



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

NON-CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS AND SIX MONTHS  
ENDED JUNE 30, 2006 AND 2005  
AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

## **Independent Accountants' Review Report**

English Translation of a Report Originally Issued in Korean

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

We have reviewed the accompanying non-consolidated balance sheet of Woori Finance Holdings Co., Ltd. (the "Company") as of June 30, 2006 and the related non-consolidated statements of income and cash flows for the three months and six months ended June 30, 2006 and 2005, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with standards for review of interim financial statement in the Republic of Korea. These standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the financial statements referred to above are not presented fairly, in all material respects, in accordance with accounting principles generally accepted in the Republic of Korea (See Note 2).

We have previously audited, in accordance with auditing standards generally accepted in the Republic of Korea, the non-consolidated balance sheet of the Company as of December 31, 2005 and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended (not presented herein) and in our report dated February 28, 2006, we expressed an unqualified opinion on those non-consolidated financial statements. The accompanying balance sheet as of December 31, 2005, which is comparatively presented, does not differ in material respects from such audited non-consolidated balance sheet.

Our reviews also comprehended the translation of the Korean won amounts into U.S. dollar amounts and nothing has come to our attention that causes us to believe that such translation has not 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 review standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations or 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 review 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 review standards and their application in practice.

August 4, 2006

Notice to Readers

This report is effective as of August 4, 2006, the accountants' review report date. Certain subsequent events or circumstances may have occurred between the accountants' review report date and the time the accountants' review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the accountants' review report.

**WOORI FINANCE HOLDINGS CO., LTD.**  
**NON-CONSOLIDATED BALANCE SHEETS**  
**AS OF JUNE 30, 2006 AND DECEMBER 31, 2005**

<u>ASSETS</u>	Korean won		Translation into U.S. dollars (Note 2)	
	2006	2005	2006	2005
	(In millions)		(In thousands)	
Cash and bank deposits (Notes 14, 16 and 18)	₩ 347,141	₩ 104,072	US\$ 361,492	US\$ 108,375
Investment securities accounted for using the equity method of accounting (Notes 3 and 16)	12,226,190	11,751,678	12,731,636	12,237,507
Available-for-sale securities (Note 4)	50,391	-	52,474	-
Loans, net of allowance for possible loan losses (Notes 5, 16 and 18)	99,500	109,450	103,613	113,975
Fixed and intangible assets (Note 6)	125	155	130	161
Other assets (Notes 7 and 18)	61,868	66,428	64,427	69,174
	<u>₩ 12,785,215</u>	<u>₩ 12,031,783</u>	<u>US\$ 13,313,772</u>	<u>US\$ 12,529,192</u>
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
<u>EQUITY</u>				
 <u>LIABILITIES</u>				
Debentures, net of discounts (Notes 8 and 16)	₩ 2,146,925	₩ 2,296,203	US\$ 2,235,682	US\$ 2,391,131
Other liabilities (Notes 9, 10 and 18)	13,382	18,216	13,935	18,969
	<u>2,160,307</u>	<u>2,314,419</u>	<u>2,249,617</u>	<u>2,410,100</u>
 <u>SHAREHOLDERS' EQUITY</u>				
Common stock (Note 11)	4,030,077	4,030,077	4,196,685	4,196,685
Capital surplus (Note 11)	84,488	84,488	87,981	87,981
Retained earnings (Notes 3 and 11):				
Legal reserve	377,249	208,427	392,845	217,044
Voluntary reserve	3,190,000	2,030,000	3,321,878	2,113,923
Retained earnings before appropriations (Net income of ₩1,004,520 million for the six months ended June 30, 2006 and ₩1,688,221 million for the year ended December 31, 2005)	1,006,587	1,653,536	1,048,202	1,721,895
	4,573,836	3,891,963	4,762,925	4,052,862
Capital adjustments (Notes 3 and 11)	1,936,507	1,710,836	2,016,564	1,781,564
	<u>10,624,908</u>	<u>9,717,364</u>	<u>11,064,155</u>	<u>10,119,092</u>
	<u>₩ 12,785,215</u>	<u>₩ 12,031,783</u>	<u>US\$ 13,313,772</u>	<u>US\$ 12,529,192</u>

See accompanying notes to non-consolidated financial statements.

**WOORI FINANCE HOLDINGS CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005**

	Korean won				Translation into U.S. dollars (Note 2)			
	2006		2005		2006		2005	
	Three months	Six months	Three months	Six months	Three months	Six months	Three months	Six months
	(In millions, except for income per share data)				(In thousands, except for income per share data)			
<b>OPERATING REVENUE</b>								
Gain on valuation using the equity method of accounting (Notes 3 and 17)	₩ 598,650	₩ 1,071,292	₩ 497,148	₩ 916,240	US\$ 623,399	US\$1,115,581	US\$ 517,701	US\$ 954,118
Interest income (Note 18)	5,101	7,765	4,016	7,883	5,312	8,086	4,182	8,209
Reversal of allowance for doubtful accounts	50	50	42	64	52	52	44	67
	<u>603,801</u>	<u>1,079,107</u>	<u>501,206</u>	<u>924,187</u>	<u>628,763</u>	<u>1,123,719</u>	<u>521,927</u>	<u>962,394</u>
<b>OPERATING EXPENSES</b>								
Loss on valuation using the equity method of accounting (Notes 3 and 17)	412	800	388	27,043	429	833	404	28,161
Interest expense	26,671	54,728	28,391	56,825	27,774	56,991	29,566	59,174
Loss on valuation of swap contracts	-	-	-	91	-	-	-	95
Loss on foreign currency transactions	-	-	1	1	-	-	1	1
Fees and commissions (Note 18)	3,480	4,937	1,605	2,661	3,624	5,141	1,671	2,771
General and administrative (Notes 15 and 18)	9,057	14,391	6,186	10,995	9,431	14,986	6,442	11,450
	<u>39,620</u>	<u>74,856</u>	<u>36,571</u>	<u>97,616</u>	<u>41,258</u>	<u>77,951</u>	<u>38,084</u>	<u>101,652</u>
<b>OPERATING INCOME</b>	564,181	1,004,251	464,635	826,571	587,505	1,045,768	483,843	860,742
<b>NON-OPERATING INCOME</b>	237	279	201	297	247	290	210	309
<b>NON-OPERATING EXPENSES</b>	5	10	4	12	5	10	4	12
<b>INCOME BEFORE INCOME TAX</b>	<u>564,413</u>	<u>1,004,520</u>	<u>464,832</u>	<u>826,856</u>	<u>587,747</u>	<u>1,046,048</u>	<u>484,049</u>	<u>861,039</u>
<b>INCOME TAX EXPENSE (Note 13)</b>	-	-	-	-	-	-	-	-
<b>NET INCOME</b>	<u>₩ 564,413</u>	<u>₩ 1,004,520</u>	<u>₩ 464,832</u>	<u>₩ 826,856</u>	<u>US\$ 587,747</u>	<u>US\$1,046,048</u>	<u>US\$ 484,049</u>	<u>US\$ 861,039</u>

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**WOORI FINANCE HOLDINGS CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005**

	Korean won				Translation into U.S. dollars (Note 2)			
	2006		2005		2006		2005	
	Three months	Six months	Three months	Six months	Three months	Six months	Three months	Six months
	(In millions, except for income per common share data)				(In thousands, except for income per common share data)			
BASIC ORDINARY INCOME PER COMMON SHARE (Note 19)	₩ 700	₩ 1,246	₩ 577	₩ 1,030	US\$ 0.73	US\$ 1.30	US\$ 0.60	US\$ 1.07
BASIC NET INCOME PER COMMON SHARE (Note 19)	₩ 700	₩ 1,246	₩ 577	₩ 1,030	US\$ 0.73	US\$ 1.30	US\$ 0.60	US\$ 1.07
DILUTED ORDINARY INCOME PER COMMON SHARE (Note 19)	₩ -	₩ -	₩ 576	₩ 1,026	US\$ -	US\$ -	US\$ 0.60	US\$ 1.07
DILUTED NET INCOME PER COMMON SHARE (Note 19)	₩ -	₩ -	₩ 576	₩ 1,026	US\$ -	US\$ -	US\$ 0.60	US\$ 1.07

See accompanying notes to non-consolidated financial statements.

**WOORI FINANCE HOLDINGS CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005**

	Korean won				Translation into U.S. dollars (Note 2)			
	2006		2005		2006		2005	
	Three months	Six months	Three months	Six months	Three months	Six months	Three months	Six months
	(In millions)				(In thousands)			
<b>CASH FLOWS FROM OPERATING</b>								
<b>ACTIVITIES:</b>								
Net income	₩ 564,413	₩ 1,004,520	₩ 464,832	₩ 826,856	US\$ 587,747	US\$ 1,046,048	US\$ 484,049	US\$ 861,039
Adjustments to reconcile net income to net cash provided by (used in) operating activities:								
Loss on valuation using the equity method of accounting	412	800	388	27,043	429	833	404	28,161
Interest expense (amortization of discounts on debentures)	367	721	405	1,085	382	751	422	1,129
Loss on valuation of swap contracts	-	-	-	91	-	-	-	95
Provision for severance benefits	106	376	297	561	111	392	309	584
Depreciation	16	52	23	70	17	54	24	73
Amortization on intangible assets	6	11	5	10	6	12	5	10
Other non-operating expenses	1	1	-	-	1	1	-	-
Gain on valuation using the equity method of accounting	(598,650)	(1,071,292)	(497,148)	(916,240)	(623,399)	(1,115,581)	(517,701)	(954,118)
Accrued interest on loans	-	-	(561)	(1,116)	-	-	(584)	(1,162)
Reversal of allowance for doubtful accounts	(50)	(50)	(42)	(64)	(52)	(52)	(44)	(67)
Gain on disposal of tangible assets	(19)	(19)	-	-	(20)	(20)	-	-
Other non-operating income	-	-	(39)	(39)	-	-	(40)	(40)
	<u>(597,811)</u>	<u>(1,069,400)</u>	<u>(496,672)</u>	<u>(888,599)</u>	<u>(622,525)</u>	<u>(1,113,610)</u>	<u>(517,205)</u>	<u>(925,335)</u>

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**WOORI FINANCE HOLDINGS CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005**

	Korean won				Translation into U.S. dollars (Note 2)			
	2006		2005		2006		2005	
	Three months	Six months	Three months	Six months	Three months	Six months	Three months	Six months
	(In millions)				(In thousands)			
Changes in operating assets and liabilities:								
Decrease in other receivable	₩ -	₩ -	₩ 46	₩ 451	US\$ -	US\$ -	US\$ 48	US\$ 470
Decrease (increase) in accrued income	(301)	231	103	82	(313)	240	107	85
Decrease (increase) in advanced payments	2	(18)	8	73	2	(19)	8	76
Decrease (increase) in prepaid expenses	235	(190)	412	429	245	(198)	429	447
Decrease in prepaid income tax	1,246	1,246	5,343	5,291	1,298	1,298	5,564	5,510
Payment of severance benefits	(38)	(269)	-	(13)	(40)	(280)	-	(14)
Decrease in retirement insurance	101	245	-	13	105	255	-	14
Increase (decrease) in other payables	(475)	(343)	758	948	(495)	(357)	789	987
Increase (decrease) in accrued expenses	340	(1,482)	(216)	(1,855)	354	(1,543)	(225)	(1,932)
Increase (decrease) in withholdings	(18)	(168)	222	63	(19)	(175)	231	66
Dividend income	37,625	767,091	10,620	71,054	39,180	798,803	11,059	73,991
	<u>38,717</u>	<u>766,343</u>	<u>17,296</u>	<u>76,536</u>	<u>40,317</u>	<u>798,024</u>	<u>18,010</u>	<u>79,700</u>
Net cash provided by (used in) operating activities	<u>5,319</u>	<u>701,463</u>	<u>(14,544)</u>	<u>14,793</u>	<u>5,539</u>	<u>730,462</u>	<u>(15,146)</u>	<u>15,404</u>
CASH FLOWS FROM INVESTING ACTIVITIES:								
Capital reduction of a subsidiary	-	-	-	154,000	-	-	-	160,366
Disposition of investment securities accounted for using for equity method accounting	54,000	54,000	-	-	56,232	56,232	-	-
Collection of loans	10,000	10,000	8,950	13,950	10,413	10,413	9,320	14,527
Disposition of vehicles	19	19	-	-	20	20	-	-
Collection of guarantee deposits	25	25	-	-	26	26	-	-

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**WOORI FINANCE HOLDINGS CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005**

	Korean won				Translation into U.S. dollars (Note 2)			
	2006		2005		2006		2005	
	Three months	Six months	Three months	Six months	Three months	Six months	Three months	Six months
	(In millions)				(In thousands)			
Acquisition of investment securities accounted for using the equity method accounting	₩ -	₩ -	₩ (84,141)	₩ (84,141)	US\$ -	US\$ -	US\$ (87,619)	US\$ (87,619)
Acquisition of available-for-sale securities	(50,000)	(50,000)	-	-	(52,067)	(52,067)	-	-
Acquisition of furniture and equipment	(3)	(6)	-	-	(3)	(6)	-	-
Acquisition of leasehold improvement	(9)	(13)	(1)	(1)	(9)	(14)	(1)	(1)
Acquisition of industrial property rights	(14)	(14)	-	-	(14)	(14)	-	-
Net cash provided by (used in) investing activities	<u>14,018</u>	<u>14,011</u>	<u>(75,192)</u>	<u>83,808</u>	<u>14,598</u>	<u>14,590</u>	<u>(78,300)</u>	<u>87,273</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>								
Proceeds from debentures in local currency	-	-	249,272	249,272	-	-	259,577	259,577
Repayment of borrowings	-	-	(120,000)	(120,000)	-	-	(124,961)	(124,961)
Repayment of debentures in local currency	(150,000)	(150,000)	-	-	(156,201)	(156,201)	-	-
Cost on issuance of new shares	-	-	-	(709)	-	-	-	(738)
Payment of dividends	(322,405)	(322,405)	(119,468)	(119,468)	(335,734)	(335,734)	(124,407)	(124,407)
Net cash provided by (used in) financing activities	<u>(472,405)</u>	<u>(472,405)</u>	<u>9,804</u>	<u>9,095</u>	<u>(491,935)</u>	<u>(491,935)</u>	<u>10,209</u>	<u>9,471</u>
<b>NET INCREASE (DECREASE) IN CASH AND BANK DEPOSITS</b>	<b>(453,068)</b>	<b>243,069</b>	<b>(79,932)</b>	<b>107,696</b>	<b>(471,798)</b>	<b>253,117</b>	<b>(83,237)</b>	<b>112,148</b>
<b>CASH AND BANK DEPOSITS, BEGINNING OF THE PERIOD</b>	<u>800,209</u>	<u>104,072</u>	<u>243,727</u>	<u>56,099</u>	<u>833,290</u>	<u>108,375</u>	<u>253,803</u>	<u>58,418</u>
<b>CASH AND BANK DEPOSITS, END OF THE PERIOD</b>	<u>₩ 347,141</u>	<u>₩ 347,141</u>	<u>₩ 163,795</u>	<u>₩ 163,795</u>	<u>US\$ 361,492</u>	<u>US\$ 361,492</u>	<u>US\$ 170,566</u>	<u>US\$ 170,566</u>

See accompanying notes to non-consolidated financial statements.

**WOORI FINANCE HOLDINGS CO., LTD.**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006 AND 2005**

**1. GENERAL**

(1) Woori Finance Holdings Co., Ltd.

Woori Finance Holdings Co., Ltd. (the "Company") was incorporated on March 27, 2001, to engage in the business of managing the following five financial institutions; Woori Bank, Kyongnam Bank, Kwangju Bank, Woori Credit Card Co., Ltd. (formerly Peace Bank of Korea and merged into Woori Bank on March 31, 2004) and Woori Investment Bank (merged into Woori Bank on July 31, 2003), whose shares were contributed to the Company by the Korea Deposit Insurance Corporation (the "KDIC") in accordance with the provisions of the Financial Holding Company Act. As a result of its functional restructuring, the Company owns 9 subsidiaries and 12 2nd-tier subsidiaries as of June 30, 2006.

Upon incorporation, the Company's stock amounted to ₩3,637,293 million, consisting of 727,458,609 common shares (₩5,000 per share) issued and outstanding. As a result of several capital increases, exercise of warrants and conversion rights since incorporation, as of June 30, 2006, the Company's stock amounted to ₩4,030,077 million, consisting of 806,015,340 common shares issued and outstanding of which the KDIC owns 628,458,609 shares (77.97%).

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

(2) The structure of the Company and its subsidiaries as of June 30, 2006 and December 31, 2005 is as follows:

Parent companies	Subsidiaries	2006		2005		Financial statements as of
		Number of shares owned	Percentage of ownership (%)	Number of shares owned	Percentage of ownership (%)	
Woori Finance Holdings Co., Ltd.	Woori Bank	635,956,580	100.0	635,956,580	100.0	Jun. 30
	Kyongnam Bank	51,800,000	99.9	51,800,000	99.9	Jun. 30
	Kwangju Bank	44,080,000	99.9	44,080,000	99.9	Jun. 30
	Woori Finance Information System Co., Ltd.	900,000	100.0	900,000	100.0	Jun. 30
	Woori F&I Co., Ltd.	2,000,000	100.0	2,000,000	100.0	Jun. 30
	Woori Third Asset Securitization Specialty Co., Ltd.	2,000	100.0	2,000	100.0	Jun. 30
	Woori Investment Securities Co., Ltd. (*1)	46,324,981	35.0	46,324,981	34.4	Jun. 30
	Woori Credit Suisse Asset Management Co., Ltd. (*3)	4,663,400	70.0	6,662,000	100.0	Jun. 30
	Woori Private Equity Co., Ltd.	2,000,000	100.0	2,000,000	100.0	Jun. 30
	Woori Bank	Woori Credit Information Co., Ltd.	1,008,000	100.0	1,008,000	100.0
Woori America Bank		10,500,000	100.0	10,500,000	100.0	Jun. 30 (*2)
PT. Bank Woori Indonesia		1,618	95.2	1,618	95.2	Jun. 30 (*2)
Korea BTL Infrastructure Fund (*4)		2,000,000	100.0	-	-	Jun. 30 (*2)
Woori F&I Co., Ltd.	Woori SB Asset Management Co., Ltd. (*5)	408,000	51.0	800,000	100.0	Jun. 30
Woori Investment Securities Co., Ltd.	Woori Futures Co., Ltd.	5,000,000	100.0	5,000,000	100.0	Jun. 30
	Woori Investment Securities Int'l Ltd.	5,788,000	100.0	5,788,000	100.0	Jun. 30 (*2)
	Woori Investment Securities (H.K.) Ltd.	22,500,000	100.0	22,500,000	100.0	Jun. 30 (*2)

Parent companies	Subsidiaries	2006		2005		Financial statements as of
		Number of shares owned	Percentage of ownership (%)	Number of shares owned	Percentage of ownership (%)	
Woori Investment Securities Co., Ltd	Woori Investment Securities America, Inc.	300	100.0	300	100.0	Jun. 30 (*2)
"	LG Investment Holding B.V. (Amsterdam) GG	1,642,398,242	100.0	1,642,398,242	100.0	Jun. 30 (*2)
"	High Technology Venture Investment	1,500,000	42.9	1,500,000	42.9	Jun. 30 (*2)
"	Global Technology Investment	1,500,000	50.0	1,500,000	50.0	Jun. 30 (*2)

(\*1) On January 24, 2006, Woori Investment Securities Co., Ltd. ("Woori Investment Securities") reduced its treasury stock (1,000,000 shares of preferred stock and 2,000,000 shares of common 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%.

(\*2) The financial statements as of June 30, 2006 are not reviewed. In order to ensure the credibility of the financial statements of those subsidiaries, the Company performed certain procedures in accordance with Practice Statements in Financial Reporting 2002-7 'Investees' financial statements applied using the equity method of accounting'.

(\*3) On May 30, 2006, the Company sold 1,998,600 shares (30%) of Woori Asset Management Co., Ltd. ("Woori Asset Management") and Woori Asset Management changed its corporate name into Woori Credit Suisse Asset Management Co., Ltd. ("Woori CS").

(\*4) On June 16, 2006, Woori Bank acquired whole ownership (2,000,000 shares) of Korea BTL Infrastructure Fund.

(\*5) On February 23, 2006, Woori F&I Co., Ltd. ("Woori F&I") sold 392,000 shares (49%) of Woori CA Asset Management Co., Ltd. ("Woori CA") and Woori CA changed its corporate name into Woori SB Asset Management Co., Ltd. ("Woori SB").

(3) General information pertaining to the Company's subsidiaries as of June 30, 2006 does not differ materially from that as of December 31, 2005.

## 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 ₩960.30 to US\$ 1.00 at June 30, 2006, the Base Rate announced by Seoul Money Brokerage Service, Ltd. Such translations should not be construed as representations that the Korean Won amounts could be converted into U.S. dollars at that or any other rate.

The accounting policies, which have been adopted in preparing the accompanying non-consolidated financial statements, do not differ materially from those used in preparing the non-consolidated financial statements for the year ended December 31, 2005 except for the following:

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

Korea Accounting Standards Board ("KASB") has been issuing new accounting standards that replace the existing Korea Financial Accounting Standards ("KFAS") and has issued SKASs No.1 to No.22. The Company had adopted SKASs No.1 to No.17 (except for No.11) before the beginning of 2006 and SKASs No.18 to No.20 on or after January 1, 2006, and will adopt SKASs No.21 to No.22.

Significant SKASs newly adopted are summarized below.

1) Related Party Disclosures – SKAS No.20

The Company adopted SKAS No.20 – “Related Party Disclosures” in 2006. This statement prescribes the disclosures necessary to draw attention to the possibility that the financial position and profit or loss of an entity may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. It requires disclosing the nature of relationships between parents and subsidiaries, even if there were no transactions between those related parties, and compensation of key management personnel. In addition, transactions between related parties are stated separately for each related party and type of transactions. The adoption of this standard has no effect on the Company’s net assets and net income for the three months and six months ended June 30, 2006 and for the year ended December 31, 2005.

**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 six months ended June 30, 2006 are as follows (Korean won in millions):

	January 1, 2006	Gain (loss) on valuation using the equity method	Capital adjust- ments	Retained earnings	Acquisition / Disposal	Dividends	June 30, 2006
Woori Bank	₩ 9,695,213	₩ 849,164	₩ 185,263	₩ (242)	₩ -	₩ (592,711)	₩ 10,136,687
Kyongnam Bank	694,275	93,653	4,618	-	-	(66,304)	726,242
Kwangju Bank	561,330	62,060	430	-	-	(40,950)	582,870
Woori Finance							
Information System	11,903	3,485	-	-	-	(4,500)	10,888
Woori F&I	114,017	17,530	5,389	-	-	(29,501)	107,435
Woori Third Asset Securitization Specialty	-	(74)	-	-	-	(*1) 74	-
Woori Investment Securities (*2)	604,543	38,577	(5,789)	-	-	(27,795)	609,536
Woori CS	60,600	6,823	766	-	(19,396)	(5,330)	43,463
Woori PE	9,797	(726)	(2)	-	-	-	9,069
	<u>₩ 11,751,678</u>	<u>₩ 1,070,492</u>	<u>₩ 190,675</u>	<u>₩ (242)</u>	<u>₩ (19,396)</u>	<u>₩ (767,017)</u>	<u>₩ 12,226,190</u>

(\*1) Adjustment on dividend receivables

(\*2) The market value of Woori Investment Securities is ₩919,551 million (₩19,850 per share) as of June 30, 2006.

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

	Acquisition cost	Gain (loss) on valuation using the equity method	Capital adjustments	Retained earnings	Other increase (decrease)	Dec. 31, 2005
Woori Bank (*1)	₩ 3,207,893	₩ 3,966,728	₩ 1,466,762	₩ (250,043)	₩ 1,303,873	₩ 9,695,213
Kyongnam Bank	259,000	469,775	33,014	(11,466)	(56,048)	694,275
Kwangju Bank	170,403	366,509	8,162	(3,777)	20,033	561,330
Woori Finance						
Information System	5,244	6,858	5	(204)	-	11,903
Woori F&I	10,094	101,932	11,073	(60)	(9,022)	114,017
Woori Third Asset Securitization Specialty	10	21,860	47,680	(9,890)	(59,660)	-
Woori Investment Securities (*2)	507,863	43,624	146,716	(2,577)	(91,083)	604,543
Woori CS (*3)	87,570	9,827	(2,558)	-	(34,239)	60,600
Woori PE	10,000	(203)	-	-	-	9,797
	<u>₩ 4,258,077</u>	<u>₩ 4,986,910</u>	<u>₩ 1,710,854</u>	<u>₩ (278,017)</u>	<u>₩ 1,073,854</u>	<u>₩ 11,751,678</u>

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

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

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

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

	<u>Capital reduction</u>	<u>Acquisition</u>	<u>Dividends</u>	<u>Total</u>
Woori Bank (*1)	₩ -	₩ 2,517,418	₩ (1,213,545)	₩ 1,303,873
Kyongnam Bank	-	-	(56,048)	(56,048)
Kwangju Bank	-	57,044	(37,011)	20,033
Woori F&I	-	-	(9,022)	(9,022)
Woori Third Asset Securitization Specialty	-	-	(59,660)	(59,660)
Woori Investment Securities (*2)	(154,000)	85,121	(22,204)	(91,083)
Woori CS (*3)	(21,939)	-	(12,300)	(34,239)
	<u>₩ (175,939)</u>	<u>₩ 2,659,583</u>	<u>₩ (1,409,790)</u>	<u>₩ 1,073,854</u>

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

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

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

- (4) The details of changes in the difference between the acquisition cost and the proportionate net asset value on the acquisition date for the six months ended June 30, 2006 are as follows (Korean won in millions):

	<u>Jan. 1, 2006</u>	<u>Amortization</u>	<u>Jun. 30, 2006</u>
Woori F&I	₩ 75	₩ 2	₩ 73
Woori Investment Securities	(2,735)	(72)	(2,663)
	<u>₩ (2,660)</u>	<u>₩ (70)</u>	<u>₩ (2,590)</u>

- (5) The details of unrealized inter-company income or loss for the six months ended June 30, 2006 are as follows (Korean won in millions):

	<u>Jan. 1, 2006</u>	<u>Realized</u>	<u>Incurred</u>	<u>Jun. 30, 2006</u>
Woori Bank	₩ 7,020	₩ 1,231	₩ -	₩ 8,251
Kyongnam Bank	(40)	36	-	(4)
Kwangju Bank	(5,456)	4,857	-	(599)
Woori Finance Information System	327	456	-	783
Woori F&I	(234)	(50)	-	(284)
Woori Third Asset Securitization Specialty	(139)	-	-	(139)
	<u>₩ 1,478</u>	<u>₩ 6,530</u>	<u>₩ -</u>	<u>₩ 8,008</u>

#### 4. AVAILABLE-FOR-SALE SECURITIES

Acquisition cost and fair value of available-for-sale securities as of June 30, 2006 are as follows (Korean won in millions):

	<u>Acquisition cost</u>	<u>Fair value</u>	<u>Book value</u>
Beneficiary certificates	₩ 50,000	₩ 50,391	₩ 50,391

## 5. LOANS

- (1) Loans as of June 30, 2006 and December 31, 2005 are as follows (Korean won in millions):

	<u>Issuance date</u>	<u>Maturity date</u>	<u>Annual interest rate (%)</u>	<u>2006</u>	<u>2005</u>
Woori Finance Information System (*1)	Oct. 31, 2002	Oct. 31, 2006	6.3	₩ 30,000	₩ 30,000
Woori F&I (*2)	Mar. 25, 2003	Mar. 25, 2007	7.3	47,000	57,000
"	Jul. 7, 2003	Jul. 7, 2007	7.3	23,000	23,000
				<u>70,000</u>	<u>80,000</u>
Total				<u>100,000</u>	<u>110,000</u>
Allowance for possible loan losses				(500)	(550)
				<u>₩ 99,500</u>	<u>₩ 109,450</u>

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

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

- (2) Allowances for possible loan losses as of June 30, 2006 and December 31, 2005 are as follows (Korean won in millions):

Loans:	<u>2006</u>	<u>2005</u>
Woori F&I	₩ 350	₩ 400
Woori Finance Information System	150	150
	<u>₩ 500</u>	<u>₩ 550</u>

## 6. FIXED ASSETS AND INTANGIBLE ASSETS

- (1) Changes in fixed assets for the six months ended June 30, 2006 and the year ended December 31, 2005 are as follows (Korean won in millions):

	<u>Jan. 1, 2006</u>	<u>Acquisition</u>	<u>Disposition</u>	<u>Depreciation</u>	<u>Jun. 30, 2006</u>
Furniture and equipment	₩ 75	₩ 6	₩ -	₩ 34	₩ 47
Leasehold improvements	45	13	-	18	40
	<u>₩ 120</u>	<u>₩ 19</u>	<u>₩ -</u>	<u>₩ 52</u>	<u>₩ 87</u>
	<u>Jan. 1, 2005</u>	<u>Acquisition</u>	<u>Disposition</u>	<u>Depreciation</u>	<u>Dec. 31, 2005</u>
Vehicles	₩ 7	₩ -	₩ -	₩ 7	₩ -
Furniture and equipment	142	9	1	75	75
Leasehold improvements	79	1	-	35	45
	<u>₩ 228</u>	<u>₩ 10</u>	<u>₩ 1</u>	<u>₩ 117</u>	<u>₩ 120</u>

- (2) Changes in intangible assets for the six months ended June 30, 2006 and the year ended December 31, 2005 are as follows (Korean won in millions):

	<u>Jan. 1, 2006</u>	<u>Acquisition</u>	<u>Amortization</u>	<u>Jun. 30, 2006</u>
Software	₩ 7	₩ -	₩ 3	₩ 4
Industrial property rights	28	14	8	34
	<u>₩ 35</u>	<u>₩ 14</u>	<u>₩ 11</u>	<u>₩ 38</u>

  

	<u>Jan. 1, 2005</u>	<u>Acquisition</u>	<u>Amortization</u>	<u>Dec. 31, 2005</u>
Software	₩ 14	₩ -	₩ 7	₩ 7
Industrial property rights	40	2	14	28
	<u>₩ 54</u>	<u>₩ 2</u>	<u>₩ 21</u>	<u>₩ 35</u>

As of June 30, 2006, accumulated amortization of software and industrial property rights amount to ₩30 million and ₩48 million, respectively.

## 7. OTHER ASSETS

Other assets as of June 30, 2006 and December 31, 2005 are as follows (Korean won in millions):

	<u>2006</u>	<u>2005</u>
Guarantee deposits (Note 18)	₩ 4,178	₩ 4,204
Other receivables (Notes 12 and 18)	2,897	6,090
Dividend receivables	53,688	53,761
Accrued income (Note 18)	699	929
Advanced payments	18	-
Prepaid expenses	388	198
Prepaid income tax	-	1,246
	<u>₩ 61,868</u>	<u>₩ 66,428</u>

## 8. DEBENTURES

Debentures in local currency as of June 30, 2006 and December 31, 2005 are as follows (Korean won in millions):

	<u>Issuance date</u>	<u>Annual interest rate (%)</u>	<u>Maturity</u>	<u>2006</u>	<u>2005</u>
The 8th bonds	Dec. 26, 2002	6.05	Dec. 26, 2007	₩ 200,000	₩ 200,000
The 9th bonds	Sep. 19, 2003	4.64	Sep. 19, 2006	300,000	300,000
The 10th bonds	Dec. 16, 2003	5.92	Dec. 16, 2008	300,000	300,000
The 11th bonds	Jun. 18, 2004	5.05	Jun. 18, 2009	370,000	370,000
The 12th bonds	Jul. 26, 2004	4.84	Jul. 26, 2009	230,000	230,000
The 14th bonds	Nov. 23, 2004	3.49	Nov. 23, 2007	300,000	300,000
The 15th bonds	Jun. 21, 2005	4.31	Jun. 21, 2010	250,000	250,000
The 16th bonds	Sep. 28, 2005	5.10	Sep. 28, 2008	200,000	200,000
The 17th bonds	Sep. 14, 2005	4.15	Apr. 14, 2006	-	150,000
				2,150,000	2,300,000
Less: discounts				(3,075)	(3,797)
				<u>₩ 2,146,925</u>	<u>₩ 2,296,203</u>

## 9. 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 ₩2,087 million and ₩1,980 million as of June 30, 2006 and December 31, 2005, respectively.

The details of changes in the accrued severance benefits for the six months ended June 30, 2006 and the year ended December 31, 2005 are as follows (Korean won in millions):

	<u>2006</u>	<u>2005</u>
Beginning balance	₩ 1,980	₩ 1,230
Provision for severance benefits	376	967
Payment for severance benefits	<u>(269)</u>	<u>(217)</u>
Ending balance	<u>₩ 2,087</u>	<u>₩ 1,980</u>

The Company has purchased an employee retirement trust and made deposits at Woori Bank. As of June 30, 2006 and December 31, 2005, the deposits, amounting to ₩1,543 million and ₩1,788 million, respectively, are presented as a deduction from accrued severance benefits.

## 10. OTHER LIABILITIES

Other liabilities as of June 30, 2006 and December 31, 2005 are as follows (Korean won in millions):

	<u>2006</u>	<u>2005</u>
Accrued severance benefits (Note 9)	₩ 2,087	₩ 1,980
Deposits with employee retirement insurance trust (Note 9)	(1,543)	(1,788)
Other payables (Note 18)	441	784
Accrued expenses (Note 12)	12,132	16,806
Withholdings	<u>265</u>	<u>434</u>
	<u>₩ 13,382</u>	<u>₩ 18,216</u>

## 11. SHAREHOLDERS' EQUITY

(1) The authorized shares and issued shares of common stock as of June 30, 2006 and December 31, 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Authorized shares of common stock	2,400,000,000	2,400,000,000
Par value	₩ 5,000	₩ 5,000
Issued shares of common stock	806,015,340	806,015,340



- (2) The changes in the capital stock of the Company for the period from its incorporation to June 30, 2006 are as follows (Korean won in millions):

<u>Date</u>	<u>Description</u>	<u>Number of shares issued</u>	<u>Capital stock</u>	<u>Paid-in capital in excess of par value</u>
2001.03.27	Establishment	727,458,609	₩ 3,637,293	₩ -
2002.06.12	Issuance of new shares	36,000,000	180,000	58,645
In 2002	Exercise of warrants	4,356,188	21,781	-
2002.12.31		<u>767,814,797</u>	<u>3,839,074</u>	<u>58,645</u>
In 2003	Exercise of warrants	7,690,113	38,451	(574)
2003.12.31		<u>775,504,910</u>	<u>3,877,525</u>	<u>58,071</u>
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		<u>796,455,558</u>	<u>3,982,278</u>	<u>84,315</u>
In 2005	Exercise of convertible bonds	9,559,782	47,799	24,710
	Acquisition of common shares of Woori CS	-	-	(24,537)
2005. 12.31		<u>806,015,340</u>	<u>4,030,077</u>	<u>84,488</u>
2006. 06.30		<u>806,015,340</u>	<u>₩ 4,030,077</u>	<u>₩ 84,488</u>

- (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 an amount equal to the Company's contributed capital, whenever dividends are declared.
- (4) As of June 30, 2006 and December 31, 2005, the Company held 2,553 shares and 2,550 shares of treasury stock, respectively, amounting to ₩18 million.
- (5) The changes in retained earnings from December 31, 2005 to June 30, 2006 are as follows (Korean won in millions):

	<u>2006</u>
Balance - December 31, 2005	₩ 1,653,536
Appropriations:	
Dividend	(322,405)
Legal reserve	(168,822)
Voluntary reserve	(1,160,000)
Decrease by using the equity method of accounting	(242)
Net income for the six months ended June 30, 2006	<u>1,004,520</u>
Balance - June 30, 2006	<u>₩ 1,006,587</u>

## 12. STOCK OPTIONS

- (1) On December 4, 2002, the Company granted stock options to 62 directors of the Company and its subsidiaries. In 2005, the exercise price of 60 percent of the total number of stock options granted was determined at ₩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 ₩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. In connection with this, the Company revalued stock based compensation and recorded ₩3,608 million and ₩7,938 million of the stock-based payment as liabilities as of June 30, 2006 and December 31, 2005, respectively.

- (2) The summary of stock-based compensation granted as of June 30, 2006 is as follows:

	<u>Type A</u>	<u>Type B</u>
Settlement	Cash settlement	Cash settlement
Exercise price	₩11,921	₩6,800
Exercisable period	During a three-year period beginning after December 4, 2005	
Initial granted number of rights	936,000 shares	624,000 shares
Cancelled number of rights	216,000 shares	204,000 shares
Exercised number of rights	389,000 shares	275,750 shares
Exercisable number of rights	331,000 shares	144,250 shares
Value per right	₩6,037	₩11,159
Stock-based compensation liabilities	₩1,998 million	₩1,610 million

- (3) Each subsidiary is responsible for absorbing the respective stock-based compensation for its management. The subsidiaries recorded the related cost as other payables amounting to ₩2,897 million and the Company recorded the same amount as other receivables.

### 13. INCOME TAX EXPENSE

- (1) Differences between financial accounting income and taxable income for the six months ended June 30, 2006 are as follows (Korean won in millions):

	<u>Korean won</u>	
Net income		<u>₩ 1,004,520</u>
Non-temporary differences:		
Addition:		
Investment securities	190,674	
Gain on valuation of available-for-sale securities	391	
Stock compensation	1,010	
Entertainment expense in excess of tax limit	229	
Other	<u>82</u>	
	<u>192,386</u>	
Deduction:		
Dividend income	687,591	
Investment securities	<u>242</u>	
	<u>687,833</u>	<u>(495,447)</u>
Temporary differences:		
Addition:		
Long-term other receivables-prior year	3,192	
Unsettled expense	2,730	
Other	<u>657</u>	
	<u>6,579</u>	
Deduction:		
Long-term accrued expenses	4,329	
Investment securities	472,272	
Other	<u>3,735</u>	
	<u>480,336</u>	<u>(473,757)</u>
Taxable income before donation adjustment		35,316
Donation expense in excess of tax limit		4
Tax loss carry forward from prior year		<u>(35,320)</u>
Taxable income		<u>₩ -</u>

- (2) The changes in cumulative temporary differences and tax loss carry-forwards for the six months ended June 30, 2006 are as follows (Korean won in millions):

	<u>Jan. 1, 2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>Jun. 30, 2006</u>	<u>Deferred tax assets (liabilities)</u>
(Timing differences to be charged to income tax expense)					
Investment securities	₩ (3,200,579)	₩ (303,232)	₩ 12,970	₩ (3,516,781)	₩ (*1)(38,751)
Accrued expenses	2,770	2,730	2,770	2,730	751
Accrued severance benefits	1,188	311	247	1,252	344
Employee retirement deposits	(1,188)	(311)	(247)	(1,252)	(344)
Depreciation	41	25	18	48	13
Accounts receivable	(6,090)	-	(3,192)	(2,898)	(797)
Dividend receivables	108	73	-	181	50
Long-term accrued expenses	7,937	-	4,329	3,608	992
	<u>₩ (3,195,813)</u>	<u>₩ (300,404)</u>	<u>₩ 16,895</u>	<u>₩ (3,513,112)</u>	<u>₩ (37,742)</u>
(Timing differences to be charged to equity)					
Capital adjustments due to the equity method of accounting	₩ (1,710,854)	₩ (189,906)	₩ 768	₩ (1,901,528)	₩ (*1)(35,648)
Gain on disposal of investments using the equity method	-	34,604	-	34,604	9,516
Gain on valuation of available-for-sale securities	-	(391)	-	(391)	(108)
	<u>₩ (1,710,854)</u>	<u>₩ (155,693)</u>	<u>₩ 768</u>	<u>₩ (1,867,315)</u>	<u>₩ (26,240)</u>
Timing difference total	<u>₩ (4,906,667)</u>	<u>₩ (456,097)</u>	<u>₩ 17,663</u>	<u>₩ (5,380,427)</u>	<u>₩ (63,982)</u>
Tax loss carry-forwards	<u>₩ 222,067</u>	<u>₩ -</u>	<u>₩ 35,320</u>	<u>₩ 186,747</u>	<u>₩ 51,355</u>

(\*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):

<u>Year incurred</u>	<u>Amount(*1)</u>	<u>Utilized</u>	<u>Remaining</u>	<u>Expiration</u>
2001	₩ 25,288	₩ 25,288	₩ -	Dec. 31, 2006
2002	13,899	10,032	3,867	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
	<u>₩ 222,067</u>	<u>₩ 35,320</u>	<u>₩ 186,747</u>	

(\*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.

#### 14. STATEMENTS OF CASH FLOWS

For the six months ended June 30, 2006 and 2005, the significant transactions without cash flows are as follows (Korean won in millions):

Transactions	2006	2005
Changes in capital adjustments due to the equity method of accounting	₩ 190,675	₩ 29,043
Changes in retained earnings due to the equity method of accounting	(242)	(4,743)
Capital increase due to conversion of convertible bonds in foreign currencies	-	72,468
Increase in dividend receivables	74	10,357
Increase (decrease) in stock options	3,192	(92)
Increase in other payables	-	36

#### 15. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the three months and six months ended June 30, 2006 and 2005 are summarized as follows (Korean won in millions):

	2006		2005	
	Three months	Six months	Three months	Six months
Salaries, wages and bonuses	₩ 2,195	₩ 4,762	₩ 2,780	₩ 5,345
Provision for severance benefits (Note 9)	106	376	296	561
Fringe benefits	176	368	181	367
Rent	582	1,153	571	1,144
Entertainment	138	303	60	113
Depreciation (Note 6)	16	52	23	70
Amortization (Note 6)	6	11	5	10
Taxes and dues	17	40	13	38
Advertising	4,897	5,532	1,256	1,382
Travel	55	100	66	100
Telecommunications	26	45	28	40
Service fees	580	1,116	558	1,167
Suppliers	25	43	19	33
Others	238	490	330	625
	<u>₩ 9,057</u>	<u>₩ 14,391</u>	<u>₩ 6,186</u>	<u>₩ 10,995</u>

#### 16. FINANCIAL INFORMATION OF SUBSIDIARIES

(1) The condensed balance sheets of subsidiaries as of June 30, 2006 are as follows (Korean won in millions):

	Total assets	Total liabilities	Total shareholders' equity
Woori Bank	₩ 149,485,554	₩ 139,353,947	₩ 10,131,607
Kyongnam Bank	14,868,223	14,141,977	726,246
Kwangju Bank	12,375,971	11,792,502	583,469
Woori Finance Information System	194,680	184,576	10,104
Woori F&I	272,290	161,421	110,869
Woori Third Asset Securitization Specialty	53,847	53,890	(43)
Woori Investment Securities	10,304,104	8,298,141	2,005,963
Woori CS	65,304	3,213	62,091
Woori PE	9,101	32	9,069
Total	<u>₩ 187,629,074</u>	<u>₩ 173,989,699</u>	<u>₩ 13,639,375</u>

- (2) The condensed statements of operations of subsidiaries for the six months ended June 30, 2006 are as follows (Korean won in millions):

	<u>Operating revenue</u>	<u>Operating expenses</u>	<u>Operating income (loss)</u>	<u>Ordinary income (loss)</u>	<u>Net income (loss)</u>
Woori Bank	₩ 7,558,512	₩ 6,580,147	₩ 978,365	₩ 1,116,347	₩ 847,934
Kyongnam Bank	463,636	343,856	119,780	126,486	93,617
Kwangju Bank	364,959	291,614	73,345	75,020	55,186
Woori Finance Information System	118,460	114,122	4,338	4,352	3,028
Woori F&I	12,224	8,686	3,538	24,690	17,582
Woori Third Asset Securitization Specialty	6	80	(74)	(74)	(74)
Woori Investment Securities	1,255,933	1,102,700	153,233	200,020	135,732
Woori CS	15,531	6,289	9,242	9,267	6,576
Woori PE	154	903	(749)	(726)	(726)
	<u>₩ 9,789,415</u>	<u>₩ 8,448,397</u>	<u>₩ 1,341,018</u>	<u>₩ 1,555,382</u>	<u>₩ 1,158,855</u>

- (3) Significant liabilities and assets of the Company and its subsidiaries as of June 30, 2006 are summarized as follows (Korean won in millions):

1) Significant liabilities

	<u>Deposits</u>	<u>Borrowings</u>	<u>Debentures</u>	<u>Total</u>
Woori Finance Holdings	₩ -	₩ -	₩ 2,146,925	₩ 2,146,925
Woori Bank	94,644,620	11,571,818	21,817,954	128,034,392
Kyongnam Bank	10,762,197	1,869,248	889,017	13,520,462
Kwangju Bank	8,786,392	1,955,127	678,294	11,419,813
Woori Finance Information System	-	142,000	-	142,000
Woori F&I	-	151,400	-	151,400
Woori Investment Securities	<u>2,688,175</u>	<u>2,545,114</u>	<u>149,832</u>	<u>5,383,121</u>
Total	<u>₩ 116,881,384</u>	<u>₩ 18,234,707</u>	<u>₩ 25,682,022</u>	<u>₩ 160,798,113</u>

2) Significant assets

	<u>Cash and due from banks</u>	<u>Securities</u>	<u>Loans</u>	<u>Total</u>
Woori Finance Holdings	₩ 347,141	₩ 12,276,581	₩ 99,500	₩ 12,723,222
Woori Bank	4,828,518	26,620,484	108,751,383	140,200,385
Kyongnam Bank	762,699	3,995,070	9,431,763	14,189,532
Kwangju Bank	672,947	3,394,935	7,928,962	11,996,844
Woori Finance Information System	5,557	512	-	6,069
Woori F&I	40,181	92,967	123,841	256,989
Woori Third Asset Securitization Specialty	546	53,301	-	53,847
Woori Investment Securities	1,714,618	6,050,244	1,530,466	9,295,328
Woori CS	39,817	10,347	498	50,662
Woori PE	<u>8,427</u>	<u>9</u>	<u>-</u>	<u>8,436</u>
	<u>₩ 8,420,451</u>	<u>₩ 52,494,450</u>	<u>₩ 127,866,413</u>	<u>₩ 188,781,314</u>

- (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 June 30, 2006 are summarized as follows (Korean won in millions):

	Loans subject to allowance for possible loan losses		Allowance	Percentage of allowance to loans (%)
Woori Bank	₩	110,114,397	₩ 1,363,014	1.24
Kyongnam Bank		9,545,774	114,011	1.19
Kwangju Bank		8,019,624	90,662	1.13
Woori F&I		124,463	622	0.50
Woori Investment Securities		1,675,260	144,794	8.64
Woori CS		501	3	0.60
Total	₩	129,480,019	₩ 1,713,106	1.32

#### 17. CONTRIBUTIONS TO NET INCOME BY SUBSIDIARIES

Contributions to net income of the Company by subsidiaries after elimination of unrealized inter-company incomes or losses for the six months ended June 30, 2006 are as follows (Korean won in millions):

	2006	Ratio (%)
Woori Bank	₩ 849,164	79.3
Kyongnam Bank	93,653	8.8
Kwangju Bank	62,060	5.8
Woori Finance Information System	3,485	0.3
Woori F&I	17,530	1.7
Woori Third Asset Securitization Specialty	(74)	-
Woori Investment Securities	38,577	3.6
Woori CS	6,823	0.6
Woori PE	(726)	(0.1)
Gain on valuation using the equity method of accounting	1,070,492	100.0
Other income	8,094	
Other expenses	74,066	
Net income	₩ 1,004,520	

**18. TRANSACTIONS AND ACCOUNT BALANCES WITH RELATED PARTIES**

- (1) Account balances with the subsidiaries as of June 30, 2006 and December 31, 2005 are as follows (Korean won in millions):

	<u>2006</u>	<u>2005</u>	
<Assets>			
Woori Bank	₩ 186,125	₩ 83,439	Cash and bank deposits
"	4,153	4,153	Guarantee deposits
"	2,249	4,305	Other receivables
"	257	102	Accrued income
Kyongnam Bank	90,547	10,321	Cash and bank deposits
"	95	10	Accrued income
Kwangju Bank	70,469	10,311	Cash and bank deposits
"	31	6	Accrued income
Woori Finance Information System	30,000	30,000	Loans
"	151	363	Other receivables
"	316	316	Accrued income
Woori F&I	70,000	80,000	Loans
"	-	496	Accrued income
Woori Credit Information	335	721	Other receivables
Woori SB	163	385	Other receivables
Woori CS	-	315	Other receivables
Principal guaranteed trust accounts of Woori Bank	1,543	1,788	Deposits with employee retirement trust
	<u>₩ 456,434</u>	<u>₩ 227,031</u>	
<Liabilities>			
Woori Bank	<u>₩ 82</u>	<u>₩ 135</u>	Other payables
	<u>₩ 82</u>	<u>₩ 135</u>	

- (2) Transactions with the subsidiaries for the six-month periods ended June 30, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>	<u>Account</u>
<Revenues>			
Woori Bank	₩ 2,749	₩ 596	Interest income on deposits
Kyongnam Bank	707	208	Interest income on deposits
Kwangju Bank	532	190	Interest income on deposits
"	-	1,116	Interest income on loans
Woori Finance Information System	937	887	Interest income on loans
Woori F&I	2,836	4,183	Interest income on loans
Woori Third Asset Securitization Specialty	-	693	Interest income on loans
Principal guaranteed trust accounts of Woori Bank	3	6	Interest income on deposits
	<u>₩ 7,764</u>	<u>₩ 7,879</u>	
<Expenses>			
Woori Bank	₩ -	₩ 2,185	Loss on valuation of swap contracts
"	781	781	Rent
"	350	350	Other administrative expenses
Woori Finance Information System	873	319	Service fees
"	-	976	Other administrative expenses
	<u>₩ 2,004</u>	<u>₩ 4,611</u>	

- (3) The Company compensated key management personnel for ₩1,518 million of salaries and ₩228 million of provision for severance benefits for the six months ended June 30, 2006.

## 19. EARNINGS PER COMMON SHARE

- (1) Basic ordinary income per common share and basic net income per common share for the three months and six months ended June 30, 2006 and 2005 are as follows (Korean won in millions, except for earnings per share data):

	2006		2005	
	Three months	Six months	Three months	Six months
Net income on common shares	₩ 564,413	₩ 1,004,520	₩ 464,832	₩ 826,856
Extraordinary gain	-	-	-	-
Income tax effect on extraordinary gain	-	-	-	-
Ordinary income on common shares	<u>₩ 564,413</u>	<u>₩ 1,004,520</u>	<u>₩ 464,832</u>	<u>₩ 826,856</u>
Weighted average number of common shares outstanding	<u>806,012,787</u>	<u>806,012,789</u>	<u>806,012,793</u>	<u>802,704,229</u>
Basic ordinary income per common shares	<u>₩ 700</u>	<u>₩ 1,246</u>	<u>₩ 577</u>	<u>₩ 1,030</u>
Basic net income per common shares	<u>₩ 700</u>	<u>₩ 1,246</u>	<u>₩ 577</u>	<u>₩ 1,030</u>

- (2) Diluted ordinary income per common share and diluted net income per common share for the three months and six months ended June 30, 2005 are as follows (Korean won in millions, except for earnings per share data):

	2005	
	Three months	Six months
Diluted net income on common shares	₩ 464,832	₩ 827,231
Extraordinary gain	-	-
Income tax effect on extraordinary gain	-	-
Diluted ordinary income on common shares	<u>₩ 464,832</u>	<u>₩ 827,231</u>
Weighted average number of common and dilutive common shares outstanding	<u>806,361,063</u>	<u>806,184,907</u>
Diluted ordinary income per common shares	<u>₩ 576</u>	<u>₩ 1,026</u>
Diluted net income per common shares	<u>₩ 576</u>	<u>₩ 1,026</u>

- (3) Basic net income per common share and diluted net income per common share for the year ended December 31, 2005 are ₩2,099 and ₩2,095, respectively.
- (4) Basic net income per common share for the three months ended March 31, 2006 is ₩546.

## 20. INSURANCE

As of June 30, 2006, the Company has insurance for liability of reparation of directors with Samsung Fire Insurance Co., Ltd. The insurance coverage is ₩30,000 million.



## **21. AGREEMENT ON THE IMPLEMENTATION OF A MANAGEMENT IMPROVEMENT PLAN**

Since December 30, 2000, the Company's three subsidiaries, Woori Bank, Kyongnam Bank and Kwangju Bank, and the KDIC have entered into agreements for the implementation of management improvement plans for the banks. Under the agreements, the three subsidiaries are obligated to improve financial ratio, such as BIS capital ratio, Return on Assets (ROA), Return on Equity (ROE), Non-performing loan rate and adjusted operating income (AOI) per person. If the three subsidiaries fail to implement the agreements, the KDIC may command for the three subsidiaries to increase or decrease their capital, pursue mergers, assign contracts such as loans and deposits, or close or sell parts of their business operations.

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

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