 | | 840,406 | 2,097,427 |
| Short stock index options | | 2,433,635 | | 3,600 | 2,437,235 |
| | | 3,782,945 | | 4,650,679 | 8,433,624 |
| Others: | | | | | |
| Long Option | | 1,109,006 | | 9,999 | 1,119,005 |
| Short Option | | 1,110,695 | | | 1,110,695 |
| Other forwards | | 535,325 | | | 535,325 |
| Other swaps | | | | 90,000 | 90,000 |
| Other futures | | 9,410 | | | 9,410 |
| | | 2,764,436 | | 99,999 | 2,864,435 |
| | | (Won) 214,276,967 | | (Won) 32,879,417 | (Won) 247,156,384 |

| <2006> | For trading | | For hedging | | Total |
|------------------------|--------------------|------------|--------------------|------------|-----------------|
| Interest rate: | | | | | |
| 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 |

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| | | | |
|---------------------------|------------------|------------------|-------------------|
| Currency: | | | |
| 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 |
| Stock & Stock Index: | | | |
| 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 |
| Others | | | |
| 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 |

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- (2) Gains or losses on valuation of derivatives for the years ended December 31, 2007 and 2006 cumulated are as follows (Korean won in millions):

| <2007> | Gains on valuation in income statement | | | Losses on valuation in income statement | | | Gains (losses) in capital adjustments Hedge | Cumulative gains (losses) in balance sheet | | |
|---------------------------|---|---------|--------------|--|----------|-------------|---|--|-------------|----|
| | Trading | Hedge | Total | Trading | Hedge | Total | | Assets | Liabilities | |
| Interest rate: | | | | | | | | | | |
| Interest rate forwards | (Won) | (Won) | 11,257 (Won) | 11,257 (Won) | 14 (Won) | 4,351 (Won) | 4,365 (Won) | (Won) | (Won) | 13 |
| Interest rate swaps | 356,030 | 181,076 | 537,106 | 404,285 | 186,614 | 590,899 | (3,338) | 528,276 | 658,501 | |
| Long interest options | 14,894 | | 14,894 | 2,579 | | 2,579 | | 51,829 | | |
| Short interest options | 3,758 | | 3,758 | 12,118 | 110 | 12,228 | | 1 | 27,389 | |
| | 374,682 | 192,333 | 567,015 | 418,996 | 191,075 | 610,071 | (3,338) | 580,106 | 685,903 | |
| Currency: | | | | | | | | | | |
| Currency forwards | 1,158,818 | 30,174 | 1,188,992 | 1,142,137 | 40,938 | 1,183,075 | 4,419 | 1,205,842 | 1,199,280 | |
| Currency swaps | 145,186 | 33,361 | 178,547 | 180,561 | 32,333 | 212,894 | 823 | 462,723 | 428,940 | |
| Currency futures | 83 | 1 | 84 | | | | | 83 | | |
| Long currency options | 100,390 | | 100,390 | 28,355 | 969 | 29,324 | | 95,533 | 41,166 | |
| Short currency options | 18,384 | | 18,384 | 41,209 | | 41,209 | | 18,006 | 69,121 | |
| | 1,422,861 | 63,536 | 1,486,397 | 1,392,262 | 74,240 | 1,466,502 | 5,242 | 1,782,187 | 1,738,457 | |
| Stock & Stock index : | | | | | | | | | | |
| Stock index futures | | 66 | 66 | 1 | | 1 | | | 1 | |
| Stock swaps | 221 | 32,356 | 32,577 | 39 | 34,339 | 34,378 | | 21,080 | 51,140 | |
| Long stock index options | 18,916 | 16,211 | 35,127 | 52,604 | 20,072 | 72,676 | | 133,875 | 307 | |
| Short stock index options | 32,353 | 259 | 32,612 | 50,712 | | 50,712 | | 6,892 | 378,345 | |
| | 51,490 | 48,892 | 100,382 | 103,356 | 54,411 | 157,767 | | 161,847 | 429,793 | |

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| | | | | | | | | |
|----------------|-----------------|---------------|-----------------|-----------------|---------------|-----------------|-----------------|--|
| Others | | | | | | | | |
| Long options | 80,248 | 371 | 80,619 | 54,914 | 54,914 | 82,590 | 54,914 | |
| Short options | 3,222 | | 3,222 | 25,244 | 25,244 | 884 | 27,450 | |
| Other forwards | 16,954 | | 16,954 | 14,421 | 14,421 | 16,260 | 14,412 | |
| Other swaps | | 2,063 | 2,063 | | 322 | 322 | 2,063 | |
| Other futures | 176 | | 176 | 45 | 45 | 176 | 45 | |
| | 100,600 | 2,434 | 103,034 | 94,624 | 322 | 94,946 | 101,973 | |
| | (Won) 1,949,633 | (Won) 307,195 | (Won) 2,256,828 | (Won) 2,009,238 | (Won) 320,048 | (Won) 2,329,286 | (Won) 1,904 | |
| | | | | | | (Won) 2,626,113 | (Won) 2,951,296 | |

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| <2006> | Gains on valuation in income statement | | | Losses on valuation in income statement | | | Gains (losses) in capital adjustments Hedge | Cumulative gains (losses) in balance sheet | |
|---|---|-------------|-------------|--|-----------|-------------|---|---|-------------|
| | Trading | Hedge | Total | Trading | Hedge | Total | | Assets | 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 |
| 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 |

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| | | | | | | | | | |
|-------------|---------------|--------------|---------------|---------------|--------------|---------------|-------------|-----------------|-----------------|
| 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 |

36. 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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37. SUBSEQUENT EVENT

On January 30, 2008, the Board of Directors of the Company approved the scheduled acquisition of 3,060,000 shares (51%) of LIG life Insurance Co., Ltd. at (Won)76,335 million for insurance business.

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WOORI FINANCE HOLDINGS CO., LTD.

NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

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, 2007 and 2006, and the related non-consolidated income statements, appropriations of retained earnings, changes in shareholders' equity and cash flows for the years ended December 31, 2007 and 2006, 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, 2007 and 2006, and the results of its operations, changes in its retained earnings and shareholders' equity 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 7, 2008

Notice to Readers

This report is effective as of March 7, 2008, 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, 2007 AND 2006**

| | Korean won | | Translation into U.S. dollars (Note 2) | |
|--|------------------|------------------|---|-----------------|
| | 2007 | 2006 | 2007 | 2006 |
| | (In millions) | | (In thousands) | |
| ASSETS | | | | |
| Cash and bank deposits (Notes 15 and 17) | (Won) 32,502 | (Won) 89,724 | US\$ 34,643 | US\$ 95,634 |
| Investment securities accounted for using the equity method of accounting (Notes 3 and 15) | 15,152,420 | 13,591,413 | 16,150,522 | 14,486,691 |
| Loans, net of allowance for possible loan losses (Notes 4, 15 and 17) | | 49,750 | | 53,027 |
| Fixed assets (Note 5) | 438 | 630 | 467 | 671 |
| Other assets (Notes 6 and 17) | 96,005 | 62,004 | 102,329 | 66,088 |
| | (Won) 15,281,365 | (Won) 13,793,521 | US\$ 16,287,961 | US\$ 14,702,111 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| LIABILITIES | | | | |
| Debentures, net of discounts (Notes 7 and 15) | (Won) 2,116,679 | (Won) 1,847,591 | US\$ 2,256,106 | US\$ 1,969,293 |
| Other liabilities (Notes 9 and 17) | 12,609 | 12,858 | 13,440 | 13,705 |
| | 2,129,288 | 1,860,449 | 2,269,546 | 1,982,998 |
| SHAREHOLDERS' EQUITY | | | | |
| Common stock (Note 10) | 4,030,077 | 4,030,077 | 4,295,542 | 4,295,542 |
| Capital surplus (Note 10) | 84,488 | 84,488 | 90,053 | 90,053 |
| Capital adjustments (Note 10) | (18) | (18) | (19) | (19) |
| Accumulated other comprehensive income (Notes 3 and 19) | 1,891,647 | 2,220,979 | 2,016,251 | 2,367,276 |
| Retained earnings: | | | | |
| Legal reserve | 580,181 | 377,249 | 618,398 | 402,099 |
| Voluntary reserve | 4,530,000 | 3,190,000 | 4,828,395 | 3,400,128 |
| Retained earnings before appropriations (Note 10) | 2,035,702 | 2,030,297 | 2,169,795 | 2,164,034 |
| | 7,145,883 | 5,597,546 | 7,616,588 | 5,966,261 |
| | 13,152,077 | 11,933,072 | 14,018,415 | 12,719,113 |
| | (Won) 15,281,365 | (Won) 13,793,521 | US\$ 16,287,961 | US\$ 14,702,111 |

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, 2007 AND 2006**

| | Korean won | | Translation into U.S. dollars (Note 2) | |
|---|--|-----------------|---|----------------|
| | 2007 | 2006 | 2007 | 2006 |
| | (In millions, except for income per share data) | | (In thousands, except for income per share data) | |
| OPERATING REVENUE | | | | |
| Gain on valuation using the equity method of accounting (Notes 3 and 16) | (Won) 2,156,884 | (Won) 2,016,366 | US\$ 2,298,960 | US\$ 2,149,186 |
| Interest income (Note 17) | 11,458 | 14,945 | 12,213 | 15,929 |
| Reversal of allowance for doubtful accounts | 250 | 300 | 266 | 320 |
| | 2,168,592 | 2,031,611 | 2,311,439 | 2,165,435 |
| OPERATING EXPENSES | | | | |
| Loss on valuation using the equity method of accounting (Notes 3 and 16) | 9,157 | 139 | 9,760 | 148 |
| Interest expense | 105,172 | 104,260 | 112,100 | 111,128 |
| Fees | 5,917 | 7,613 | 6,307 | 8,114 |
| General and administrative (Notes 14 and 17) | 21,338 | 26,351 | 22,743 | 28,087 |
| | 141,584 | 138,363 | 150,910 | 147,477 |
| OPERATING INCOME | 2,027,008 | 1,893,248 | 2,160,529 | 2,017,958 |
| NON-OPERATING INCOME (Note 3) | 4,355 | 136,196 | 4,641 | 145,167 |
| NON-OPERATING EXPENSES | 168 | 125 | 179 | 133 |
| INCOME BEFORE INCOME TAX | 2,031,195 | 2,029,319 | 2,164,991 | 2,162,992 |
| INCOME TAX EXPENSE (Note 12) | | | | |
| NET INCOME | (Won) 2,031,195 | (Won) 2,029,319 | US\$ 2,164,991 | US\$ 2,162,992 |
| NET INCOME PER COMMON SHARE (Note 18) | (Won) 2,520 | (Won) 2,518 | US\$ 2.686 | US\$ 2.684 |

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, 2007 AND 2006**

| | Korean won | | Translation into | |
|---|---------------|-------------|------------------|------------|
| | 2007 | 2006 | 2007 | 2006 |
| | (In millions) | | (In thousands) | |
| RETAINED EARNINGS | | | | |
| BEFORE APPROPRIATIONS: | | | | |
| Unappropriated retained earnings carried over from prior years | (Won) 3,757 | (Won) 2,309 | US\$ 4,004 | US\$ 2,461 |
| Increases in retained earnings using the equity method of accounting (Note 3) | 753 | | 803 | |
| Decreases in retained earnings using the equity method of accounting (Note 3) | (3) | (1,331) | (3) | (1,419) |
| Net income | 2,031,195 | 2,029,319 | 2,164,991 | 2,162,992 |
| | 2,035,702 | 2,030,297 | 2,169,795 | 2,164,034 |
| APPROPRIATIONS: | | | | |
| Legal reserve | 203,120 | 202,932 | 216,500 | 216,299 |
| Cash dividends (Note 10) | 201,503 | 483,608 | 214,776 | 515,464 |
| (Dividends per common stock: (Won)250 (5.0%) and (Won)600 (12.0%) in 2007 and 2006, respectively) | | | | |
| Voluntary reserve | 1,630,000 | 1,340,000 | 1,737,369 | 1,428,267 |
| | 2,034,623 | 2,026,540 | 2,168,645 | 2,160,030 |
| UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEARS | | | | |
| | (Won) 1,079 | (Won) 3,757 | US\$ 1,150 | US\$ 4,004 |

See accompanying notes to non-consolidated financial statements.

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD.****NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

| Korean won | Common stock | Capital surplus | Capital adjustment | Accumulated other comprehensive income (In millions) | Retained earnings | Total |
|---|---------------------|------------------------|---------------------------|--|--------------------------|------------------|
| January 1, 2006 | (Won) 4,030,077 | (Won) 84,488 | (Won) (18) | (Won) 1,710,854 | (Won) 3,891,963 | (Won) 9,717,364 |
| Net income | | | | | 2,029,319 | 2,029,319 |
| Dividend | | | | | (322,405) | (322,405) |
| Valuation using the equity method on subsidiaries | | | | 510,125 | (1,331) | 508,794 |
| December 31, 2006 | (Won) 4,030,077 | (Won) 84,488 | (Won) (18) | (Won) 2,220,979 | (Won) 5,597,546 | (Won) 11,933,072 |
| January 1, 2007 | (Won) 4,030,077 | (Won) 84,488 | (Won) (18) | (Won) 2,220,979 | (Won) 5,597,546 | (Won) 11,933,072 |
| Net income | | | | | 2,031,195 | 2,031,195 |
| Dividend | | | | | (483,608) | (483,608) |
| Valuation using the equity method on subsidiaries | | | | (329,332) | 750 | (328,582) |
| December 31, 2007 | (Won) 4,030,077 | (Won) 84,488 | (Won) (18) | (Won) 1,891,647 | (Won) 7,145,883 | (Won) 13,152,077 |

| Translation into | Common stock | Capital surplus | Capital adjustment | Accumulated other comprehensive income (In thousands) | Retained earnings | Total |
|---|---------------------|------------------------|---------------------------|---|--------------------------|-----------------|
| U.S. dollars (Note 2) | | | | | | |
| January 1, 2006 | US\$ 4,295,542 | US\$ 90,053 | US\$ (19) | US\$ 1,823,549 | US\$ 4,148,330 | US\$ 10,357,455 |
| Net income | | | | | 2,162,992 | 2,162,992 |
| Dividend | | | | | (343,642) | (343,642) |
| Valuation using the equity method on subsidiaries | | | | 543,727 | (1,419) | 542,308 |
| December 31, 2006 | US\$ 4,295,542 | US\$ 90,053 | US\$ (19) | US\$ 2,367,276 | US\$ 5,966,261 | US\$ 12,719,113 |
| January 1, 2007 | US\$ 4,295,542 | US\$ 90,053 | US\$ (19) | US\$ 2,367,276 | US\$ 5,966,261 | US\$ 12,719,113 |
| Net income | | | | | 2,164,991 | 2,164,991 |
| Dividend | | | | | (515,464) | (515,464) |
| Valuation using the equity method on subsidiaries | | | | (351,025) | 800 | (350,225) |
| December 31, 2007 | US\$ 4,295,542 | US\$ 90,053 | US\$ (19) | US\$ 2,016,251 | US\$ 7,616,588 | US\$ 14,018,415 |

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, 2007 AND 2006**

| | 2007 | Korean won (In millions) | 2006 | Translation into U.S. dollars (Note 2) 2007 | 2006 | |
|---|-------|-----------------------------|-------|---|----------------|----------------|
| | | | | (In thousands) | | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | |
| Net income | (Won) | 2,031,195 | (Won) | 2,029,319 | US\$ 2,164,991 | US\$ 2,162,992 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | | | | |
| Loss on valuation using the equity method of accounting | | 9,157 | | 139 | 9,760 | 148 |
| Interest expense (amortization of discounts on debentures) | | 1,331 | | 1,388 | 1,418 | 1,480 |
| Provision for severance benefits | | 892 | | 880 | 951 | 938 |
| Depreciation | | 301 | | 237 | 321 | 253 |
| Amortization | | 12 | | 21 | 14 | 22 |
| Stock-based compensation | | | | 188 | | 200 |
| Gain on valuation using the equity method of accounting | | (2,156,884) | | (2,016,366) | (2,298,960) | (2,149,186) |
| Reversal of allowance for doubtful accounts | | (250) | | (300) | (266) | (320) |
| Gain on disposal of fixed assets | | | | (19) | | (20) |
| Other non-operating revenue | | (4,073) | | (135,913) | (4,341) | (144,865) |
| | | (2,149,514) | | (2,149,745) | (2,291,103) | (2,291,350) |
| Changes in operating assets and liabilities: | | | | | | |
| Decrease in other receivables | | 2,307 | | | 2,458 | |
| Decrease in accrued income | | 77 | | 481 | 82 | 513 |
| Decrease (increase) in prepaid expenses | | 19 | | (4) | 20 | (4) |
| Increase (decrease) in prepaid income tax | | (572) | | 1,246 | (610) | 1,328 |
| Retirement benefits payment | | (1,763) | | (497) | (1,879) | (530) |
| Decrease (increase) in employee retirement insurance deposit | | 2,002 | | (214) | 2,134 | (228) |
| Increase in post-retirement pension plan asset | | (1,090) | | | (1,162) | |
| Decrease in other payables | | (220) | | (133) | (234) | (142) |
| Decrease in accrued expenses | | (185) | | (2,498) | (197) | (2,663) |
| Increase (decrease) in withholdings | | 115 | | (270) | 122 | (288) |
| Dividends on investment securities accounted for the equity method | | 533,358 | | 767,091 | 568,491 | 817,620 |
| | | 534,048 | | 765,202 | 569,225 | 815,606 |
| Net cash provided by operating activities | | 415,729 | | 644,776 | 443,113 | 687,248 |

(Continued)

Table of Contents**WOORI FINANCE HOLDINGS CO., LTD.****NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)****FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

| | Korean won | | Translation into | |
|--|---------------|--------------|------------------|-------------|
| | 2007 | 2006 | 2007 | 2006 |
| | (In millions) | | (In thousands) | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | |
| Disposition of investment securities accounted for using the equity method of accounting | (Won) 50,000 | (Won) 54,000 | US\$ 53,294 | US\$ 57,557 |
| Collection of loans | 50,000 | 60,000 | 53,294 | 63,952 |
| Disposition of fixed assets | | 20 | | 21 |
| Refund of guarantee deposits | | 25 | | 27 |
| Acquisition of investment securities accounted for using the equity method of accounting | (271,149) | | (289,010) | |
| Acquisition of fixed assets | (109) | (748) | (116) | (797) |
| Acquisition of intangible assets | (2) | (16) | (2) | (17) |
| Increase in guarantee deposits | (35,840) | | (38,201) | |
| Net cash provided by (used in) investing activities | (257,100) | 113,281 | (274,035) | 120,743 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | |
| Proceeds from debentures in local currency | 767,757 | | 818,330 | |
| Repayment of debentures in local currency | (500,000) | (450,000) | (532,935) | (479,642) |
| Payment of dividends | (483,608) | (322,405) | (515,464) | (343,642) |
| Net cash used in financing activities | (215,851) | (772,405) | (230,069) | (823,284) |
| NET DECREASE IN CASH AND BANK DEPOSITS | (57,222) | (14,348) | (60,991) | (15,293) |
| CASH AND BANK DEPOSITS, BEGINNING OF THE YEAR | 89,724 | 104,072 | 95,634 | 110,927 |
| CASH AND BANK DEPOSITS, END OF THE YEAR | (Won) 32,502 | (Won) 89,724 | US\$ 34,643 | US\$ 95,634 |

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, 2007 AND 2006****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 10 subsidiaries and 23 2nd-tier subsidiaries as of December 31, 2007.

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, 2007, 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 588,158,609 shares (72.97%).

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 significant subsidiaries as of December 31, 2007 and 2006 is as follows:

| Parent companies | Subsidiaries | 2007 | | 2006 | | 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 | 35.0 | Dec. 31 |
| | Woori Credit Suisse Asset Management Co., Ltd. | 4,663,400 | 70.0 | 4,663,400 | 70.0 | Dec. 31 |
| | Woori Private Equity Co., Ltd. | 2,000,000 | 100.0 | 2,000,000 | 100.0 | Dec. 31 |
| | Woori Financial Co., Ltd. (*1) | 8,499,955 | 50.1 | | | Dec. 31 |
| Woori Bank | Woori Credit Information Co., Ltd. | 1,008,000 | 100.0 | 1,008,000 | 100.0 | Dec. 31(*7) |
| | Woori America Bank | 10,500,000 | 100.0 | 10,500,000 | 100.0 | Dec. 31(*7) |
| | PT. Bank Woori Indonesia | 1,618 | 95.2 | 1,618 | 95.2 | Dec. 31(*7) |
| | Korea BTL Infrastructure Fund | 24,233,666 | 100.0 | 7,937,899 | 100.0 | Dec. 31 |

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| | | | | | |
|----------------------------------|------------|-------|------------|-------|-------------|
| Woori Global Market Asia Limited | 39,000,000 | 100.0 | 39,000,000 | 100.0 | Dec. 31(*7) |
| Woori Bank (China) Limited (*2) | | 100.0 | | | Dec. 31(*7) |
| ZAO Woori Bank (*2) | 19,999,999 | 100.0 | | | Dec. 31(*7) |

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| Parent companies | Subsidiaries | 2007 | | 2006 | | Financial statements as of |
|---|---|-------------------------|-----------------------------|------------------------|-----------------------------|----------------------------|
| | | Number of shares owned | Percentage of ownership (%) | Number of shares owned | Percentage of ownership (%) | |
| Woori F&I Co., Ltd. | Woori SB Asset Management Co., Ltd. | 408,000 | 51.0 | 408,000 | 51.0 | Dec. 31 |
| | Woori F&I Fifth Asset Securitization Specialty (*3) | 182,500 | 100.0 | | | Dec. 31 |
| | Woori F&I Sixth Asset Securitization Specialty (*3) | 98,780 | 100.0 | | | Dec. 31 |
| | Woori F&I Seventh Asset Securitization Specialty (*3) | 105,300 | 100.0 | | | Dec. 31 |
| | Woori Investment Securities Co., Ltd. | Woori Futures Co., Ltd. | 5,000,000 | 100.0 | 5,000,000 | 100.0 |
| Woori, Kyongnam & Kwangju Bank, Woori Investment Securities, Woori F&I & Woori PE | Woori Investment Securities Int 1 Ltd. | 5,788,000 | 100.0 | 5,788,000 | 100.0 | Dec. 31(*7) |
| | Woori Investment Securities (H.K.) Ltd. | 22,500,000 | 100.0 | 22,500,000 | 100.0 | Dec. 31(*7) |
| | Woori Investment Securities America, Inc. | 300 | 100.0 | 300 | 100.0 | Dec. 31(*7) |
| | LG Investments Holding B.V. (Amsterdam) GG | 1,642,398,242 | 100.0 | 1,642,398,242 | 100.0 | Dec. 31(*7) |
| | High Technology Venture Investment | 208,000 | 42.9 | 208,000 | 42.9 | Dec. 31(*7) |
| | Global Technology Investment | 592,000 | 50.0 | 592,000 | 50.0 | Dec. 31(*7) |
| | MARS First Private Equity Fund | 13,500,000 | 52.9 | 9,000,000 | 52.9 | Dec. 31(*7) |
| | MARS Second Private Equity Fund (*4) | 2,418 | 8.9 | | | Dec. 31 |
| | Connacht Capital Market Investment (*5) | 15,000,000 | 100.0 | | | Dec. 31(*7) |
| | Woori Investment Asia Pte. Ltd. (*6) | 50,000,000 | 100.0 | | | Dec. 31(*7) |
| | Woori Private Equity Fund | 128,296 | 61.0 | 1,613 | 60.6 | Dec. 31 |

(*1) On September 14, 2007, the Company acquired 8,499,955 shares (50.1%) of Hanmi Capital Co., Ltd. (Hanmi Capital) at (Won)271,149 million. On October 26, 2007, Hanmi Capital changed its corporate name into Woori Financial Co., Ltd. (Woori Financial)

(*2) On October 26 and November 22, 2007, Woori Bank established Woori Bank (China) Limited and ZAO Woori Bank, respectively.

(*3) Woori F&I acquired 100% ownership interests of Woori F&I Fifth Asset Securitization Specialty on May 23, 2007 and Woori F&I Sixth Asset Securitization Specialty and Woori F&I Seventh Asset Securitization Specialty on December 12, 2007.

(*4) On March 20 and April 26, 2007, Woori Investment Securities acquired 129 and 2,289 shares of MARS Second Private Fund. Woori Investment Securities has a power in operating policy decision and participate on the board of directors as a general partner.

(*5) The liquidation plan on Connacht Capital Market Investment was cancelled in 2007.

(*6) On August 31, 2007, Woori Investment Securities acquired 100% ownership interest of Woori Investment Asia Pte. Ltd. (Woori Investment Asia) in Singapore.

(*7) The financial statements as of December 31, 2007 are not audited.

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(3) General information pertaining to the Company's subsidiaries as of December 31, 2007 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, 2007. Woori Bank is wholly owned by the Company. The head office of Woori Bank is located in Seoul, Korea. Woori Bank has 869 branches and offices in Korea, and 14 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, 2007, 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% ownership. The head office of Kyongnam Bank is located in Masan, Korea. Kyongnam Bank has 147 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, 2007, 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% ownership. Kwangju Bank's head office is located in Kwangju, Korea. Kwangju Bank has 128 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, 2007, 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, 2007, 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.

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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 SB Asset Management Co., Ltd. for asset management. As of December 31, 2007, 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, 2006 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 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, 2007, 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 123 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, 2006. On May 31, 2006, 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, 2007, 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, 2007, 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, 2006, has been engaged in direct investment in a private equity fund or investment advisory and management services. As of December 31, 2007, 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.

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j. Woori Financial Co., Ltd.

Woori Financial Co., Ltd. (formerly Hanmi Capital, Woori Financial), established on September 1989, has been engaged in lease, installment and factoring business. On September 14, 2007, the Company acquired 8,499,955 shares of Hanmi Capital at (Won)271,149 million. On October 26, 2007, Hanmi Capital changed its corporate name into Woori Financial Co., Ltd. (Woori Financial). As of December 31, 2007, the number of issued and outstanding common shares and contributed capital of Woori Financial are 16,963,128 shares and (Won)84,816 million, respectively, which the Company owns 50.11% of the common shares. The office of Woori Financial is located in Suwon, Korea and Woori Financial has 17 domestic branches in Korea.

(4) General information pertaining to the Company's 2nd-tier subsidiaries as of December 31, 2007 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, 2007, 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 15 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, 2007, 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, 2007, its common stock amounted to IDR 170,000 million consisting of 1,700 shares issued and outstanding of which Woori Bank owns 95.2% ownership.

d. Korea BTL Infrastructure Fund

Korea BTL Infrastructure Fund (Korea BTL) was established on May 19, 2007 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, 2007, its common stock, which is wholly owned by Woori Bank, amounted to (Won)121,168 million, consisting of 24,233,666 shares issued and outstanding. The office of Korea BTL is located in Seoul, Korea.

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, 2007, 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, 2007, Woori SB's common stock amounted to (Won)4,000 million consisting of 800,000 shares issued and Woori F&I owns 51% ownership. The office of Woori SB is located in Seoul, Korea.

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f. Woori Private Equity Fund

Woori Private Equity Fund (Woori PEF) was established on July 6, 2006, based on the Act on Indirect Investment Asset Management Business and has been engaged in investments by private funding and intends to offer an investment return to investors by enhancing the investees' value by participation in investees' management and restructuring. As of December 31, 2007, the common stock of Woori PEF amounted to (Won)210,178 million consisting of 210,178 shares of which the Company's subsidiaries own 61.0% ownership. The office of Woori PEF is located in Seoul, Korea.

g. The information of other 2nd - tier subsidiaries as of December 31, 2007 is as follows (Korean won in millions and U.S. dollar, EURO, HKD, CNY and RUB 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 | 2007.8.23 | Hong Kong, China |
| Woori Bank (China) Limited | Banking | CNY | 2,400,000 | | 2007.10.26 | Beijing, China |
| ZAO Woori Bank | Banking | RUB | 500,000 | 20,000,000 | 2007.11.22 | Moscow, Russia |
| Woori F&I Fifth Asset Securitization Specialty | Asset securitization | (Won) | 912 | 182,500 | 2007.5.23 | Seoul, Korea |
| Woori F&I Sixth Asset Securitization Specialty | Asset securitization | (Won) | 494 | 98,780 | 2007.12.12 | Seoul, Korea |
| Woori F&I Seventh Asset Securitization Specialty | Asset securitization | (Won) | 527 | 105,300 | 2007.12.12 | Seoul, Korea |
| 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 | 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) | 25,500 | 25,500,000 | 2006.1.26 | Seoul, Korea |
| MARS Second Private Equity Fund | Securities investments | (Won) | 272,000 | 27,200 | 2007.2.8 | Seoul, Korea |
| Connacht Capital Market Investment | Securities investments | USD | 150 | 15,000,000 | 1996.5.8 | Malaysia |
| Woori Investment Asia Pte. Ltd. | Investments | USD | 50,000 | 5,000,000 | 2007.9.20 | Singapore |

Table of Contents**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)938.20 to US\$ 1.00 at December 31, 2007, 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 3, 2008.

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.25. The Company had adopted SKASs No.1 to No.20 (except for No.11) before the beginning of the 2007 and has adopted SKASs No.11 Discontinuing operations and No.21 Preparation and presentation of financial statements to No.25 Consolidated financial statement on or after January 1, 2007.

Significant SKASs newly adopted are summarized below.

1) Change of presentation of financial statements

The Company has prepared the balance sheets, income statements, statements of appropriations of retained earnings (statements of disposition of accumulated deficit), statements of changes in shareholders' equity, statements of cash flows and notes on a going concern basis in accordance with SKAS No.21 and revised No.101 Financial holding company. The presentation and classification of items in the financial statements should be retained from one period to the next to improve the comparability of financial statements and the comparative information should be disclosed in respect of the previous period for all amounts reported in the financial statements. Thus, the Company has prepared the statements of changes in shareholders' equity as a complete set of financial statements and the statements of comprehensive income as a note.

2) Earnings per common share

The Company adopted SKAS No.23 Earnings per Share in 2007. The Company has computed basic earnings per common share or basic net income per common share by dividing the profit or loss from continuing operations or net income, respectively, by the weighted average number of ordinary shares outstanding during the period. For the purpose of calculating diluted earnings per share, the Company has adjusted profit or loss from continuing operations or net income and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

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b. 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.

c. 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.

d. 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 leasehold improvements 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.

e. 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.

f. 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.

g. Accrued severance benefits

In accordance with the Company's policy, all employees with more than one year of service are entitled to receive severance benefit payments at termination. Before the beginning of 2007, deposits for severance benefits, which would be directly paid to employees, were recorded as deductions from accrued severance benefits. Beginning 2007, deposits for severance benefits have been transferred to defined benefit post-retirement pension plan assets which are presented as deductions from accrued severance benefits (Note 8).

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h. Stock-based compensation

The Company had valued stock options at fair value in accordance with Interpretation on KFAQS 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 2006, 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, 2007.

i. 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.

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

- (1) Changes in investment securities accounted for using the equity method of accounting for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | Jan.1, 2007 | Gain (loss) on valuation using the equity method | Capital adjust- ments | Retained earnings | Other increase (decrease) | Dec.31, 2007 |
|--------------------------------|------------------|--|-----------------------------|----------------------|---------------------------------|------------------|
| Woori Bank | (Won) 11,297,882 | (Won) 1,727,999 | (Won) (318,152) | (Won) 753 | (Won) (421,819) | (Won) 12,286,663 |
| Kyongnam Bank | 794,984 | 161,933 | (2,384) | (2) | (30,976) | 923,555 |
| Kwangju Bank | 630,995 | 115,542 | (2,653) | | (17,628) | 726,256 |
| WFIS | 11,245 | 937 | | | (2,102) | 10,080 |
| Woori F&I | 124,874 | 40,001 | (6,367) | | (13,762) | 144,746 |
| Woori 3 rd SPC | 24,317 | (140) | (22,430) | | 138 | 1,885 |
| Woori Investment Securities | 649,355 | 97,977 | 23,395 | | (34,744) | 735,983 |
| Woori CS | 47,655 | 10,639 | (5) | | (8,394) | 49,895 |
| Woori PE | 10,106 | 1,856 | (12) | (1) | | 11,949 |
| Woori Financial | | (9,017) | (724) | | 271,149 | 261,408 |
| | (Won) 13,591,413 | (Won) 2,147,727 | (Won) (329,332) | (Won) 750 | (Won) (258,138) | (Won) 15,152,420 |

| <2006> | Jan.1, 2006 | Gain (loss) on valuation using the equity method | Capital adjust- ments | Retained earnings | Other 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 rd SPC | | (139) | 24,564 | | (108) | 24,317 |
| | 604,543 | 68,233 | 14,127 | | (37,548) | 649,355 |

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| | | | | | |
|-----------------------------|--------|--------|-----|----------|--------|
| Woori Investment Securities | | | | | |
| 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

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(2) The details of other increase or decrease for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | Acquisition (Disposal) | Dividends | Others | Total |
|-----------------------------|---------------------------|-----------------|-------------|-----------------|
| Woori Bank | (Won) (424,819) | (Won) (424,819) | (Won) 3,000 | (Won) (421,819) |
| Kyongnam Bank | | (30,976) | | (30,976) |
| Kwangju Bank | | (18,029) | 401 | (17,628) |
| WFIS | | (2,250) | 148 | (2,102) |
| Woori F&I | | (14,146) | 384 | (13,762) |
| Woori 3 rd SPC | | | 138 | 138 |
| Woori Investment Securities | | (34,744) | | (34,744) |
| Woori CS | | (8,394) | | (8,394) |
| Woori Financial | 271,149 | | | 271,149 |
| | (Won) 271,149 | (Won) (533,358) | (Won) 4,071 | (Won) (258,138) |

| <2006> | Other non- operating revenue | Acquisition (Disposal) | Dividends | Total |
|-----------------------------|------------------------------------|---------------------------|-----------------|-----------------|
| Woori Bank | (Won) 125,576 | (Won) (592,711) | (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 rd SPC | | | (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) |

(3) The details of changes in the difference between the acquisition cost and the proportionate net asset value on the acquisition date for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| | Jan. 1, 2007 | Acquisition | Amortization | Dec. 31, 2007 |
|-----------------------------|---------------|---------------|---------------|---------------|
| Woori F&I | (Won) 70 | (Won) | (Won) 4 | (Won) 66 |
| Woori Investment Securities | (2,494) | | (139) | (2,355) |
| Woori Financial | | 192,152 | 9,608 | 182,544 |
| | (Won) (2,424) | (Won) 192,152 | (Won) 9,473 | (Won) 180,255 |
| | Jan. 1, 2006 | Amortization | Dec. 31, 2006 | |
| 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) | |

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- (4) The details of unrealized gain (loss) from transactions among subsidiaries for the year ended December 31, 2007 are as follows (Korean won in millions):

| | Jan. 1, 2007 | Realized | Incurred | Dec. 31, 2007 |
|-----------------------------|--------------|---------------|---------------|----------------|
| Woori Bank | (Won) 588 | (Won) (9,370) | (Won) (3,567) | (Won) (12,349) |
| Kyongnam Bank | 5 | (5) | 102 | 102 |
| Kwangju Bank | 3,688 | 6,466 | 152 | 10,306 |
| WFIS | 1,726 | 675 | | 2,401 |
| Woori F&I | (384) | (250) | | (634) |
| Woori 3 rd SPC | (139) | | | (139) |
| Woori Investment Securities | | 15 | (144) | (129) |
| | (Won) 5,484 | (Won) (2,469) | (Won) (3,457) | (Won) (442) |

- (5) The market value of Woori Investment Securities and Woori Financial are (Won)1,220,663 million ((Won)26,350 per share) and (Won)129,624 million ((Won)15,250 per share), respectively, as of December 31, 2007.

4. LOANS AND ALLOWANCE FOR POSSIBLE LOAN LOSSES

- (1) Loans as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | Issuance date | Maturity date | Annual interest rate (%) | 2007 | 2006 |
|------------------------------------|---------------|---------------|--------------------------|-------|--------------|
| Woori F&I (*1) | Mar. 25, 2003 | Mar. 25, 2007 | 7.3 | (Won) | (Won) 27,000 |
| | Jul. 7, 2003 | Jul. 7, 2007 | 7.3 | | 23,000 |
| | | | | | 50,000 |
| Allowance for possible loan losses | | | | | (250) |
| | | | | (Won) | (Won) 49,750 |

- (*1) 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.

5. FIXED ASSETS AND INTANGIBLE ASSETS

- (1) Changes in fixed assets for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| | Jan. 1, 2007 | Acquisition | Disposition | Depreciation | Dec. 31, 2007 |
|-------------------------|--------------|-------------|-------------|--------------|---------------|
| Furniture and equipment | (Won) 596 | (Won) 39 | (Won) | (Won) 282 | (Won) 353 |
| Leasehold improvements | 34 | 43 | | 19 | 58 |
| Others | | 27 | | | 27 |

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(Won) 630 (Won) 109 (Won) (Won) 301 (Won) 438

| | Jan. 1, 2006 | Acquisition | Disposition | Depreciation | Dec. 31, 2006 |
|-------------------------|---------------------|--------------------|--------------------|---------------------|----------------------|
| Furniture and equipment | (Won) 74 | (Won) 732 | (Won) | (Won) 210 | (Won) 596 |
| Leasehold improvements | 45 | 16 | | 27 | 34 |
| | (Won) 119 | (Won) 748 | (Won) | (Won) 237 | (Won) 630 |

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(2) Changes in intangible assets for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| | Jan. 1, 2007 | Acquisition | Amortization | Dec. 31, 2007 |
|----------------------------|--------------|-------------|--------------|---------------|
| Software | (Won) 3 | (Won) | (Won) 1 | (Won) 2 |
| Industrial property rights | 27 | 2 | 11 | 18 |
| | (Won) 30 | (Won) 2 | (Won) 12 | (Won) 20 |

| | 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 |

As of December 31, 2007 and 2006, accumulated amortization of software amount to (Won)32 million and (Won)31 million, respectively, and accumulated amortization of industrial property rights amount to (Won)68 million and (Won)57 million, respectively.

6. OTHER ASSETS

Other assets as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|-------------------------------------|--------------|--------------|
| Guarantee deposits (Note 17) | (Won) 40,019 | (Won) 4,178 |
| Other receivables (Notes 11 and 17) | 969 | 3,276 |
| Dividend receivables | 53,869 | 53,869 |
| Accrued income (Note 17) | 372 | 448 |
| Prepaid expenses | 184 | 203 |
| Income tax refund receivables | 572 | |
| Intangible assets (Note 5) | 20 | 30 |
| | (Won) 96,005 | (Won) 62,004 |

7. DEBENTURES

Debentures in local currency as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | Issuance date | Annual interest rate (%) | Maturity | 2007 | 2006 |
|----------------|---------------|--------------------------|---------------|---------|---------------|
| The 8th bonds | Dec. 26, 2002 | 6.05 | Dec. 26, 2007 | (Won) | (Won) 200,000 |
| 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 |
| The 14th bonds | Nov. 23, 2004 | 3.49 | Nov. 23, 2007 | | 300,000 |

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| | | | | | |
|------------------------------|---------------|------|---------------|-----------------|-----------------|
| 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 18-1 st bonds | Aug. 30, 2007 | 5.71 | Aug. 30, 2010 | 250,000 | |
| The 18-2 nd bonds | Aug. 30, 2007 | 5.79 | Aug. 30, 2012 | 250,000 | |
| The 19-1 st bonds | Dec. 6, 2007 | 6.63 | Dec. 6, 2010 | 130,000 | |
| The 19-2 nd bonds | Dec. 6, 2007 | 6.63 | Dec. 6, 2010 | 140,000 | |
| | | | | 2,120,000 | 1,850,000 |
| Less: discounts | | | | (3,321) | (2,409) |
| | | | | (Won) 2,116,679 | (Won) 1,847,591 |

(*) All Debentures above are in terms of bullet repayment.

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)1,492 million and (Won)2,363 million as of December 31, 2007 and 2006, respectively.

The details of changes in the accrued severance benefits for years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|--|-------------|-------------|
| January 1 | (Won) 2,363 | (Won) 1,980 |
| Provision for severance benefits (Note 14) | 892 | 880 |
| Transfer from subsidiaries | 100 | |
| Retirement indemnities payment | (1,863) | (497) |
| December 31 | (Won) 1,492 | (Won) 2,363 |

As of December 31, 2006, the Company had deposited employee retirement insurance at Woori Bank. The deposits, amounting to (Won)2,002 million were presented as a deduction from accrued severance benefits. Beginning 2007, deposits for severance benefits have been transferred to defined benefit post-retirement pension plan assets which are presented as deductions from accrued severance benefits. As of December 31, 2007, post-retirement pension plan assets consist of cash and time deposits amounting to (Won)110 million and (Won)980 million.

9. OTHER LIABILITIES

Other liabilities as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|--|--------------|--------------|
| Accrued severance benefits (Note 8) | (Won) 1,492 | (Won) 2,363 |
| Deposits with employee retirement insurance trust (Notes 8 and 17) | | (2,002) |
| Post-retirement pension plan assets | | |
| (Notes 8 and 17) | (1,090) | |
| Other payables (Note 17) | 432 | 651 |
| Accrued expenses (Note 11) | 11,497 | 11,682 |
| Withholdings | 278 | 164 |
| | (Won) 12,609 | (Won) 12,858 |

10. SHAREHOLDERS EQUITY

(1) The authorized shares and issued shares of common stock as of December 31, 2007 and 2006 are as follows:

| | 2007 | 2006 |
|-----------------------------------|---------------|---------------|
| 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, 2007 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) |
| 2006.12.31 | | 806,015,340 | (Won) 4,030,077 | (Won) 84,488 |
| 2007.12.31 | | 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 2,560 shares and 2,555 shares of treasury stock as of December 31, 2007 and 2006, respectively.
- (5) The changes in retained earnings from December 31, 2006 to December 31, 2007 are as follows (Korean won in millions):

| | 2007 |
|-------------------------------------|-----------------|
| Balance - December 31, 2006 | (Won) 2,030,297 |
| Appropriations: | |
| Dividend | (483,608) |
| Legal reserve | (202,932) |
| Voluntary reserve | (1,340,000) |
| Increase by using the equity method | |
| of accounting | 750 |
| Net income for the year ended | |
| December 31, 2007 | 2,031,195 |

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Balance - December 31, 2007

(Won) 2,035,702

(6) Dividends to net income ratio for the years ended December 31, 2007 and 2006 are as follows:

| | 2007 | 2006 |
|-------------------------------|-------------------------|-------------------------|
| The number of issued shares | 806,015,340 | 806,015,340 |
| The number of treasury stocks | 2,560 | 2,555 |
| Shares subject to dividend | 806,012,780 | 806,012,785 |
| Dividend per share | (Won) 250 | (Won) 600 |
| Par value | (Won) 5,000 | (Won) 5,000 |
| Dividend ratio per share | 5.0% | 12.0% |
| Gross dividend | (Won) 201,503 million | (Won) 483,608million |
| Net income | (Won) 2,031,195 million | (Won) 2,029,319 million |
| Dividend ratio by net income | 9.92% | 23.83% |

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 2006, 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 9,500 and 468,500 stock options were exercised amounting to (Won)120 million and (Won)4,592 million for the years ended December 31, 2007 and 2006, respectively. In connection with this, the Company revalued stock based compensation and recorded (Won)1,459 million of the stock-based payment as liabilities as of December 31, 2007.
- (2) The summary of stock-based compensation granted as of December 31, 2007 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, 2006 | |
| 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 | 590,000 shares | 369,000 shares |
| Exercisable number of rights | 130,000 shares | 51,000 shares |
| Value per right | (Won)6,618 | (Won)11,739 |
| Stock-based compensation liabilities | (Won)860 million | (Won)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)908 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, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | | 2006 | |
|---|-------------|-------------|-------------|-------------|
| | (Won) | 2,031,195 | (Won) | 2,029,319 |
| Net income before income tax | | | | |
| Non-temporary differences: | | | | |
| Addition: | | | | |
| Investment securities | 750 | | 611,434 | |
| Stock Compensation | | | 123 | |
| Other | 670 | | 551 | |
| | 1,420 | | 612,108 | |
| Deduction: | | | | |
| Dividend income | (470,570) | | (687,548) | |
| Investment securities | (329,333) | | (1,331) | |
| Other non-operating income | | | (135,913) | |
| | (799,903) | (798,483) | (824,792) | (212,684) |
| Temporary differences: | | | | |
| Addition: | | | | |
| Long-term other receivables | 2,368 | | 2,814 | |
| Long-term accrued expenses | 2,188 | | 2,153 | |
| Gain on disposal of investment securities | | | 34,604 | |
| Other | 2,099 | | 1,088 | |
| | 6,655 | | 40,659 | |
| Deduction: | | | | |
| Investment securities | (1,289,858) | | (1,872,100) | |
| Long-term accrued expenses | (4,823) | | (3,808) | |
| Other | (2,641) | | (3,829) | |
| | (1,297,322) | (1,290,667) | (1,879,737) | (1,839,078) |
| Taxable income before donation adjustment | | (57,955) | | (22,443) |
| Excess donation expense | | 168 | | 119 |
| Taxable loss | (Won) | (57,787) | (Won) | (22,324) |

- (2) The changes in cumulative temporary differences and tax loss carry-forwards for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | Jan. 1, 2007 | Decrease | Increase | Dec. 31, 2007 | Deferred tax assets (liabilities) |
|--------|--------------|----------|----------|---------------|-----------------------------------|
|--------|--------------|----------|----------|---------------|-----------------------------------|

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| | | | | | |
|---|-------------------|-----------------|-------------------|-------------------|--------------------|
| Investment securities | (Won) (4,461,245) | (Won) (542,515) | (Won) (2,161,706) | (Won) (6,080,436) | (Won) (*1)(79,230) |
| Accrued expenses | 2,153 | 2,153 | 2,188 | 2,188 | 602 |
| Accrued severance benefits | 1,418 | 1,274 | 826 | 970 | 267 |
| Employee retirement deposits | (1,418) | (1,274) | (826) | (970) | (267) |
| Depreciation | 178 | 174 | | 4 | 1 |
| Accounts receivable | (3,276) | (2,368) | | (908) | (250) |
| Long-term accrued expenses | 4,129 | 2,670 | | 1,459 | 401 |
| Capital adjustments due to the | | | | | |
| equity method of accounting | (2,322,288) | (329,333) | | (1,992,955) | (*1)(23,902) |
| Gain on disposal of investments using the equity method | 34,604 | | | 34,604 | 9,516 |
| Accrued income | | | (367) | (367) | (101) |
| | (Won) (6,745,745) | (Won) (869,219) | (Won) (2,159,885) | (Won) (8,036,411) | (Won) (92,963) |
| Tax loss carry-forwards | (Won) 219,103 | (Won) 13,899 | (Won) 57,787 | (Won) 262,991 | (Won) 72,323 |

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| <2006> | Jan. 1, 2006 | Decrease | Increase | Dec. 31, 2006 | Deferred tax assets (liabilities) |
|--|-------------------|--------------|-------------------|-------------------|-----------------------------------|
| Investment securities | (Won) (3,200,579) | (Won) 12,970 | (Won) (1,247,696) | (Won) (4,461,245) | (Won) (*1)(63,143) |
| Accrued expenses | 2,770 | 2,770 | 2,153 | 2,153 | 592 |
| 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 |
| 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 |
| Capital adjustments due to the equity method of accounting | (1,710,854) | 768 | (610,666) | (2,322,288) | (*1)(41,813) |
| Gain on disposal of investments using the equity method | | | 34,604 | 34,604 | 9,516 |
| | (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) 22,324 | (Won) 219,103 | (Won) 60,253 |

(*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) 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 | 22,324 | | | 22,324 | Dec. 31, 2011 |
| 2007 | 57,787 | | | 57,787 | Dec. 31, 2012 |
| | (Won) 302,178 | (Won) | (Won) 39,187 | (Won) 262,991 | |

(*1) Adjusted based on the reported tax returns

(4) 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, 2007 and 2006 are as follows (Korean won in millions):

| Transactions | 2007 | 2006 |
|--|---------------|---------------|
| Increase in capital adjustments due to the equity method of accounting | (Won) 329,332 | (Won) 646,038 |
| Decrease in retained earnings due to the equity method of accounting | 750 | (1,331) |
| Increase in other receivables and stock-based compensation | | 2,814 |
| Increase in dividend receivables | | 108 |

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

General and administrative expenses for the years ended December 31, 2007 and 2006 are summarized as follows (Korean won in millions):

| | 2007 | 2006 |
|---|--------------|--------------|
| Salaries, wages and bonuses (Note 22) | (Won) 12,009 | (Won) 10,311 |
| Provision for severance benefits (Notes 8 and 22) | 892 | 880 |
| Voluntary retirement benefits | 176 | |
| Fringe benefits (Note 22) | 944 | 789 |
| Rent (Notes 17 and 22) | 1,593 | 2,319 |
| Entertainment | 821 | 618 |
| Depreciation (Notes 5 and 22) | 301 | 237 |
| Amortization (Notes 5 and 22) | 12 | 21 |
| Taxes and dues (Note 22) | 75 | 63 |
| Advertising | 322 | 7,161 |
| Travel | 504 | 273 |
| Telecommunications | 157 | 105 |
| Service fees (Note 17) | 2,170 | 2,239 |
| Suppliers | 130 | 86 |
| Stock compensation (Note 11) | | 188 |
| Others (Note 17) | 1,232 | 1,061 |
| | (Won) 21,338 | (Won) 26,351 |

15. FINANCIAL INFORMATION OF SUBSIDIARIES

(1) The condensed balance sheets of subsidiaries as of December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | Total assets | Total liabilities | Total shareholders equity |
|-----------------------------|-------------------|-------------------|------------------------------|
| Woori Bank | (Won) 198,824,667 | (Won) 186,514,691 | (Won) 12,309,976 |
| Kyongnam Bank | 19,338,651 | 18,415,235 | 923,416 |
| Kwangju Bank | 15,282,784 | 14,567,236 | 715,548 |
| WFIS | 233,540 | 226,009 | 7,531 |
| Woori F&I | 276,888 | 128,913 | 147,975 |
| Woori 3 rd SPC | 55,775 | 53,890 | 1,885 |
| Woori Investment Securities | 15,193,176 | 12,597,007 | 2,596,169 |
| Woori CS | 82,216 | 10,938 | 71,278 |
| Woori PE | 13,427 | 1,478 | 11,949 |
| Woori Financial | 1,154,112 | 975,479 | 178,633 |
| | (Won) 250,455,236 | (Won) 233,490,876 | (Won) 16,964,360 |

| <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 |

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| | | | |
|-----------------------------|-------------------|-------------------|------------------|
| WFIS | 209,101 | 199,581 | 9,520 |
| Woori F&I | 224,950 | 95,914 | 129,036 |
| Woori 3 rd 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 |

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- (2) The condensed statements of operations of subsidiaries for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| <2007> | Operating revenue | Operating expenses | Operating income (loss) | Ordinary income (loss) | Net income (loss) |
|---------------------------|-------------------|--------------------|-------------------------|------------------------|-------------------|
| Woori Bank | (Won) 20,998,904 | (Won) 18,617,403 | (Won) 2,381,501 | (Won) 2,392,501 | (Won) 1,777,544 |
| Kyongnam Bank | 1,346,742 | 1,121,091 | 225,651 | 221,018 | 160,974 |
| Kwangju Bank | 978,421 | 828,085 | 150,336 | 152,397 | 112,617 |
| WFIS | 271,197 | 270,343 | 854 | 501 | 261 |
| Woori F&I | 56,130 | 13,283 | 42,847 | 56,634 | 39,918 |
| Woori 3 rd SPC | 9 | 150 | (141) | (141) | (141) |
| Woori Investments | | | | | |
| Securities | 3,096,439 | 2,724,197 | 372,242 | 375,722 | 278,127 |
| Woori CS | 49,486 | 24,610 | 24,876 | 21,512 | 15,198 |
| Woori PE | 5,543 | 3,097 | 2,446 | 2,562 | 1,856 |
| Woori Financial (*1) | 154,363 | 146,703 | 7,660 | 6,995 | 748 |
| | (Won) 26,957,234 | (Won) 23,748,962 | (Won) 3,208,272 | (Won) 3,229,701 | (Won) 2,387,102 |

- (*1) Only includes operational results from acquisition

| <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 rd 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 |

- (3) Significant liabilities and assets of the Company and its subsidiaries as of December 31, 2007 and 2006 are summarized as follows (Korean won in millions):

1) Significant liabilities

| <2007> | Deposits | Borrowings | Debentures | Total |
|------------------------|-------------|------------|-----------------|-----------------|
| Woori Finance Holdings | (Won) | (Won) | (Won) 2,116,679 | (Won) 2,116,679 |
| Woori Bank | 121,416,354 | 16,293,409 | 29,488,704 | 167,198,467 |
| Kyongnam Bank | 12,280,334 | 2,797,405 | 1,926,074 | 17,003,813 |
| Kwangju Bank | 11,052,862 | 2,052,920 | 882,547 | 13,988,329 |
| WFIS | | 144,000 | | 144,000 |

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| | | | | |
|-----------------------------|-------------------|------------------|------------------|-------------------|
| Woori F&I | | 112,300 | | 112,300 |
| Woori Investment Securities | 2,474,079 | 8,952,518 | 499,317 | 11,925,914 |
| Woori Financial | | 258,864 | 589,257 | 848,121 |
| | (Won) 147,223,629 | (Won) 30,611,416 | (Won) 35,502,578 | (Won) 213,337,623 |

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| <2006> | Deposits | Borrowings | Debentures | Total |
|-----------------------------|-------------------|------------------|------------------|-------------------|
| Woori Finance Holdings | (Won) 1,847,591 | (Won) 1,847,591 | (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 |

2) Significant assets

| <2007> | Cash and due from banks | Securities | Loans | Total |
|-----------------------------|----------------------------|------------------|-------------------|-------------------|
| Woori Finance Holdings | (Won) 32,502 | (Won) 15,154,808 | (Won) | (Won) 15,187,310 |
| Woori Bank | 10,373,317 | 30,488,584 | 142,396,411 | 183,258,312 |
| Kyongnam Bank | 1,556,640 | 3,702,600 | 12,862,334 | 18,121,574 |
| Kwangju Bank | 1,434,948 | 3,838,197 | 9,495,144 | 14,768,289 |
| WFIS | 2,962 | 49 | | 3,011 |
| Woori F&I | 9,424 | 99,475 | 159,719 | 268,618 |
| Woori 3 rd SPC | 340 | 55,435 | | 55,775 |
| Woori Investment Securities | 1,631,541 | 10,504,539 | 1,996,173 | 14,132,253 |
| Woori CS | 64,525 | 302 | 1,039 | 65,866 |
| Woori PE | 5,601 | 6,155 | | 11,756 |
| Woori Financial | 66,795 | 26,279 | 823,275 | 916,349 |
| | (Won) 15,178,595 | (Won) 63,876,423 | (Won) 167,734,095 | (Won) 246,789,113 |

| <2006> | Cash and due from banks | Securities | Loans | Total |
|-----------------------------|----------------------------|------------------|-------------------|-------------------|
| 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 rd 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 |

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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, 2007 and 2006 are summarized as follows (Korean won in millions):

| | Loans subject to allowance for possible loan losses | Allowance | Percentage of allowance to loans (%) |
|-----------------------------|--|------------------|---|
| <2007> | | | |
| Woori Bank | (Won) 144,304,639 | (Won) 1,908,228 | 1.32 |
| Kyongnam Bank | 13,015,715 | 153,381 | 1.18 |
| Kwangju Bank | 9,621,382 | 126,238 | 1.31 |
| Woori F&I | 160,522 | 803 | 0.50 |
| Woori Investment Securities | 2,100,980 | 104,807 | 4.99 |
| Woori CS | 1,044 | 5 | 0.48 |
| Woori Financial | 832,324 | 9,049 | 1.09 |
| | (Won) 170,036,606 | (Won) 2,302,511 | 1.35 |

| | Loans subject to allowance for possible loan losses | Allowance | Percentage of allowance to loans (%) |
|-----------------------------|--|------------------|---|
| <2006> | | | |
| 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 |

16. CONTRIBUTIONS TO NET INCOME BY SUBSIDIARIES

Contributions to net income of the Company by subsidiaries for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | Ratio (%) | 2006 | Ratio (%) |
|---|-----------------|------------------|-----------------|------------------|
| Woori Bank | (Won) 1,727,999 | 80.5 | (Won) 1,648,837 | 81.8 |
| Kyongnam Bank | 161,933 | 7.5 | 155,002 | 7.7 |
| Kwangju Bank | 115,542 | 5.4 | 100,656 | 5.0 |
| WFIS | 937 | | 3,842 | 0.2 |
| Woori F&I | 40,001 | 1.9 | 28,474 | 1.4 |
| Woori 3 rd SPC | (140) | | (139) | |
| Woori Investment Securities | 97,977 | 4.5 | 68,233 | 3.4 |
| Woori CS | 10,639 | 0.5 | 11,013 | 0.5 |
| Woori PE | 1,856 | 0.1 | 309 | |
| Woori Financial | (9,017) | (0.4) | | |
| Gain on valuation using the equity method of accounting | 2,147,727 | 100.0 | 2,016,227 | 100.0 |
| Other income | 16,063 | | 151,440 | |
| Other expenses | 132,595 | | (138,348) | |

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Net income

(Won) 2,031,195

(Won) 2,029,319

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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, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 | |
|---|--------------|---------------|---|
| <Assets> | | | |
| Woori Bank | (Won) 32,502 | (Won) 67,394 | Cash and bank deposits |
| | 25,994 | 4,153 | Guarantee deposits |
| | 593 | 2,619 | Other receivables |
| | 372 | 116 | Accrued income |
| | 1,090 | | Post-retirement pension plan assets |
| Principal guaranteed trust accounts of Woori Bank | | 2,002 | Deposits with employee retirement trust |
| Kyongnam Bank | | 11,287 | Cash and bank deposits |
| | | 14 | Accrued income |
| Kwangju Bank | | 11,043 | Cash and bank deposits |
| | | 8 | Accrued income |
| WFIS | 63 | 159 | Other receivables |
| Woori F&I | | 50,000 | Loans |
| | | 310 | Accrued income |
| Woori Credit Information | 73 | 240 | Other receivables |
| Woori SB | 179 | 257 | Other receivables |
| | (Won) 60,866 | (Won) 149,602 | |
| <Liabilities> | | | |
| Woori Bank | (Won) 201 | (Won) 117 | Other payables |

(2) Revenues and expenses from transactions with the subsidiaries for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 | |
|---|--------------|--------------|-------------------------------|
| <Revenues> | | | |
| Woori Bank | (Won) 7,884 | (Won) 5,256 | Interest income on deposits |
| Kyongnam Bank | 1,381 | 1,365 | Interest income on deposits |
| Kwangju Bank | 1,389 | 1,083 | Interest income on deposits |
| WFIS | | 1,424 | Interest income on loans |
| Woori F&I | 799 | 4,892 | Interest income on loans |
| Principal guaranteed trust accounts of Woori Bank | 5 | 61 | Interest income on deposits |
| | (Won) 11,458 | (Won) 14,081 | |
| <Expenses> | | | |
| Woori Bank | (Won) 1,346 | (Won) 2,261 | Rent |
| WFIS | 1,642 | 1,728 | Service fees |
| Woori Investment Securities | 1,963 | | Other administrative expenses |
| | 14 | | |
| | (Won) 4,965 | (Won) 3,801 | |

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- (3) The Company compensated registered or non-registered directors, who have the authorities and responsibilities for the plan, management and control of the Company, operation for (Won)3,034 million of salaries and recorded (Won)96 million of provision for severance benefits for the year ended December 31, 2007.

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

- (1) Basic net income per common share for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions, except for earnings per share data):

| | 2007 | 2006 |
|--|--------------------|--------------------|
| Net income on common shares | (Won) 2,031,195 | (Won) 2,029,319 |
| Weighted average number of common shares outstanding | 806,012,783 | 806,012,788 |
| Basic net income per common shares | (Won) 2,520 | (Won) 2,518 |

19. COMPREHENSIVE INCOME STATEMENT

Comprehensive income statements for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|---|------------------------|------------------------|
| Net income | (Won) 2,031,195 | (Won) 2,029,319 |
| Valuation using the equity method on subsidiaries | (329,332) | 510,126 |
| Comprehensive income | (Won) 1,701,863 | (Won) 2,539,445 |

20. INSURANCE

As of December 31, 2007, the Company has insurance for liability of reparation of directors with Samsung Fire & Marine Insurance Co., Ltd. and others. The insurance coverage is (Won)50,000 million.

21. OPERATIONAL RESULTS

Operational results for the three months ended December 31, 2007 and 2006 are as follows (Korean won in millions, except for earning per share data):

| | Three months ended Dec. 31, 2007 (Unaudited) | Three months ended Dec. 31, 2006 (Unaudited) |
|--|---|---|
| Operating revenue | (Won) 246,437 | (Won) 450,910 |
| Operating expenses | 46,879 | 32,066 |
| Operating income | 199,558 | 418,844 |
| Net income | (Won) 203,582 | (Won) 432,163 |
| Basic net income per common share | (Won) 253 | (Won) 536 |

Table of Contents**22. INFORMATION FOR CALCULATING VALUE ADDED**

Information for calculating value added for the years ended December 31, 2007 and 2006 are as follows (Korean won in millions):

| | 2007 | 2006 |
|----------------------------------|--------------|--------------|
| Salaries, wages and bonuses | (Won) 12,009 | (Won) 10,311 |
| Provision for severance benefits | 892 | 880 |
| Fringe benefits | 944 | 789 |
| Rent | 1,593 | 2,319 |
| Depreciation | 301 | 237 |
| Amortization | 12 | 21 |
| Taxes and dues | 75 | 63 |
| | (Won) 15,826 | (Won) 14,620 |

23. 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.

24. SUBSEQUENT EVENT

On January 30, 2008, the board of directors of the Company approved the scheduled acquisition of 3,060,000 shares (51%) of LIG life Insurance Co., Ltd. at (Won)76,335 million for insurance business.

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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, 2007. 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, 2007, the Company's IACS has been designed and is operating effectively as of December 31, 2007, 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, 2007, 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 7, 2008

Notice to Readers

This report is annexed in relation to the audit of the financial statements as of December 31, 2007 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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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 31, 2008

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

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