

Breaking New Ground In Korean Finance



Our Vision

To become Korea's strongest and
best financial institution

- the country's **first true universal bank**



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Our Focus
For the **happiness** of our clients,
we deliver all the financial needs.



Byungchul Yoon *Chairman & CEO*



Dukhoon Lee
Vice Chairman & CEO of Hanvit Bank



Kwang Woo Jun
Vice Chairman & CSO



Euoo Sung Min
Vice Chairman & CFO

Financial Highlights

(in billions of Korean won)

	2000	2001
Total Assets	102,467	103,808
Bank account	94,856	95,047
Trust account	7,611	8,761
Total Loans	66,857	60,674
Deposits	74,559	77,586
Equity	3,637	4,080
Operating Revenue	2,545	3,215
Provision & Impairment Loss	6,486	2,043
Net Income	(3,576)	686

Message from the Chairman

IN 2001, WOORI FINANCIAL GROUP ("WOORI" OR THE "GROUP") HAS ACHIEVED REMARKABLE SUCCESS BY ALL MEASURES. THE TURNAROUND IN WOORI'S PERFORMANCE DRAMATICALLY REFLECTS WOORI'S EFFORT TO IMPROVE ITS PROFITABILITY AND ASSET QUALITY, ENHANCING ITS CREDIBILITY AS A LEADING FINANCIAL INSTITUTION COMMITTED TO SERVING ITS CUSTOMERS AND MAXIMIZING SHAREHOLDERS' VALUE.

2001: A Year of Launching for "A Future Success"

Woori Financial Group is among the most compelling success stories to emerge from Korea's concerted efforts to restructure itself in response to the 1997/98 Asian economic crisis. In nearly every aspect, our performance has been outstanding. Net operating revenue increased 26 percent to KRW 3,215 billion in 2001 from KRW 2,545 billion a year earlier. Woori's BIS ratio rose to 11.4 percent at year-end 2001 from 10.2 percent the previous year, while the Group's non-performing loan ("NPL") ratio fell to 4.6 percent (including Hynix) from 16.3 percent of total credits over the same period. Importantly, most of Woori's subsidiaries returned to profitability in 2001 and together delivered KRW 686 billion in consolidated net income, compared to a net loss of KRW 3,576 billion for the previous year, representing a 17% return on equity and 0.7% return on assets.

With more than KRW 100 trillion in consolidated assets as of the end of 2001, Woori has vaulted to second place among Korean financial institutions. The Group has market shares of approximately 20 percent of assets, loans and deposits, a network of 952 branches and 6,881 ATMs, and around 14,000 employees. Woori serves 14 million customers and trails

only the newly merged Kookmin Bank in terms of market share for loans and deposits. Woori ranks among the 100 largest financial groups in the world on an asset basis.

"Our size will allow us to create a real financial powerhouse in Korea, benefiting from the economies of scale required to be competitive in today's financial world."

Woori's Establishment and Goals

On April 2, 2001, Woori was established as a unique entity to consolidate the Korean government's interests in each of Hanvit Bank, Kyongnam Bank, Kwangju Bank, Peace Bank, Hanaro Merchant Bank and nine other financial institutions under the country's first financial holding company.

With the injection of public funds to firmly re-establish these institutions' capital bases to prudent levels, Woori has made substantial efforts toward restructuring the five banks on a functional basis in order to maximize their efficiency and profitability. The first goal in establishing a financial holding company was to restructure the financial sector; however, there was also a second objective, which looked to the future of banking in Korea. That was to establish the first and the

largest financial group in Korea to meet the trend toward mega-mergers and financial services diversification – a so-called “one-stop shop” in financial markets.

“Woori’s goal is to become Korea’s strongest and best financial institution – the country’s first truly universal bank – and, in the process, create value for current and future Woori shareholders. We want to create a competitive financial group to meet all the financial needs of our clients, whether in traditional banking, securities or insurance.”

Experienced Management Team

Woori owns the most talented and experienced management team, who would assume the responsibility of turning around and revitalizing this collection of businesses into a financial services company that could uniquely deliver a broad spectrum of banking and financial products and services to Korea’s consumer and corporate customers. Since Woori’s inception, under the leadership of our three vice chairmen and myself, our management team is committed to building a successful and profitable financial company that will generate strong and growing value for its customers, employees and shareholders. We have also put great emphasis on best practice corporate governance and transparency.

Now, please allow me the opportunity to describe the various strategies we are establishing and implementing to firmly position Woori to regularly deliver on our aggressive targets.

Ongoing Transformation of Woori

The majority of Woori’s primary subsidiaries are its commercial banks led by Hanvit Bank. Woori is uniquely positioned as a truly nationwide distribution network with Hanvit Bank’s focus on well-balanced portfolio both in corporate clients and retail customers and the leading franchises in each of the nation’s southwest (Kwangju) and southeast (Kyongnam) provinces.

Each of Woori’s bank subsidiary management teams is actively involved in a re-organization effort to identify best practices and to increase cross-selling efforts of the Group’s products and services. Together with the benefit of expert consultants, we are evaluating all of the ways in which we conduct our banking businesses and re-engineering these processes to improve our competitiveness and profitability.

The merger of Peace Bank’s commercial banking business into Hanvit Bank was completed ahead of schedule. As part of the merger, Hanvit’s credit card operation was transferred to Peace Bank and together were transformed to Woori Credit Card Co., which has been up and running since January of 2002. The process of consolidating the Group’s credit card operations is continuing and management is seeking formation of a credit card joint venture.

Recognizing the substantial benefits of size and scale, one of our first priorities was to establish a common information technology subsidiary. Woori Finance Information System was created in September 2001 to centralize and provide IT services to all of Woori’s subsidiaries as well as to third-party customers. We have also identified certain business lines that would benefit from the formation of independent subsidiaries as opposed to remaining subsidiaries of the banks.

These include our combined credit card operations, our securities/investment banking and asset management operations and our insurance/bancassurance operations. Hanvit Securities and Hanvit Investment Trust Company became the first-tier subsidiaries as of March of 2002, and by the end of this year, the Group plans to establish an insurance company to provide bancassurance services, which will be introduced in Korea during the course of 2003. Each of these business lines will focus on how to deliver value-added products and services to the Group's customers.

A major objective in the organization of Woori's subsidiaries was to focus expertise on developing solutions to the Group's most important challenges and problems. To permanently reduce the Group's level of NPLs and maximize recoveries of value, we have created a single asset management company ("AMC") and a series of special purpose companies that have already purchased over KRW 2.3 trillion of NPLs from our subsidiary banks. We are in negotiations with a leading global investment bank to create a JV-AMC that will effectively allow us to utilize proven expertise and international best practices that will ensure maximization of value from these NPLs while freeing Woori and the other subsidiaries' management teams to focus on growth of their performing assets.

The proposed reorganization will yield synergies that support substantial annual growth in the 2001-2003 period. By leveraging our nationwide distribution network including 952 branches, 6,881 ATMs and E-banking, we will be able to provide the "one-stop shopping" services through cross-selling and product focus in key growth areas for our retail customers. For our corporate clients, we provide

financial products to satisfy their needs through commercial and investment banking arms as a true universal bank.

2002 Objectives and Beyond

Our management team is excited by the responsibility of growing and ensuring the success of Woori's operations. As part of our commitment to maximizing shareholders' value and returning public funds to the government, we are planning to do an initial public offering of the Group on the Korean Stock Exchange by the end of the 2nd quarter. We are also actively making preparations for the Group to comply with U.S. GAAP and to meet international standards in transparency and corporate governance that will allow us to list on the overseas market in 2003.

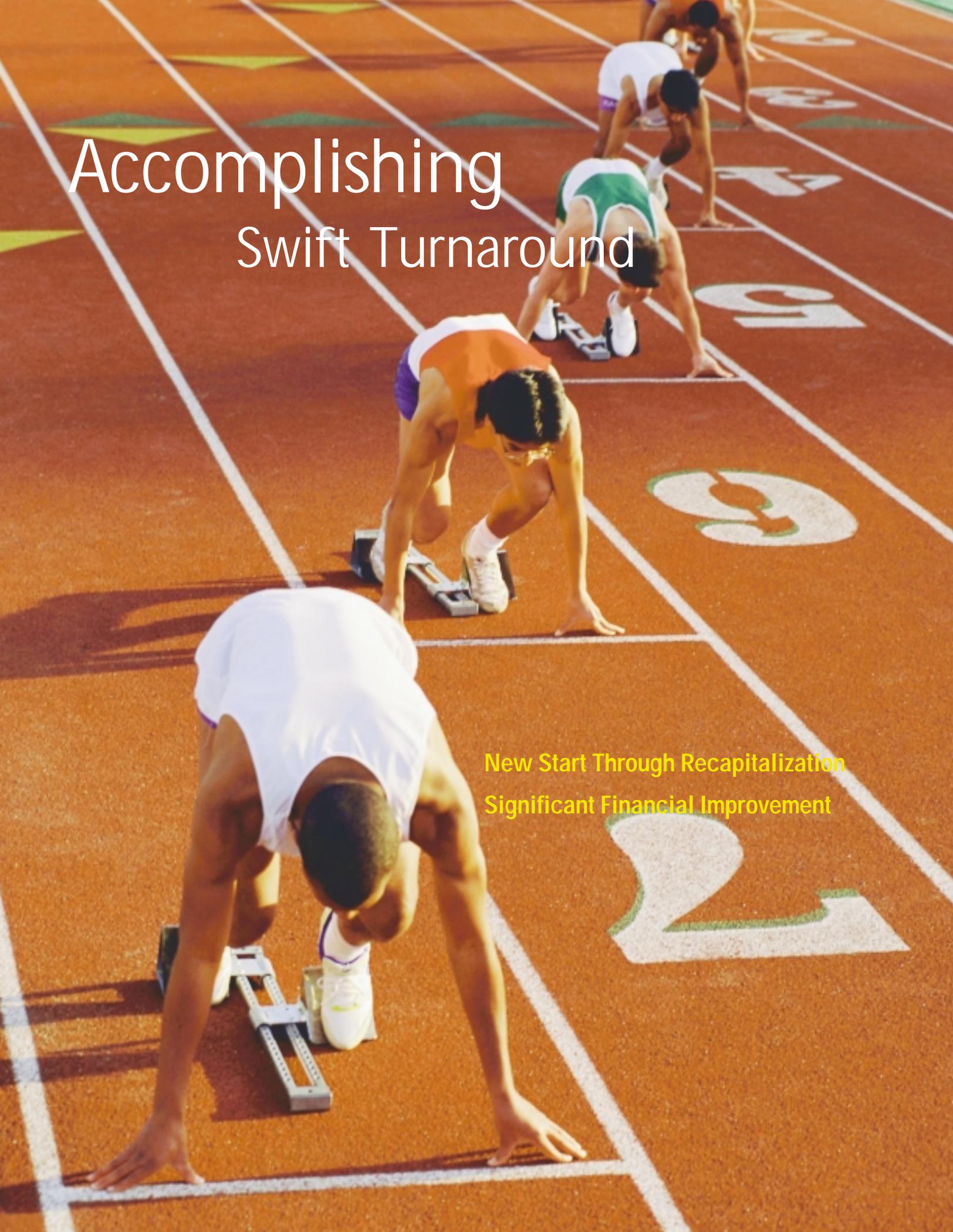
We have established a number of targets for financial strength and performance for each of our subsidiaries and for the Group as a whole. Woori is dedicated to maintaining sound and prudent financial practices and to vigorously implementing state-of-the-art risk management tools to ensure protection for our depositors, customers, creditors and shareholders.

Our vision is to become a truly universal banking and financial services group by offering a diverse range of financial services and acting as an efficient "one-stop shop" for both retail and corporate customers. We thank you for allowing our management team to accept these responsibilities and challenges and we look forward to regularly reporting to you on our progress.

Sincerely,



Byungchul Yoon
Chairman & CEO



Accomplishing Swift Turnaround

**New Start Through Recapitalization
Significant Financial Improvement**

New Start Through Recapitalization



Setting the stage for a landmark financial restructuring triggered by the Asian economic downturn in 1997, Woori Financial Group commenced operations on April 2, 2001 as the first financial holding company established under the enactment of the Financial Holding Company Act in October 2000.

As the first such financial holding company in Korea, Woori owns the total shares of four major commercial banks, one merchant bank and nine other financial institutions. This bold move reinforced the consolidation of the banking sector in Korea to build a platform for Korea's global competitiveness. Specifically, KDIC contributed US\$ 2.1 billion to eliminate capital deficits in one stage and then US\$ 4.8 billion to raise the capital adequacy ratio up above 10%. The capital injections have enabled Woori Financial Group to make a new start as a well-capitalized financial institution.

The government-owned financial group nurtures a gradual privatization scheme. A domestic initial public offering is scheduled for the first half of 2002, with around 10 percent of shares for sale. By the end of 2002, the Group plans to sell about 20 percent to a strategic partner. In addition, Woori has targeted selling 10 to 15 percent through an overseas listing in the first half of 2003 plus 10 to 15 percent to a strategic or financial partner. The government plans to sell 50 to 60 percent of Woori by the end of 2003 and remain a passive partner.

Woori in Review

2001

Apr.

Woori Financial Group established

Woori was launched to restructure the Korea financial industry

BIS ratio reached 10.2% upon the injection of public funds



Sep.

Set up Finance Information System Co.

Integrating and upgrading Woori's IT platform is a key near-term value driver

Dec.

Set up NPL AMC/SPC.

Resolution of the Group's NPL is near the top of the Woori's agenda

BIS ratio reached 11.4% at the end of 2001



2002

Jan.

Set up Credit Card Co.

Consolidation of the Group's credit card operations is one of the top priority to deliver diversified financial products to clients

Mar.

Transformed Securities/Asset Mgt. as a first tier subsidiary

With goals to maximize synergy effect and aims to grow into a total finance company in the near future

May.

Domestic IPO

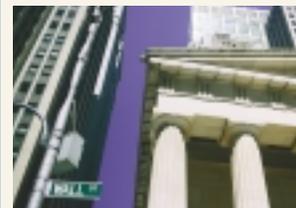
A first step toward retrieving the public funds and privatization of Woori Financial Group



Dec.

Set up Insurance (Bancassurance)

Another step toward truly universal bank for offering "one-stop shopping" services



2003

Aiming 1.1% in ROA,
20.9% in ROE by 2003

Jun.

Completion of Banking Reorganization

With a target toward maximization of the synergy effect

Sep.

US GAAP Completion

Further evidence of commitment to transparency and good corporate governance

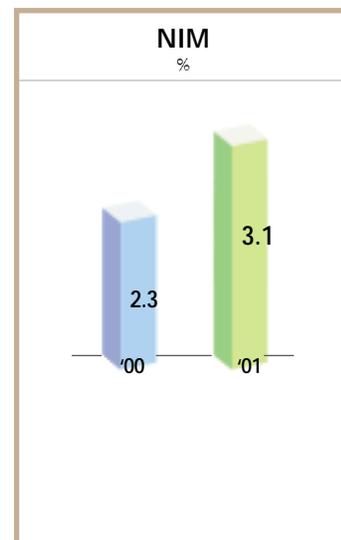
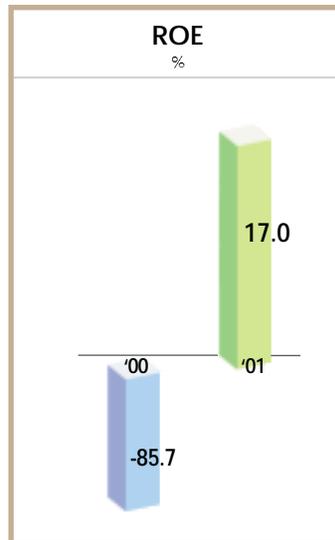
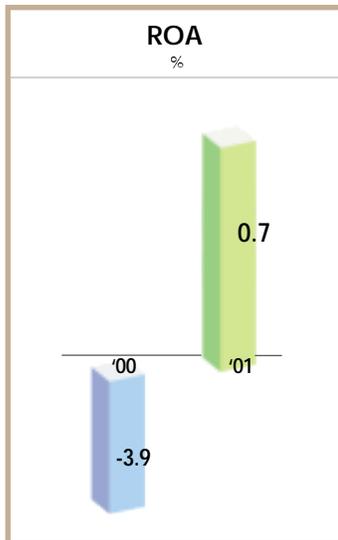
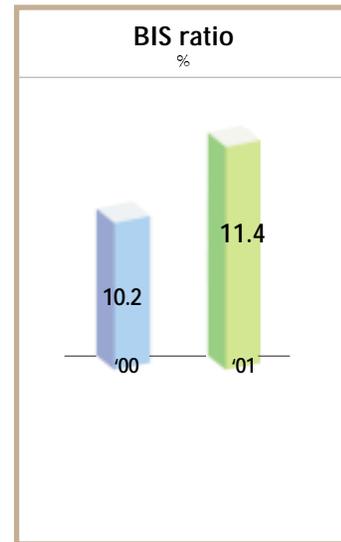
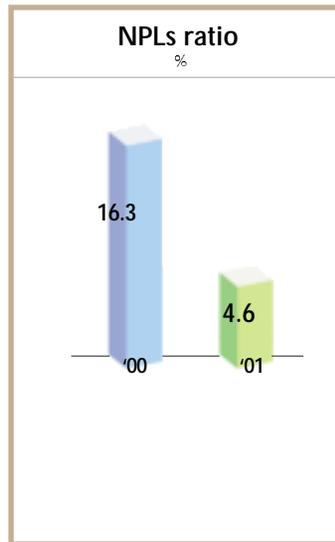
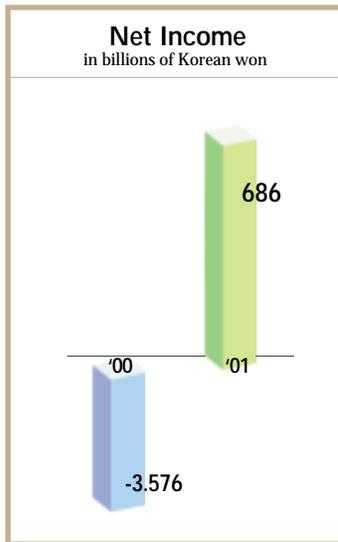
NPLs at 3.5% of total credits by the end of 2002

Jun.

International Stock Exchange Listing

To enhance brand recognition at international financial market as well as to accelerate privatization drive

Significant Financial Improvement



I. -3,576 Billions
to **686** Billions Profit

II. -3.9% to **0.7%**
in return on assets

III. -85.7% to **17.0%**
in return on equity

AGGRESSIVE APPROACH TOWARD IMPROVING ASSET QUALITY IS RESULTING IN IMAGE OF A CLEAN HOUSE

Recapitalized with a public fund injection, Woori Financial Group has been recording an outstanding income performance, building upon its sound capital base and beating market expectations. Net income amounted to ₩686 billion in 2001, an impressive turnaround compared to a net loss of ₩3,576 billion for the previous year. Net operating revenue soared 26 percent over the year to ₩3,215 billion.

The Group has also been taking an aggressive approach toward improving its asset quality and has made laudable progress thanks to its use of the most realistic valuation-based provisioning. Woori's NPLs stood at about ₩11.0 trillion or 11 percent of total assets at the end of 2000. Woori's all-out reduction efforts during the course of 2001 brought NPLs to ₩2.8 trillion, or about 3% of assets, at the year-end.

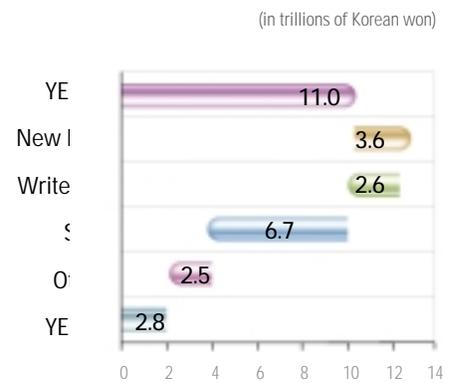
In 2001, the Group reserved over 60 percent of net operating revenues for loan-loss provisioning, including bad-debt expenses, and expects a comparable ratio of 40 percent provisioning for year 2002. As a result, the Group is expected to be in full compliance with conservative U.S. GAAP standards by the end of 2002, an achievement that management believes will serve as further evidence of its commitment to transparency and good corporate governance.

Improved Asset Quality

	(in billions of Korean won)	
	2000	2001
Total Loans	66,857	60,674
Precautionary	4,349	3,305
% of Total	6.5%	5.4%
NPLs	10,886	2,815*
% of Total	16.3%	4.6%
LLR	7,659	2,179
LLR/NPLs	70.4%	77.4%
LLR/Precaut.&Below	50.3%	35.6%

* Hynix is included as NPL

NPL Resolution in 2001



Woori(Hanvit) Bank

A nation-wide financial institution and the 2nd largest commercial bank in Korea, as well as the largest subsidiary of Woori Financial Group. Hanvit Bank, with more than one hundred years of business history, has the biggest and most solid foundation in the corporate sector, supporting it to outperform the very best of the Korean banking industry.

Woori Credit Card

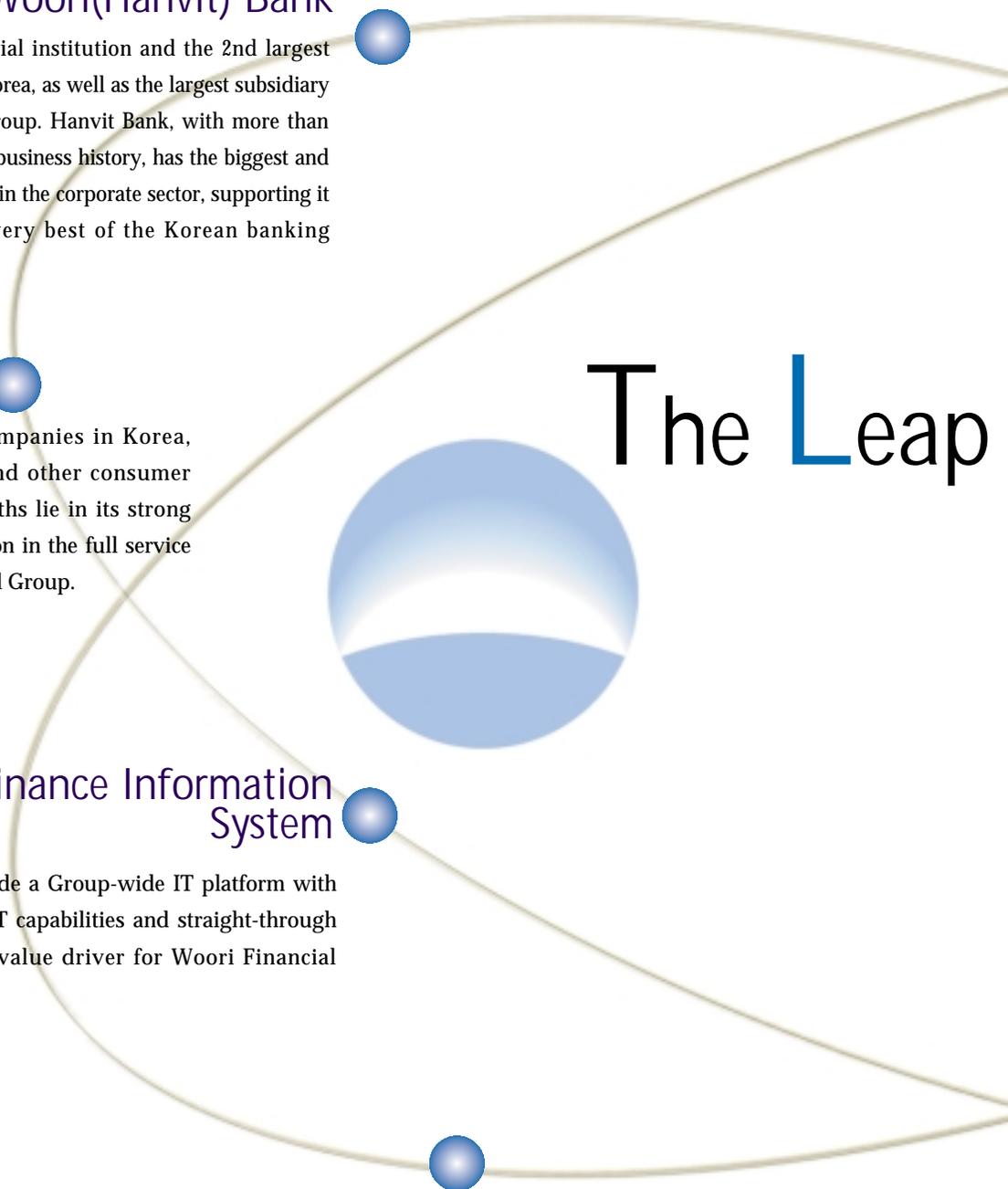
One of the major credit card companies in Korea, providing credit card services and other consumer financial products. Its core strengths lie in its strong customer base, as well as its position in the full service financial network of Woori Financial Group.

Woori Finance Information System

Established to provide a Group-wide IT platform with strong processing, IT capabilities and straight-through processing : a key value driver for Woori Financial Group.

Woori Investment Trust Management

Established a competitive position to provide wealth management services, which will be one of the major financial products offered by Woori Financial Group to customers. The firm is completely devoted to sound management of customers and maximization of return.



The Leap

to Universal Banking

Woori Investment Bank

Formerly known as Hanaro Merchant Bank, this nationwide merchant bank has its primary business activities in short-term financing, international financing and securities-related operations.

Woori(Hanvit) Securities

One of the leading securities firms in Korea. The Company has consistently maintained its position as one of the nation's major providers of capital market products and other financial services.

Kwangju Bank

A regional commercial bank that provides financial services predominantly to the southwestern area of Korea, contributing to the local economy via consumer and SME banking.

Kyongnam Bank

A regional bank providing financial services to Korea's southeastern area. Its core business is commercial banking with an emphasis on retail and SME.

Woori Asset Management

Established to manage the sale and disposal of bad assets, which helps to transform the Woori subsidiaries into "clean" banks.

Establishing a Role Model as
an Internationally Competitive
Financial Holding Company



Woori-the most comprehensive financial network addressing customer's well-being.

WOORI PROMISES TO DELIVER HAPPINESS TO OUR CUSTOMERS, OFFERS SUPREME VALUES TO OUR SHAREHOLDERS AND PRESENTS AN IDEAL WORKING ENVIRONMENT FOR OUR EMPLOYEES. WOORI STRIVES TO BECOME A PROUD PARTNER TO ALL, MAKING HOPES AND DREAMS COME TRUE.

The Korean financial industry has undergone dramatic changes since the Asian crisis in 1997. The industry has been reshaped from a passive position providing basic infrastructure for overall economy developments, to an active role creating high profile value of its own. Over the last few years, many Korean financial institutions failed, mainly due to poor asset quality stemming from concentrated exposure to large corporations. Experiencing a rapid industry paradigm shift, financial institutions put an emphasis on risk management, asset quality and NPLs, which has been a complete and fundamental change in Korea's banking industry.

Thanks to the genuine corporate and banking sector reforms, Korean economic fundamentals have strengthened, as exemplified by high levels of foreign exchange reserves, flexible economic policies and healthy inflation rates. Korea is expected to sustain current economic growth above 5%, where the financial industry will continue to play a key role as it should facilitate the rising credit/fund needs along with economy growth.

Korean government has been committed to bringing about regulatory reforms in and liberalization of the Korean financial industry, leading to intensified competition, significant consolidation, and pressure on profitability. In such a new landscape, Woori will leap ahead of even the strongest and most promising players in the market by integrating subsidiaries on a functional basis to maximize efficiency and realizing expected synergies. Woori will be the most competitive "one-stop shop" financial provider for both retail and corporate customers in Korea through providing direct access to the various capital market products and wealth-management services. With these positive elements, combined with a new vision and strategy, Woori is committed to growing, creating satisfaction for both customers and employees, and most importantly, creating value for our current and future shareholders.

WOORI WILL CAPITALIZE ON ITS COMPETITIVE ADVANTAGES — SEEKING A BETTER BALANCE BETWEEN ITS CORPORATE AND RETAIL BUSINESS

1. Commercial Banking

Woori Financial Group offers a wide range of commercial and consumer banking and securities-related products and services to large corporations, SMEs and individuals in Korea through its commercial banking arms, which include Hanvit Bank, Kyongnam Bank and Kwangju Bank.

We have one of the most extensive nationwide networks of branches in the Korean banking industry: 952 branches as of December 31, 2001. This extensive branch network combined with a retail customer base serves as a stable and relatively low-cost funding source for the banks. In addition to the nationwide branch network, the Group has many distribution channels including ATMs, telephone, and Internet banking services for its retail and business customers.

The Group has formulated firm strategies to grow into a leader in the Korean banking sector. The Group's commercial banking arms are taking full advantage of the opportunity created by the formation of the Woori Financial Group, including consolidation of resources, which management hopes will lead to significant cost savings, as well as cross-selling through the Group's nationwide distribution channels and deep customer base. As part of on-going strategy, the Group plans the following measures: implementing business process re-engineering; enhancing accountability and transparent



“Delivering the best value to our clients and shareholders is always the top agenda. Woori people with excellence are always ready to encounter fast-changing environments with challenges to satisfy our tasks.”

 **Youngjin Yuk**
Manager of Public Relations Dept., Hanvit Bank

“When I joined Woori, I was thrilled by an opportunity to take a part in opening a new era of the Korean financial industry. I believe that Woori is the place where high hopes and dreams are very much alive in our hearts .”

 **Sungyeon Kim**
Associate of Change Management Dept., Woori Financial Group

decision-making, particularly with respect to credit risk management; implementing corrective actions, including increased monitoring to reduce the level of non-performing assets and prevent further losses and erosion of Banks' earnings and capital base; establishing strategic directives focused on improving profitability by enhancing core capabilities across Banks' business units, seeking to increase fee-based business and exploring opportunities to leverage into retail and SME banking; and developing a risk-adjusted performance measurement, to achieve profitability and financial ratio targets and to enhance Banks' competitiveness.

2. Credit Card

Woori Credit Card Co. has been an emerging star in the Korean credit card industry since its inception, thanks to its competitive advantages including sound asset quality, strong brand power and extended operation networks.

Credit card business is expected to be a significant area for growth in light of the Korean government's incentives-based promotion of credit card use, a strong economic recovery, and increasing household credit loans.

Woori Credit Card's goal is to become the best in consumer finance in the 21st century, and the following steps will be taken to reach that goal: i) utilizing Woori's distribution networks and customer bases; ii) taking advantage of BC Card's brand recognition in approaching end users; iii) developing differentiated products; and iv) strengthening profit bases.

BEST ASSET QUALITY WILL LEAD WOORI TO BE A LEADING CREDIT CARD COMPANY



"Woori is my pride, where I am constantly learning and developing."

 **Jaehyun Lee**
Associate of Planning Team, Woori Investment Bank

"I am proud of working at Woori, the first universal bank in Korea. My contribution to Woori will be to develop customer-oriented services to help Woori Credit Card become a major credit card company."

 **Chungseob Shin**
Assistant Manager of Marketing Dept., Woori Credit Card

WOORI WILL DELIVER
VALUE-ADDING INVESTMENT BANKING SERVICES
TAILORED TO SPECIFIC CLIENT NEEDS

3. Securities/Investment Banking

Woori Financial Group provides securities/investment banking services through leading Korean financial institutions; Hanvit Securities and Woori Investment Bank, and has consistently maintained its position as one of the nation's major providers of capital market products and other financial services. The Group has a well-balanced business portfolio based in brokerage, dealing, underwriting and international finance. The Group, however, plans to expand its securities/investment banking business through acquisition as well as strategic alliance with an international investment bank.

Through these business arms, Woori focuses on delivering value-creating investment banking services tailored to specific client needs with combined expertise in all corporate finance aspects.

4. Insurance and Asset Management

Envisioning a true universal banking group, Woori has been preparing to enter the exciting fields of asset management and bancassurance. The Group plans to leverage the existing Hanvit Investment Trust Company and to establish a viable foothold in the increasingly competitive wealth management



"My job continuously stimulates and challenges me for success. We are all under the name of Woori with one important objective: To be a true market leader."

 **Youngsang Kwon**
Assistant Manager of Bond Trading Team, Hanvit Securities

industry. In addition, the Group is in search of a strategic partner in asset management to help the subsidiary gain business know-how and marketing skills.

As for bancassurance, the Group has a task force working on creating blueprints and action plans to develop an insurance business infrastructure. Woori plans to form a joint venture partnership and strategic alliance with an international financial institution thoroughly experienced in bancassurance.

5. Financial Information Technology

The Group successfully established a subsidiary wholly dedicated to the IT integration. An integrated and sophisticated information technology system is crucial for a newly formed business group of various subsidiaries to take advantage of emerging synergies. As such, Woori's first priority since its inception has been to completely integrate the IT platforms of its subsidiaries and to establish a single IT platform with strong processing and IT capabilities and straight-through processing. IT integration into a single platform is expected to reduce existing cost by roughly 20% per annum.

WEALTH MANAGEMENT WILL BE
THE KEY GROWTH AREA FOR WOORI



"Woori gives you a true opportunity, through which you can learn, achieve and dedicate. Certainly, I believe it brings the best results for the customers and yourself."

 **Jay Jin Son**
Manager of IT Planning Dept., Woori Financial Group

"People in Woori are passionate about finding the best solutions through creative thinking and teamwork."

 **Namsu Park**
Manager of Financial Planning Dept., Woori Financial Group

IT INTEGRATION AND NPL MANAGEMENT ARE TOP AGENDA FOR FUTURE SUCCESS

6. NPL

Woori Financial Group has set up an NPL subsidiary with the sole purpose of dealing with the effective resolution of the Group's NPL- at the near top of Woori's agenda. Woori has transferred KRW 2.3 trillion as the first phase in creating its NPL subsidiary and is in the process of searching for a strategic partner to bring special know-how and to help Woori become Korea's best NPL management company.

The NPL vehicle will allow management of the holding company and other subsidiaries to focus on building the group and generating new business while dealing with NPLs in the most efficient manner.



"Woori puts no limitations on what can be achieved during your career path. Your efforts and contribution will be always best rewarded."

 **Youngsun Kim**
General Manager of Treasury Dept., Woori Financial Group

Financial

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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To the Shareholder and Board of Directors of Woori Finance Holdings Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Woori Finance Holdings Co., Ltd. (the "Company") and its subsidiaries as of December 31, 2001 and the related consolidated statement of income, and changes in shareholders' equity for the period from March 27, 2001 (inception) to December 31, 2001, all expressed in Korean Won. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of BC Card Co., Ltd., Hanvit Securities Co., Ltd., Hanvit America Bank, P. T. Bank Hanvit Indonesia and Central Telecom Capital Corp, which reflect total assets and total revenues of 2.1 percent and 6.6 percent, respectively, of the related consolidated totals. Those statements were audited or reviewed by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of 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, 2001 and the results of its operations, and changes in shareholders' equity for the period from March 27, 2001 (inception) to December 31, 2001, in conformity with financial accounting standards in the Republic of Korea (see Note 2).

The translated amounts in the accompanying consolidated financial statements have been translated into US dollars, solely for the convenience of the reader, on the basis set forth in Note 2 to the consolidated financial statements.

Without qualifying our opinion, we draw attention to Note 1 of the consolidated financial statements which states that the operations of the company and its subsidiaries have been affected, and may continue to be affected for the foreseeable future, by the general unstable economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these uncertainties on the financial position of the company and its subsidiaries as of the balance sheet date cannot presently be determined.

As explained in Note 1, the Company was established on March 27, 2001 under the Financial Holding Company Act, which was designed to facilitate the restructuring of the Korean financial sector. The Company's common stock amounts to ₩3,637,293 million (\$2,742,850 thousand), consisting of 727,459 thousand shares issued and outstanding as of December 31, 2001. The Company is wholly owned by the Korea Deposit Insurance Corporation (the "KDIC").

As explained in Note 19, pursuant to the business transfer agreement entered into between Hanvit Bank and Peace Bank on December 7, 2001, Hanvit Bank merged the banking business segment (including trust accounts) of Peace Bank as of December 31, 2001.

As explained in Note 20, on January 16, 2002, the Company issued JPY 15 billion 1.74% Notes at par in the international markets. The redemption date is January 16, 2004.

As explained in Note 20, pursuant to an agreement on business reform of Peace Bank dated November 20, 2001 and a business transfer agreement dated December 26, 2001 entered into by the Company, Hanvit Bank and Peace Bank of Korea, respectively, the business right of credit card business of Hanvit Bank was sold to Woori Credit Card Co., Ltd., formerly Peace Bank of Korea, on January 31, 2002.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

As explained in Note 22, on December 30, 2000, four of the Company's subsidiaries, Harvit Bank, Kyongnam Bank, Kwangju Bank, and Peace Bank, and the KDIC entered into agreements for the implementation of management improvement plans for the banks. Pursuant to the agreements, the subsidiaries received ₩3,466,800 million (\$2,614,282 thousand) from the KDIC in the form of investments in the subsidiaries' common stocks in December 2000 and agreed to make additional contributions to the subsidiaries prior to September 30, 2001. On September 30, 2001, the capital contributions in the aggregate amount of ₩2,581,000 million (\$1,946,309 thousand) were paid by the KDIC into the banks. In addition, Woori Investment Bank entered into an agreement with the KDIC on June 29, 2001 in connection with the management improvement plan for Woori Investment Bank. Under the agreement, the Company and its subsidiaries are obligated to sell non-performing loans and fixed assets, close certain branches and subsidiaries, improve financial ratios including the capital adequacy ratio, and reinforce its risk management system. If the subsidiaries fail to implement the agreement, the KDIC may order the 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.

As explained in Note 22, on July 2, 2001, the Company and the KDIC entered into an agreement whereby the Company would integrate the Company's subsidiaries and improve the performance of the subsidiaries. The agreement stipulates that the Company should 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.

As explained in Note 22, in order to implement the agreement with the KDIC, on July 2, 2001, the Company and its subsidiaries entered into agreements for the implementation of a business plan for the subsidiaries. Pursuant to the agreement, the subsidiaries shall meet management goals provided by the Company, consult with the Company on material business decisions before execution, and prepare and implement a detailed business plan in conformity with the Company's business strategies. If the subsidiaries fail to implement the business plan, the Company may order the subsidiaries to limit sales of the specific financial products, investments in fixed assets, promotion of new business, new equity investments, or closing or merging its branch operations.

As explained in Note 24, as of December 31, 2001, amounts owed by Hynix Semiconductor Inc. (Hynix) to the Company's subsidiaries amounted to ₩819 billion (\$618 million) and ₩230 billion (\$173 million) in the form of loans to Hynix and convertible bonds issued by Hynix, respectively. On October 31, 2001, the creditors' committee agreed to a restructuring plan that provided for a new injection of funds, debt rescheduling, exemption of principal, extension of maturities and other matters. As of December 31, 2001, the Company's subsidiaries recorded allowances for possible loan losses and loss from valuation of investment securities amounting to ₩345 billion (\$260 million) and ₩92 billion (\$69 million), respectively, with regard to amounts due from Hynix. The potential impact on the Company's operations of the difficulties Hynix is facing cannot presently be determined.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying consolidated financial statements are not intended to present the financial position and results of operations 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 consolidated financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.



Seoul, Korea,
March 2, 2002

CONSOLIDATED BALANCE SHEET

(AS OF DECEMBER 31, 2001)

	Korean Won	Translation into US Dollars (Note 2)
	(In millions)	(In thousands)
ASSETS		
Cash and due from banks (Notes 3, 4 and 18)	₩ 6,432,890	\$ 4,850,984
Trading securities (Notes 4 and 5)	3,217,882	2,426,576
Investment securities (Notes 4, 6 and 24)	21,806,451	16,444,047
Loans (Notes 4, 7, 8, 18, 21, 23 and 24)	58,579,849	44,174,534
Fixed assets (Notes 4 and 9)	2,831,851	2,135,473
Other assets (Notes 4, 10, 18, 21)	5,920,545	4,464,629
	₩ 98,789,468	\$ 74,496,243
LIABILITIES AND SHAREHOLDER'S EQUITY		
LIABILITIES		
Deposits (Notes 11 and 18)	69,332,217	52,282,797
Borrowings (Notes 12 and 18)	12,446,223	9,385,584
Debentures (Note 13)	5,491,533	4,141,115
Other liabilities (Notes 14, 18 and 21)	7,080,301	5,339,191
	94,350,274	71,148,687
SHAREHOLDER'S EQUITY (Note 15)		
Common stock	3,637,293	2,742,850
Capital surplus	-	-
Retained earnings		
(Net income of ₩686,287 million in 2001)	558,852	421,425
Capital adjustments	(116,546)	(87,886)
Minority interests	359,595	271,167
	4,439,194	3,347,556
	₩ 98,789,468	\$ 74,496,243

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENT OF INCOME

(FOR THE PERIOD FROM MARCH 27, 2001 (INCEPTION) TO DECEMBER 31, 2001)

	Korean Won (In millions)	Translation into US Dollars (Note 2) (In thousands)
OPERATING REVENUE		
INTEREST INCOME (Note 18):		
Interest on due from banks	₩ 95,744	\$ 72,200
Interest and dividends on trading securities	192,972	145,518
Interest and dividends on investment securities	1,430,779	1,078,937
Interest on loans	4,372,703	3,297,416
Other	103,831	78,298
	6,196,029	4,672,369
COMMISSION INCOME (Note 18):		
Commissions	671,691	506,516
Commissions received on credit cards	1,010,307	761,863
Guarantee fees	23,406	17,650
Other	4,057	3,060
	1,709,461	1,289,089
OTHER OPERATING INCOME (Note 18):		
Gain on trading securities	252,684	190,547
Gain on redemption of investment securities	15,109	11,394
Foreign exchange trading income	392,253	295,794
Gain on derivatives trading	509,211	383,991
Trust management fees	312,772	235,859
Reversal of allowance for possible loss on acceptances and guarantees	406,247	306,347
Other	365,390	275,537
	2,253,666	1,699,469
	10,159,156	7,660,927
OPERATING EXPENSES		
INTEREST EXPENSE (Note 18):		
Interest on deposits	3,188,603	2,404,497
Interest on borrowings	757,821	571,466
Interest on debentures	354,910	267,634
Interest on others	194,585	146,735
	4,495,919	3,390,332
OTHER OPERATING EXPENSES (Note 18):		
Commissions	246,669	186,011
Bad debt expense	2,148,344	1,620,047
Salaries, employee benefit and provision for severance benefits	1,118,404	843,378
Depreciation and amortization	198,079	149,369
Foreign exchange trading loss	278,786	210,230
Loss on derivatives trading	443,522	334,456
Loss on trading securities	113,217	85,376
Taxes and dues	79,110	59,656
Contribution to guarantee fund	64,760	48,835
Advertising	46,752	35,255
Payment to guaranteed trust accounts	20,041	15,113
Other administrative expenses (Note 21)	593,836	447,806
	5,351,520	4,035,532
	9,847,439	7,425,864
OPERATING INCOME	311,717	235,063
NON-OPERATING INCOME (Note 16)	1,190,685	897,885
NON-OPERATING EXPENSES (Note 16)	937,984	707,325
ORDINARY INCOME	564,418	425,623
EXTRAORDINARY ITEMS	-	-
INCOME BEFORE INCOME TAX EXPENSE	564,418	425,623
INCOME TAX EXPENSE (Note 17)	(172,198)	(129,853)
INCOME BEFORE MINORITY INTERESTS	736,616	555,476
MINORITY INTERESTS, GAIN	(50,329)	(37,953)
NET INCOME	₩ 686,287	\$ 517,523
BASIC NET INCOME PER COMMON SHARE (in Currency Units) (Note 2)	₩ 943	\$ 0.71
BASIC ORDINARY INCOME PER COMMON SHARE (in Currency Units) (Note 2)	₩ 943	\$ 0.71

The accompanying notes are an integral part of this statement.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

(FOR THE PERIOD FROM MARCH 27, 2001 (INCEPTION) TO DECEMBER 31, 2001)

	Capital Stock	Capital Surplus	Retained Earnings	Capital Adjustments	Minority Interests	Total
(In millions)						
March 27, 2001	₩ 3,637,293	₩ -	₩ -	₩ -	₩ 330,718	₩ 3,968,011
Net income	-	-	686,287	-	-	686,287
Acquisition of investment securities of WFIS from Hanvit Bank	-	-	(1,769)	-	-	(1,769)
Changes in scope of consolidation	-	-	(113,482)	(47,927)	(7,635)	(169,044)
Cumulative effect of accounting change	-	-	(5,848)	-	-	(5,848)
Discounts on stock issuance	-	-	-	(2,557)	-	(2,557)
Amortization of discount on stock issuance	-	-	(2,035)	-	-	(2,035)
Loss on valuation of investment securities	-	-	-	(59,322)	-	(59,322)
Purchase of treasury stock	-	-	-	(2,376)	-	(2,376)
Changes in minority interests	-	-	-	-	36,512	36,512
Others	-	-	(4,301)	(4,364)	-	(8,665)
December 31, 2001	₩ 3,637,293	₩ -	₩ 558,852	₩ (116,546)	₩ 359,595	₩ 4,439,194

The accompanying notes are an integral part of this statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

1. GENERAL:

(1) Woori Finance Holdings Co., Ltd.

Woori Finance Holdings Co., Ltd. (the "Company") was established on March 27, 2001 and is engaged in the business of managing the five financial institutions (Hanvit Bank, Kyongnam Bank, Kwangju Bank, Woori Credit Card Co., Ltd. (formerly Peace Bank), and Woori Investment Bank, 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. The Company's common stock amounts to ₩3,637,293 million (\$2,742,850 thousand), consisting of 727,459 thousand common shares issued and outstanding as of December 31, 2001. The Company is wholly owned by the KDIC.

Beginning in 1997, Korea and other countries in the Asia Pacific region experienced a severe contraction in substantially all aspects of their economies. This situation is commonly referred to as the 1997 Asian Financial Crisis. In response to this situation, the Korean government and the private sector began implementing structural reforms to historical business practices.

The Korean economy continues to experience difficulties, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The banking industry is currently undergoing consolidation and uncertainty exists with regard to the continued availability of financing. The Company may be either directly or indirectly affected by the situation described above. The accompanying consolidated financial statements reflect management's current assessment of the impact to date of the economic situation on the financial position of the Company and its subsidiaries.

(2) Subsidiaries

The Company's subsidiaries as of December 31, 2001 are summarized as follows:

	Type of business	Number of Shares owned	Percentage of Ownership (%)
Consolidated			
Hanvit Bank	Banking	552,880,000	100.0
Hanvit Securities Co., Ltd.	Securities	13,250,570	40.2
Hanvit Investment Trust Management Co., Ltd.	Trust Management	6,000,000	100.0
Hanvit Credit Information Co., Ltd.	Credit Information	1,008,000	100.0
Hanvit America Bank	Banking	5,500,000	100.0
P.T. Bank Hanvit Indonesia	Banking	1,387	81.6
Kyongnam Bank	Banking	51,800,000	100.0
Kwangju Bank	Banking	34,080,000	99.9
Woori Credit Card	Credit Card	234,600,000	100.0
Woori Investment Bank	Investment Banking	498,240,000	100.0
Central Telecom Capital Corp.	Leasing	3,000,001	50.0
Woori Finance Information System Co, Ltd. ("WFIS")	System Management	900,000	100.0
Woori Asset Management Company	Asset Management	2,000,000	100.0
BC Card	Credit Card	1,393,920	31.7
Woori First Asset Securitization Specialty Co., Ltd.	Asset Securitization	1,900	95.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

	Type of business	Number of Shares owned	Percentage of Ownership (%)
Woori Second Asset Securitization Specialty Co., Ltd.	Asset Securitization	1,900	95.0
Accounted for using the equity method:			
Korea Finance Security	Security	351,960	22.0
Kyongnam Leasing Co., Ltd.	Leasing	1,761,419	24.3
Excluded from consolidation:			
Nexbi Tech *1	System Management	102,000	50.5

*1 Not accounted for using the equity method in accordance with the rules for preparation of consolidated financial statements since total assets were lower than ₩7 billion as of December 31, 2000 and the effect of applying the equity method would not be material.

Trust accounts, on which the banks guarantee a fixed rate of return and the repayment of principal, are included in the consolidated financial statements as of December 31, 2001 pursuant to banking regulations promulgated by the Financial Supervisory Commission in the Republic of Korea.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Consolidated Financial Statement Presentation

The Company maintains its official accounting records in Korean won and prepares its statutory consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea consisting of the Financial Accounting Standards, Banking Accounting Standards, the Rules for Preparation of Consolidated Financial Statements and banking regulations promulgated by the Financial Supervisory Commission in the Republic of Korea. Certain accounting principles applied by the Company that conform with the accounting principles generally accepted in the Republic of Korea may not conform with accounting principles generally accepted in other countries. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the statutory Korean language consolidated financial statements. Some supplementary information included in the statutory Korean language consolidated financial statements, but not required for a fair presentation of the Company and its subsidiaries' financial position, results of operations or cash flows, is not presented in the accompanying consolidated financial statements.

The US dollar amounts presented in these consolidated financial statements were computed by translating the Korean won into US dollars based on the Bank of Korea Basic Rate (₩1,326.1 to \$1.00 at December 31, 2001) solely for the convenience of the reader. The convenience translation into US dollars should not be construed as a representation that the Korean won amounts have been, could have been, or could in the future be, converted into US dollars at this or any other rate of exchange.

Significant accounting policies followed in preparing the accompanying consolidated financial statements are summarized below. Certain accounts of the subsidiary companies are reclassified for consolidation purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

Accounting for consolidation

Investment and Equity Account Elimination and Inter-company Transaction Elimination

Investments in subsidiaries and equity accounts of subsidiaries were eliminated at the date of the latest acquisition, which resulted in the Company obtaining control of the subsidiaries. The differences between acquisition cost and net assets acquired are recorded either in goodwill or negative goodwill, which are amortized using a straight-line method over its estimated economic useful life. If additional shares are purchased after control of the subsidiaries having been obtained, the differences between acquisition cost 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 closest date to the acquisition date is regarded as the acquisition date. All significant intercompany transactions are eliminated in the consolidated financial statements.

Equity Method

Equity securities held for investments that are in companies in which the Company and its subsidiaries are able to exercise significant influence over the investees are accounted for using the equity method. The Bank's share in net income or net loss of investees is reflected in current operations. Changes in the capital adjustment account of the investee resulting from changes in the value of its investments are recorded as a valuation gain or loss on investments in the capital adjustment account of the investor. Changes in the retained earnings of the investee are reflected in the retained earnings of the investor. Changes in the capital surplus or other capital accounts of the investee are reflected in the capital adjustment account of accounted for in a similar manner by the investor. For investments in affiliates accounted for using the equity method, the difference between acquisition cost and net assets acquired at the acquisition date is added to or deducted from the carrying amount of investments and is being amortized using a straight-line method over five years.

Reclassification of Certain Accounts in the Financial Statements of Subsidiaries

Certain accounts in the financial statements of subsidiaries have been reclassified in order to conform to the Company's presentation in the consolidated financial statements.

Valuation of Trading Securities

Trading equity and debt securities are stated at acquisition cost plus incidental expenses. If the fair value of trading securities differs from the book value as determined by the individual moving average method, trading securities are stated at fair value and the valuation gain or loss is reflected in current operations.

Valuation of Investment Securities

Equity Securities

Equity securities held for investment (excluding those of affiliates and subsidiaries discussed in the next paragraph) that are not actively quoted (unlisted security) are stated at acquisition cost. Actively quoted (listed) securities, including those traded over-the-counter, are stated at fair value with a valuation gain or loss recorded as a capital adjustment. If the fair value of a listed equity security or the net equity value of an unlisted equity security held for investment declines compared to acquisition cost and is not expected to recover (impaired investment security), the value of the equity security is adjusted to fair value (for a listed security) or net equity value (for an unlisted security), with the valuation loss charged to current operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

The investment in the Stock Market Stabilization Fund (SMSF) is stated at fair value with the valuation gain or loss credited or charged to current operations. The stocks distributed by SMSF are recorded as trading or securities held for investment at fair value and treated as a return of investment. Cash distributed by SMSF as dividends or as a return of investment equity are also treated as a return of investment.

Debt Securities

Debt securities held for investment are classified as either held-to-maturity investment debt securities or available-for-sale investment debt securities at the time of purchase. Investments in debt securities of the types indicated below are classified as available-for-sale investment debt securities.

- ① All held-to-maturity investment debt securities if some portion was sold during the current period
- ② Securities obliged to be sold before maturity by legal regulations
- ③ Securities accounted for as investment securities impairment loss

Held-to-maturity investment debt securities are stated at acquisition cost, as determined by the individual moving average method. When the face value of a held-to-maturity investment debt security differs from its acquisition cost, the effective interest method is applied to amortize the difference over the remaining term of the security. Available-for-sale investment debt securities are stated at fair value, with resulting valuation gains or losses recorded as a capital adjustment. If fair value of a held-to-maturity or a available-for-sale investment debt security declines compared to the acquisition cost and is not expected to recover (impaired investment security), the carrying value of the debt security is adjusted to fair value with resulting valuation loss charged to current operations.

Gain or Loss on Valuation of Investment Securities

The net unrealized gain or loss, except for gain or loss on valuation of investment equity in SMSF, is presented as gain or loss on valuation of investment securities in capital adjustments. An unrealized valuation gain or loss of investment securities incurred in subsequent periods is deducted from or added to the previous balance of unrealized valuation gain or loss of investment securities. When investment securities are sold, the unrealized valuation gain or loss of investment securities included in the capital adjustment account is added to or deducted from gain or loss on disposal. With respect to an impaired investment security, any unrealized valuation gain or loss on the security previously included in the capital adjustment account is reversed.

Recovery of Impaired Investment Securities

The recovery of previously impaired investment securities is accounted for as follows: For marketable equity securities and available for sale debt securities the recovery is recorded in current operations up to the amount of the previously recognized impairment loss and any excess is recorded as capital adjustment. For unlisted equity securities the recovery is recorded in current operations up to the amount of previously recognized impairment loss. For held-to-maturity debt securities: when an impairment loss is recognized on held-to-maturity debt securities they are reclassified to available for sale. Therefore, the recovery is recorded in current operations up to the amount of the previously recognized impairment loss and any excess is recorded as capital adjustment.

Reclassification of Securities

If the objectives of the Company and its subsidiaries change, a trading security can be reclassified to investment securities, but only as of a balance sheet date. The difference between the fair value of the security as of the balance sheet date and the book value is recognized as gain or loss on valuation of trading securities and credited or charged to current operations. Investment securities cannot be reclassified to trading securities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

Interest Income Recognition

The Company and its subsidiaries recognize interest income on loans on the 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 a cash basis.

Allowance for Possible Losses on Credits

The Company classifies corporate credits, including loans and confirmed acceptances and guarantees 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 to 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 subsidiaries classify all credits to a single borrower in the same category of classification but credits guaranteed or credits collateralized by bank deposits, real estate and other assets may be classified differently based on the borrowers' guarantor's capability to service such guarantee or based on the value of collateral securing such credits.

The loans are classified as of the balance sheet dates as normal, precautionary, substandard, doubtful, or loss. An allowance is then calculated on the category balances using the prescribed minimum percentages of 0.5 percent, 2 percent, 20 percent, 50 percent, and 100 percent, respectively.

Confirmed acceptances and guarantees are classified as of the balance sheet dates using the same criteria as for loan classification. An allowance is then calculated, using 20 percent for substandard, 50 percent for doubtful and 100 percent for loss. No allowance is provided for those confirmed acceptances and guarantees classified as normal and precautionary. The allowance for possible losses on confirmed acceptances and guarantees is presented in other liabilities.

The Company classified loans and confirmed acceptances and guarantees extended to borrowers under workout and court receivership and mediation, financial institutions, Hyundai and Ssangyong Group companies, and the top 50 percent of borrowers based on more detailed classification criteria than provided by the five categories. An allowance for possible losses on those credits was calculated on the balances using from 0.5 to 100 percent and the resulting effect was charged to current operations. The allowance for possible losses on confirmed acceptances and guarantees was provided only for those classified below substandard.

Restructuring of Loans

A loan, whose contractual terms are modified in a troubled debt restructuring due to mutual agreements such as commencement of reorganization, court mediation and workout plans, is accounted for at the present value of expected future cash flows, if the book value of the loan differs from the present value. The difference between book value and present value is offset against the allowance for possible loan losses, and any remaining amounts are charged to operations as bad debt expense. The difference between the book value of a loan and its present value is recorded as present value discount, which is presented as a deduction from the loan. The present value discount is amortized over the remaining maturity using the effective interest rate method, and the amortization amount is recorded as interest income.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

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.

Tangible Assets and Depreciation

Tangible assets included in fixed assets are recorded at cost, except for the effect of upward revaluation made 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 tangible assets. Depreciation is computed using the declining balance method or straight-line method based on the estimated useful lives of the assets.

Intangible Assets

Intangible assets included in fixed assets are recorded at the production cost or purchase 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 donates assets such as buildings to government or 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.

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 a valuation loss charged to current operations.

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.

Amortization of Discount (Premium) on Debentures

Discount or premium on debentures issued is amortized over the period from issuance to maturity using the effective interest rate method. Amortization of discount or premium is recognized as interest expense or interest income on the debentures.

Accrued Severance Benefits

Employees 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, based on their length of service and rate of pay at the time of termination. A lump-sum severance payment is the greater of basic pay times the progressive severance payment ratio based on years of service and severance payment determined pursuant to the Labour Standards Law. Directors are entitled to receive a lump-sum payment pursuant to the Company's policies. The accrued severance benefits which would be payable assuming all eligible employees and directors were to resign as of December 31, 2001 amount to ₩59,480 million (\$44,853 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

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's subsidiaries purchase or sell securities under resale or repurchase agreements.

Accounting for Derivative Instruments

Derivative instruments are classified as used for trading activities or for hedging activities according to their transaction purpose. All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations. The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustment is added to or deducted from the asset or the liability.

Income Tax Expense

Income tax expense is the amount currently payable for the period added to or deducted from the changes in deferred income taxes. However, deferred income tax assets are recognized only if the future tax benefits from accumulated temporary differences and tax loss carry forwards are realizable. The difference between the amount currently payable for the period and income tax expense is accounted for as deferred income tax assets or liabilities and offset against income tax assets and liabilities in future periods.

Accounting for Foreign Currency Transactions and Translation

The Company and its subsidiaries maintain their accounts in Korean won. Transactions in foreign currency are recorded in Korean won based on the prevailing rate of exchange on the transaction date. The Korean won equivalent of assets and liabilities denominated in foreign currency are translated in these consolidated financial statements based on Bank of Korea Basic Rate (₩1,326.10 to \$1.00 at December 31, 2001) or cross rates as of the balance sheet date. Translation gains and losses on foreign currency denominated assets and liabilities are credited or charged to operations.

Accounting for Guaranteed Trust Accounts

Certain trust accounts, which the Bank guarantees a fixed rate of return on and/or the repayment of principal, are accounted for as follows:

Debt securities are recorded at market value or present value of future cash flows using yields for valuation of debt securities disclosed by Korea Securities Dealers Association. However, debt securities managed in unspecified trust accounts established prior to November 15, 1998 are recorded at acquisition cost plus accrued interest income.

Stocks are stated at acquisition cost determined by the individual moving average method plus incidental expenses. Stocks

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

that are traded on the Korea Stock Exchange or Korea Securities Dealers Automated Quotation are stated at market value. Unlisted stocks are stated at acquisition cost.

An allowance for possible loss on assets, which are managed in unspecified trust accounts but not recorded at market value, is provided based on asset quality classification criteria of the bank accounts reflecting the asset quality classification criteria regulated by the Korea Financial Supervisory Services. The assets are classified as of the balance sheet dates as normal, precautionary, substandard, doubtful, or loss. An allowance is then calculated on the category balances using the prescribed percentages of more than zero percent (more than 0.5 percent for trust accounts which the Bank guarantees a fixed rate of return), more than 2 percent, more than 20 percent, more than 50 percent, and 100 percent, respectively.

Ordinary Income Per Common Share and Net Income Per Common Share

Ordinary income per common share and net income per common share are computed by dividing ordinary income and net income, respectively, by the weighted average number of common shares issued and outstanding. The number of shares used in computing earnings per share for the year ended December 31, 2001 was 727,459 thousand.

Type of Consolidated Financial Statements

In accordance with Addendum 3 of the Rules for Preparation of Consolidated Financial Statements, consolidated statement of cash flow are not presented herein since this is the first presentation of consolidated financial statements by the Company.

3. CASH AND DUE FROM BANKS:

(1) Cash and due from banks in local currency and foreign currency as of December 31, 2001 consisted of:

	Korean Won (In millions)	US Dollars(Note 2) (In thousands)
Cash and checks	₩ 3,297,878	\$ 2,486,900
Foreign currency	98,794	74,500
Due from banks in local currency	2,427,349	1,830,442
Due from banks in foreign currencies	608,869	459,142
	₩ 6,432,890	\$ 4,850,984

(2) Restricted due from banks in local currency and foreign currencies as of December 31, 2001 consisted of:

Financial institution	Korean Won (In millions)	US Dollars(Note 2) (In thousands)	Reason of restriction
Due from banks in local currency			
Bank of Korea	₩ 937,425	\$ 706,904	Banking Law
Korea Stock Exchange and other	134,493	101,420	Indemnity Fund and other
Korea Securities Finance Corporation	118,358	89,253	Subscription and other
Samsung Life Insurance Co. and other	81,654	61,574	Severance payment

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

Financial institution	Korean Won (In millions)	US Dollars(Note 2) (In thousands)	Reason of restriction
Hanareum Banking Co. and other	48,140	36,302	Restructuring of merchant banks
Kookmin Bank and other	17,459	13,166	Collateral for guarantees and other
Due from banks in foreign currencies			
Bank of Korea	149,211	112,519	Banking Law
Lehman Brothers	134,402	101,351	Collateral for credit derivatives
Bank of Tokyo and others	17,046	12,854	Collateral for interest and currency swaps
Bangladesh Bank and other	13,261	10,000	Reserve deposits on oversea banks
P.T. Hanvit Bank Indonesia and other	9,544	7,197	Reserve deposits
	<u>₩ 1,660,993</u>	<u>\$ 1,252,540</u>	

4. COLLATERALIZED ASSETS:

Collateralized assets as of December 31, 2001 consisted of:

Financial institution	Collateralized assets	Korean Won (In millions)	US Dollars(Note 2) (In thousands)	Reason of restriction
Bank of Korea	Securities and loans	₩ 3,704,551	\$ 2,793,568	Collateral borrowings, Settlement risk and Repurchase transactions
Deutsche Bank H.K. and others	Securities	1,706,073	1,286,534	Borrowings in foreign currency
Depository of securities	Securities	1,263,213	952,577	Customer under repurchasing agreement
Korea Industrial Bank and others	Securities and leased assets	459,018	346,141	RP transactions, Borrowings
Lehman Brothers	Due from banks and securities	436,904	329,465	Trading credit derivatives
Housing & Commercial Bank	Guarantee deposit	277,300	209,109	ABS issuance
Kwangju Bank (Trust)	Securities	252,091	190,100	Guarantee for RP
KAMCO	Securities	238,955	180,194	Non-performing management fund
First Union and others	Securities	65,574	49,449	Opening L/C
Samsung Futures Trading Co.	Securities	37,193	28,047	Futures maintenance margin
Peace First Asset Securitization Specialty Co.	Securities	16,244	12,250	Credit maintenance
Private Education Pension	Securities	11,000	8,295	Inducement of repurchasing agreement
Korea Stock Exchange and others	Securities	16,683	12,581	Credit derivative and other
		<u>₩ 8,484,799</u>	<u>\$ 6,398,310</u>	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

5. TRADING SECURITIES:

Trading securities as of December 31, 2001 consisted of:

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Equity securities	₩ 98,301	\$ 74,128
Government and public bonds	550,816	415,365
Finance debentures	1,163,794	877,607
Corporate bonds	944,032	711,886
Beneficiary certificates	416,329	313,950
Trading securities in foreign currencies	2,130	1,606
Others	42,480	32,034
	₩ 3,217,882	\$ 2,426,576

6. INVESTMENT SECURITIES:

Investment securities as of December 31, 2001 consisted of:

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Investment equity securities	₩ 918,250	\$ 692,444
Government bonds	1,974,816	1,489,191
Local government bonds	198,833	149,938
Finance debentures	3,701,402	2,791,194
Corporate bonds	12,168,098	9,175,852
Beneficiary certificates	1,157,925	873,181
Investment securities in foreign currencies	1,201,237	905,842
Others	485,890	366,405
	₩ 21,806,451	\$ 16,444,047

7. LOANS:

Loans as of December 31, 2001 consisted of:

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Loans in local currency	₩ 40,766,369	\$ 30,741,550
Loans in Foreign currencies	5,121,121	3,861,791
Bills bought in local currency	571,337	430,840
Bills bought in foreign currencies	3,092,256	2,331,842
Advances for customers	309,056	233,056
Credit card accounts	4,885,141	3,683,841
Bonds purchased under resale agreements	2,763,449	2,083,892

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Call loans	962,880	726,099
Privately placed bonds	530,382	399,956
Loans to be converted to equity securities	603,606	455,174
Direct financing lease investment	293,031	220,972
Others (Note 23)	2,466,021	1,859,604
	62,364,649	47,028,617
Allowance for possible loan losses	(3,734,354)	(2,816,042)
Present value discounts	(50,446)	(38,041)
	₩ 58,579,849	\$ 44,174,534

8. ALLOWANCE FOR POSSIBLE LOAN LOSSES:

The allowance for possible loan losses as of December 31, 2001 consisted of:

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Loans in local currency	₩ 961,683	\$ 725,196
Loans in Foreign currencies	275,293	207,596
Bills bought in local currency	88,327	66,607
Bills bought in foreign currencies	81,899	61,759
Advances for customers	130,305	98,262
Credit card accounts	79,185	59,713
Call loans	142,400	107,382
Privately placed bonds	119,039	89,766
Loans to be converted to equity securities	4,933	3,720
Direct financing lease investment	22,072	16,644
Others (Note 23)	1,829,218	1,379,397
	₩ 3,734,354	\$ 2,816,042

9. FIXED ASSETS:

(1) Tangible assets as of December 31, 2001 consisted of the followings:

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Land	₩ 1,364,052	\$ 1,028,619
Buildings	931,037	702,086
Equipment and furniture	856,691	646,023
Construction in process	4,995	3,767
Others	85,715	64,637
	3,242,490	2,445,132
Less: Accumulated depreciation	(848,626)	(639,941)
	₩ 2,393,864	\$ 1,805,191

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

(2) Intangible assets as of December 31, 2001 consisted of the followings:

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Goodwill		
Woori Finance Holdings Co., Ltd. *1	₩ 371,872	\$ 280,425
Subsidiaries of Hanvit Bank	2,240	1,689
	374,112	282,114
Negative Goodwill		
Woori Finance Holdings Co., Ltd *2	(6,078)	(4,583)
Other intangible assets	61,157	46,118
	₩ 429,191	\$ 323,649

*1 The difference of ₩391,361 million (\$295,122 thousand) between the acquisition cost and the book value of the subsidiaries' net assets acquired was classified as goodwill. Goodwill is amortized using the straight-line method over 20 year and amortization in 2001 were ₩19,489 million (\$14,696 thousand).

*2 The difference of ₩6,431 million (\$4,850 thousand) between the acquisition cost and the book value of the subsidiaries' net assets acquired was classified as negative goodwill. Negative goodwill is amortized using the straight-line method over 20 year and amortization of ₩353 million (\$266 thousand) in 2001 were credited to current operations.

(3) Leased assets as of December 31, 2001 were ₩643 million (\$485 thousand).

(4) Other fixed assets as of December, 2001 were ₩8,153 million (\$6,148 thousand).

10. OTHER ASSETS:

Other assets as of December 31, 2001 consisted of:

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Guarantee deposits	₩ 1,293,022	\$ 975,056
Accounts receivable-other	1,703,715	1,284,756
Accrued revenues receivable	662,990	499,955
Prepaid expenses	23,157	17,462
Deferred income tax assets	234,521	176,850
Account receivables on disposal of assets	5,060	3,816
Derivative instruments assets	185,252	139,697
Domestic exchange settlements debits	1,017,447	767,248
Operating lease assets	221,995	167,404
Sundry assets	573,432	432,420
	5,920,591	4,464,664
Present value discount	(46)	(35)
	₩ 5,920,545	\$ 4,464,629

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

11. DEPOSITS:

Deposits as of December 31, 2001 consisted of:

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Deposits in local currency	₩ 65,614,989	\$ 49,479,669
Deposits in foreign currencies	2,935,120	2,213,347
Certificates of deposit	782,108	589,781
	₩ 69,332,217	\$ 52,282,797

12. BORROWINGS:

Borrowings as of December 31, 2001 consisted of:

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Borrowings in local currency	₩ 5,206,770	\$ 3,926,378
Borrowings in foreign currencies	3,585,609	2,703,875
Bonds sold under repurchase agreements	2,472,879	1,864,776
Bills sold	343,493	259,025
Due to BOK in foreign currencies	192,485	145,151
Call money	574,987	433,593
Others	70,000	52,786
	₩ 12,446,223	\$ 9,385,584

13. DEBENTURES:

Debentures as of December 31, 2001 consisted of:

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Debentures in local currency	₩ 4,597,383	\$ 3,466,845
Less: Discounts	(607,726)	(458,281)
Debentures in foreign currencies	1,519,371	1,145,744
Less: Discounts	(17,495)	(13,193)
	₩ 5,491,533	\$ 4,141,115

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

14. OTHER LIABILITIES:

Other liabilities as of December 31, 2001 consisted of:

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Accrued severance benefits	₩ 59,480	\$ 44,853
Less: Transfer to National Pension	(32,663)	(24,631)
Allowance for possible losses on confirmed acceptances and guarantees	241,945	182,449
Other allowances	591,740	446,226
Borrowings from Trust Accounts	1,350,062	1,018,070
Foreign exchange remittance pending	153,017	115,389
Domestic exchange settlement credits	675,235	509,189
Accounts payable	894,182	674,295
Income tax payable	29,400	22,170
Accrued expenses	1,579,046	1,190,744
Unearned revenues	166,841	125,813
Deposits for letter of guarantees and others	146,472	110,453
Derivative liabilities	103,979	78,410
Deferred income tax liabilities	4,858	3,663
Liabilities incurred by agency relationship	234,635	176,936
Accounts for agency businesses	343,574	259,086
Sundry liabilities	538,498	406,076
	<u>₩ 7,080,301</u>	<u>\$ 5,339,191</u>

15. SHAREHOLDER 'S EQUITY:

The Company has 2,400 million authorized shares of common stock ₩5,000 par value, of which 727,459 thousand shares were issued and outstanding as of December 31, 2001. The Company's common stock as of December 31, 2001 amounts to ₩3,637,293 million (\$2,742,850 thousand) and is wholly owned by the KDIC.

16. NON-OPERATING INCOME AND EXPENSES:

Non-operating income for the period from March 27, 2001 to December 31, 2001 consisted of:

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Gain on disposal of tangible assets	₩ 1,424	\$ 1,074
Gain on valuation using the equity method	1,479	1,115
Rental income	7,550	5,693
Gain on disposal of investment securities	127,755	96,339
Recovery of investment stocks impairment loss	25,701	19,381
Recovery of investment bonds impairment loss	28,823	21,735
Gain on valuation of stock market stabilization fund	91,418	68,938
Gain on sale of loans	839,164	632,806
Others	67,371	50,804
	<u>₩ 1,190,685</u>	<u>\$ 897,885</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

Non-operating expenses for the period from March 27, 2001 to December 31, 2001 consisted of:

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Loss on disposal of tangible assets	₩ 60,583	\$ 45,685
Loss on valuation using the equity method	987	744
Loss on disposal of investment securities	117,824	88,850
Loss on investment stocks impairment	80,311	60,562
Loss on investment bonds impairment	515,243	388,540
Loss on sale of loans	69,981	52,772
Donations	4,211	3,176
Others	88,844	66,996
	₩ 937,984	\$ 707,325

17. INCOME TAX EXPENSE:

Income tax expense of the Company for the period from March 27, 2001 to December 31, 2001 and its subsidiaries for the year ended December 31, 2001 consisted of the followings:

	Income tax expense		Deferred income tax asset		Deferred income tax liabilities	
	Korean Won	US Dollars (Note 2)	Korean Won	US Dollars (Note 2)	Korean Won	US Dollars (Note 2)
	(In millions)	(In thousands)	(In millions)	(In thousands)	(In millions)	(In thousands)
The Company	₩ 1,783	\$ 1,345	₩ -	\$ -	₩ 1,783	\$ 1,345
Subsidiaries	(173,981)	(131,198)	234,521	176,850	3,075	2,318
	₩(172,198)	\$ (129,853)	₩ 234,521	\$ 176,850	₩ 4,858	\$ 3,663

18. INTERCOMPANY TRANSACTIONS:

Significant balances as of December 31, 2001 and for 2001 with and among the subsidiaries, which have been eliminated in the consolidation, were as follows (Unit: in millions):

(1) The Company

1) Assets

(Unit: Won in millions):

Company	Due from				Total
	Banks	Loans	Other Assets		
Hanvit Bank	₩ 13,825	₩ -	₩ 9,850	₩ 23,675	
Woori First Asset Securitization Specialty	-	484,487	-	484,487	
Woori Second Asset Securitization Specialty	-	167,136	-	167,136	
	₩ 13,825	₩ 651,623	₩ 9,850	₩ 675,298	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

2) Income and expenses

Company	Interest Income	Commissions Received	Other Operating Income	Interest Expenses	Commissions Paid	Other Operating Expenses
Hanvit Bank	₩ 4,566	₩ -	₩ 5,210	₩ -	₩ -	₩ 1,652
Kyongnam Bank	211	-	-	-	-	-
Kwangju Bank	211	-	-	-	-	-
Woori Credit Card	422	-	-	-	-	-
Woori Finance Information System	-	-	-	-	12	-
	₩ 5,410	₩ -	₩ 5,210	₩ -	₩ 12	₩ 1,652

(2) Hanvit Bank

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
P.T. Bank Hanvit Indonesia	₩ -	₩ 74,566	₩ 112	₩ 74,678
Trust accounts	-	-	234,919	234,919
Kyongnam Bank	73	-	-	73
Woori Credit Card	-	-	394,772	394,772
Woori Investment Bank	12,500	3	-	12,503
Woori Finance Information System	-	-	14	14
Woori Asset Management Company	-	-	18	18
	₩ 12,573	₩ 74,569	₩ 629,835	₩ 716,977

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Hanvit Securities	₩ 16,402	₩ -	₩ 4,229	₩ 20,631
Hanvit Investment Trust Management Co., Ltd.	3,754	-	37	3,791
Hanvit Credit Information	5,365	-	3,035	8,400
P.T. Bank Hanvit Indonesia	-	56,750	92	56,842
Trust accounts	-	-	396,984	396,984
Woori Finance Holdings Co., Ltd.	13,825	-	9,850	23,675
Kyongnam Bank	1,101	32,316	-	33,417
Kwangju Bank	280	16,789	-	17,069
Woori Investment Bank	15,012	-	9,793	24,805
Woori Finance Information System	8,162	-	132	8,294

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Asset Management Company	8,259	-	44	8,303
BC Card	-	-	6,588	
Woori First Asset Securitization Specialty	48,104	-	16	48,120
Woori Second Asset Securitization Specialty	10	-	-	10
	₩ 120,274	₩ 105,855	₩ 430,800	₩ 656,929

3) Income and expenses

Company	Interest Income	Commissions Received	Other Operating Income	Interest Expenses	Commissions Paid	Other Operating Expenses
Hanvit securities	₩ 70	₩ -	₩ -	₩ 994	₩ -	₩ -
Hanvit Investment Trust Management Co., Ltd.	-	-	-	763	-	-
Hanvit Credit Information	12	-	92	292	17,616	-
P.T. Bank Hanvit Indonesia	3,695	-	-	2,171	-	-
Trust accounts	22,599	57	47,940	9,186	-	-
Woori Finance Holdings Co., Ltd.	-	-	1,652	4,566	-	5,210
Kyongnam Bank	-	-	-	1,425	-	-
Kwangju Bank	-	-	-	876	-	-
Woori Investment Bank	-	-	-	203	-	-
Woori Credit Card	-	-	-	2,988	-	-
Woori Finance Information System	-	-	-	301	-	23,666
Woori Asset Management Company	-	-	-	48	-	-
BC Card	-	-	-	-	49,733	-
Woori First Asset Securitization Specialty	-	89	-	82	-	-
	₩ 26,376	₩ 146	₩ 49,684	₩ 23,895	₩ 67,349	₩ 28,876

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

(3) Kyongnam Bank

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Trust accounts	₩ -	₩ -	₩ 3,500	₩ 3,500
Hanvit Banks	1,101	32,316	-	33,417
Kwangju Bank	4,951	-	-	4,951
Woori Investment Bank	118,040	-	-	118,040
Woori Credit Card	300	-	-	300
	₩ 124,392	₩ 32,316	₩ 3,500	₩ 160,208

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Trust accounts	₩ -	₩ -	₩ 12,952	₩ 12,952
Hanvit banks	73	-	-	73
Woori Investment Bank	-	-	13	13
BC Card	-	-	469	469
Hanvit securities	3	-	-	3
Hanvit credit information	-	-	209	209
	₩ 76	₩ -	₩ 13,643	₩ 13,719

3) Income and expenses

Company	Interest Income	Guarantee fees and commissions	Other Operating Income	Interest Expenses	Commissions	Other Operating Expenses
Trust accounts	₩ 551	₩ -	₩ 3,499	₩ 457	₩ -	₩ 69
Woori Finance Holdings Co., Ltd.	-	-	-	211	-	-
Hanvit bank	1,425	-	-	-	-	-
Kwangju Bank	417	-	-	9	-	-
Woori Investment Bank	7,422	-	-	1	-	-
Woori Credit Card	1,627	-	-	7	-	-
Woori Asset Management Company	466	13	101	7	-	3,917
BC Card	-	-	-	-	3,697	-
Hanvit Investment Trust Management Co., Ltd.	-	-	-	35	-	-
Hanvit Credit Information	-	-	11	-	304	-
Woori First Asset Securitization Specialty	-	13	-	7	-	-
	₩ 11,908	₩ 26	₩ 3,611	₩ 734	₩ 4,001	₩ 3,986

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

(4) Kwangju Bank

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Trust Accounts	₩ -	₩ -	₩ 4,500	₩ 4,500
Hanvit Bank	280	16,789	-	17,069
	₩ 280	₩ 16,789	₩ 4,500	₩ 21,569

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Trust Accounts	₩ -	₩ -	₩ 14,726	₩ 14,726
Kyongnam Bank	4,951	-	-	4,951
Woori Investment Bank	-	-	24	24
Hanvit Securities	4,946	-	-	4,946
	₩ 9,897	₩ -	₩ 14,750	₩ 24,647

3) Income and expenses

Company	Interest Income	Guarantee fees and commissions	Other Operating Income	Interest Expenses	Commissions	Other Operating Expenses
Trust Accounts	₩ 1,002	₩ -	₩ 2,588	₩ 423	₩ -	₩ -
Woori Finance Holdings Co., Ltd.	-	-	-	211	-	-
Hanvit Bank	876	-	-	-	-	-
Kyongnam Bank	9	-	-	417	-	-
Woori Investment Bank	-	-	-	2	-	-
Hanvit Securities	27	-	-	405	-	-
Hanvit Credit Information	-	-	-	-	1	-
Woori First Asset Securitization Specialty	-	9	-	3	-	-
	₩ 1,914	₩ 9	₩ 2,588	₩ 1,461	₩ 1	₩ -

(5) Woori Credit Card

1) Liabilities

Company	Due from Banks	Loans	Other Assets	Total
Hanvit Bank	₩ -	₩ -	₩ 394,772	₩ 394,772
Kyongnam Bank	300	-	-	300
	₩ 300	₩ -	₩ 394,772	₩ 395,072

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

2) Income and expenses

Company	Interest Income	Guarantee fees and commissions	Other Operating Income	Interest Expenses	Commissions	Other Operating Expenses
Woori Finance Holdings Co., Ltd.	₩ -	₩ -	₩ -	₩ 422	₩ -	₩ -
Hanvit Bank	2,988	-	-	-	-	-
Kyongnam Bank	7	-	-	1,627	-	-
Hanvit Credit Information	-	-	-	-	20	-
	₩ 2,995	₩ -	₩ -	₩ 2,049	₩ 20	₩ -

(6) Woori Investment Bank

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Hanvit Bank	₩ 15,012	₩ -	₩ 9,793	₩ 24,805
Kyongnam Bank	-	-	13	13
Kwangju Bank	-	-	24	24
	₩ 15,012	₩ -	₩ 9,830	₩ 24,842

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Hanvit Bank	₩ 12,500	₩ 3	₩ -	₩ 12,503
Kyongnam Bank	118,040	-	-	118,040
Hanvit Investment Trust Management Co., Ltd.	8,418	-	-	8,418
Central Telecom Capital Corp.	3,094	8,950	1,394	13,438
	₩ 142,052	₩ 8,953	₩ 1,394	₩ 152,399

3) Income and expenses

Company	Interest Income	Guarantee fees and commissions	Other Operating Income	Interest Expenses	Commissions	Other Operating Expenses
Hanvit Bank	₩ 203	₩ -	₩ -	₩ -	₩ -	₩ -
Kyongnam Bank	1	-	-	7,422	-	-
Kwangju Bank	2	-	-	-	-	-
Hanvit Investment Trust Management Co., Ltd.	-	-	-	544	-	-
Central Telecom Capital Corp.	-	-	96	146	-	-
Woori First Assets Securitization Specialty	-	137	-	80	-	-
	₩ 206	₩ 137	₩ 96	₩ 8,192	₩ -	₩ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

(7) Woori Finance Information System

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Hanvit Bank	₩ 8,162	₩ -	₩ 132	₩ 8,294

2) Liabilities

Company	Due from Banks	Loans	Other Assets	Total
Hanvit Bank	₩ -	₩ -	₩ 14	₩ 14

3) Income and expenses

Company	Interest Income	Guarantee fees and commissions	Other Operating Income	Interest Expenses	Commissions	Other Operating Expenses
Woori Finance Holdings Co., Ltd.	₩ -	₩ -	₩ 12	₩ -	₩ -	₩ -
Hanvit Bank	301	-	23,666	-	-	-
Woori Asset Management Company	-	-	94	-	-	-
Hanvit Securities	-	-	579	-	-	-
Hanvit Investment Trust Management Co., Ltd.	-	-	2	-	-	-
	₩ 301	₩ -	₩ 24,353	₩ -	₩ -	₩ -

(8) Woori Asset Management Company

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Hanvit Bank	₩ 8,259	₩ -	₩ 44	₩ 8,303
Woori First Assets Securitization Specialty	-	-	196	196
	₩ 8,259	₩ -	₩ 240	₩ 8,499

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Hanvit Bank	₩ -	₩ -	₩ 18	₩ 18

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

3) Income and expenses

Company	Interest Income	Guarantee fees and commissions	Other Operating Income	Interest Expenses	Commissions	Other Operating Expenses
Hanvit Bank	₩ 48	₩ -	₩ -	₩ -	₩ -	₩ -
Kyongnam Bank	7	-	3,917	466	13	101
Woori Finance Information System	-	-	-	-	-	94
Woori First Asset Securitization Specialty	-	196	-	-	-	-
	₩ 55	₩ 196	₩ 3,917	₩ 466	₩ 13	₩ 195

(9) BC Card

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Hanvit Bank	₩ -	₩ -	₩ 6,588	₩ 6,588
Kyongnam Bank	-	-	469	469
	₩ -	₩ -	₩ 7,057	₩ 7,057

2) Income and Expenses

Company	Interest Income	Guarantee fees and commissions	Other Operating Income	Interest Expenses	Commissions	Other Operating Expenses
Hanvit Bank	₩ -	₩ 49,733	₩ -	₩ -	₩ -	₩ -
Kyongnam Bank	-	3,697	-	-	-	-
	₩ -	₩ 53,430	₩ -	₩ -	₩ -	₩ -

(10) Hanvit Securities

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Hanvit Bank	₩ 16,402	₩ -	₩ 4,229	₩ 20,631
Kyongnam Bank	3	-	-	3
Kwangju Bank	4,946	-	-	4,946
	₩ 21,351	₩ -	₩ 4,229	₩ 25,580

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Hanvit Credit Information	₩ -	₩ -	₩ 2	₩ 2

3) Income and expenses

Company	Interest Income	Guarantee fees and commissions	Other Operating Income	Interest Expenses	Commissions	Other Operating Expenses
Hanvit Bank	₩ 994	₩ -	₩ -	₩ 70	₩ -	₩ -
Kwangju Bank	405	-	-	27	-	-
Woori Finance Information System	-	-	-	-	-	579
Hanvit Credit Information	-	-	-	-	10	-
	₩ 1,399	₩ -	₩ -	₩ 97	₩ 10	₩ 579

(11) Hanvit Investment Trust Management Co., Ltd.

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Hanvit Bank	₩ 3,754	₩ -	₩ 37	₩ 3,791
Woori Investment Bank	8,418	-	-	8,418
	₩ 12,172	₩ -	₩ 37	₩ 12,209

2) Income and expenses

Company	Interest Income	Guarantee fees and commissions	Other Operating Income	Interest Expenses	Commissions	Other Operating Expenses
Hanvit Bank	₩ 763	₩ -	₩ -	₩ -	₩ -	₩ -
Kyongnam Bank	35	-	-	-	-	-
Woori Investment Bank	544	-	-	-	-	-
Woori Finance Information System	-	-	-	-	-	2
	₩ 1,342	₩ -	₩ -	₩ -	₩ -	₩ 2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

(12) Hanvit Credit Information

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Hanvit Bank	₩ 5,365	₩ -	₩ 3,035	₩ 8,400
Kyongnam Bank	-	-	209	209
Hanvit Securities	-	-	2	2
	₩ 5,365	₩ -	₩ 3,246	₩ 8,611

2) Income and expenses

Company	Interest Income	Guarantee fees and commissions	Other operating Income	Interest Expenses	Commissions	Other operating Expenses
Hanvit Bank	₩ 292	₩ 17,616	₩ -	₩ 12	₩ -	₩ 92
Kyongnam Bank	-	304	-	-	-	11
Kwangju Bank	-	1	-	-	-	-
Woori Credit Card	-	20	-	-	-	-
Hanvit Securities	-	10	-	-	-	-
	₩ 292	₩ 17,951	₩ -	₩ 12	₩ -	₩ 103

(13) P.T. Bank Hanvit Indonesia

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Hanvit Bank	₩ -	₩ 56,750	₩ 92	₩ 56,842

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Hanvit Bank	₩ -	₩ 74,566	₩ 112	₩ 74,678

3) Income and expenses

Company	Interest Income	Guarantee fees and commissions	Other operating Income	Interest Expenses	Commissions	Other operating Expenses
Hanvit Bank	₩ 2,171	₩ -	₩ -	₩ 3,695	₩ -	₩ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

(14) Central Telecom Capital Corp.

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Woori Investment Bank	₩ 3,094	₩ 8,950	₩ 1,394	₩ 13,438

2) Income and expenses

Company	Interest Income	Guarantee fees and commissions	Other operating Income	Interest Expenses	Commissions	Other operating Expenses
Woori Investment Bank	₩ 146	₩ -	₩ -	₩ -	₩ -	₩ 96

(15) Woori First Asset Securitization Specialty Co., Ltd.

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Hanvit Bank	₩ 48,104	₩ -	₩ 16	₩ 48,120

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Finance Holdings Co., Ltd.	₩ -	₩ 484,487	₩ -	₩ 484,487
Woori Asset management Company	-	-	196	196
	₩ -	₩ 484,487	₩ 196	₩ 484,683

3) Income and expenses

Company	Interest Income	Guarantee fees and commissions	Other operating Income	Interest Expenses	Commissions	Other operating Expenses
Hanvit Bank	₩ 82	₩ -	₩ -	₩ -	₩ 89	₩ -
Kyongnam Bank	7	-	-	-	13	-
Kwangju Bank	3	-	-	-	9	-
Woori Investment Bank	80	-	-	-	137	-
Woori Asset Management Company	-	-	-	-	196	-
	₩ 172	₩ -	₩ -	₩ -	₩ 444	₩ -

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

(16) Woori Second Asset Securitization Specialty Co., Ltd.

1) Assets

Company	Due from Banks	Loans	Other Assets	Total
Hanvit Bank	₩ 10	₩ -	₩ -	₩ 10

2) Liabilities

Company	Deposits	Borrowings	Other Liabilities	Total
Woori Finance Holdings Co., Ltd.	₩ -	₩ 167,136	₩ -	₩ 167,136

19. TRANSFER OF THE BANKING BUSINESS SEGMENT FROM PEACE BANK TO HANVIT BANK:

Pursuant to the business transfer agreement entered into between Hanvit Bank and Peace Bank on December 7, 2001, Hanvit Bank merged the banking business segment (including trust accounts) of Peace Bank as of December 31, 2001.

20. SUBSEQUENT EVENT:

(1) Issuance of debentures in foreign currencies:

On January 16, 2002, the Company issued JPY 15 billion 1.74% Notes at par in the international markets. The redemption date is January 16, 2004. In order to prevent any risk involved with changes in exchange rates and interest rates in connection to the above debentures issued, the Company has entered into a cross currency swap with Hanvit Bank, and the following is the summary of terms and conditions of the contract (Unit: Won in millions, Yen in millions).

Contract date	Maturity date	Type	Contracted amount	Interest rates and payment terms
2002.1.24	2004.1.16	Receipt	JPY 14,925	Annual rate of 1.74% in every 6 months
		Payment	₩ 147,754	CD interest rate (3 months) + 1.59%

(2) Transfer of Credit card business of Hanvit Bank to Woori Credit Card:

Pursuant to an agreement on business reform of Peace Bank dated November 20, 2001 and a business transfer agreement dated December 26, 2001 entered into by the Company, Hanvit Bank and Peace Bank, respectively, the business right of credit card business of Hanvit Bank was sold to Woori Credit Card Co., Ltd., formerly Peace Bank of Korea, on January 31, 2002.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

21. CONTINGENCIES AND COMMITMENTS:

- (1) As of December 31, 2001, contingent liabilities consisted of confirmed and unconfirmed acceptances and guarantees. Confirmed acceptances and guarantees of ₩3,984,137 million (\$3,004,402 thousand) as of December 31, 2001 were issued to customers related to borrowings, sale of bonds, sale of credit default derivatives, issuance of letters of guarantee, opening and confirmation of letters of credit and other. Unconfirmed acceptances and guarantees of ₩3,116,108 million (\$2,349,829 thousand) as of December 31, 2001 were issued to customers related to opening of letters of credit in local and foreign currencies and other.
- (2) Commitments-line of credit of ₩125,607 million (\$94,719 thousand) and endorsed bills of ₩4,314 million (\$3,253 thousand) are outstanding as of December 31, 2001.
- (3) Derivative contracts as of December 31, 2001 were as follows:

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Interest rate related derivatives sold	₩ 2,249,131	\$ 1,696,050
Interest rate related derivatives purchased	2,151,888	1,622,719
Currency related derivatives sold	2,970,642	2,240,134
Currency related derivatives purchased	1,834,731	1,383,554
Stocks sold	4,774	3,600
	₩ 9,211,166	\$ 6,946,057

- (4) As of December 31, 2001, the Company and its subsidiaries had filed lawsuits claiming damages amounting to ₩245,135 million (\$184,854 thousand) plus punitive damages and had been designated as a defendant in lawsuits claiming damages amounting to ₩1,397,545 million (\$1,053,876 thousand). Among the lawsuits in which Hanvit Bank is a defendant, Hanvit Bank, two other domestic banks and others are named as defendants in a lawsuit filed in the United States claiming damages of \$657 million (₩871,248 million), of which \$167 million (₩221 billion) could be trebled as explained below. The plaintiff alleges the defendants to be jointly liable for the losses arising from the L&H Korea's fraudulent financial statement presentation by aiding and assisting in such actions based on US security laws. The plaintiff also alleges violations of certain other statutes and, if Hanvit Bank is found to have violated these statutes, the court could treble the damage claims. The ultimate outcome of this lawsuit cannot presently be determined. However, the Company does not anticipate the outcome of these lawsuits will have significant effects on the financial conditions or operations of the Company or its subsidiaries.
- (5) Of the non-performing loans sold by subsidiaries of the Company to KAMCO, ₩1,212,856 million (\$914,604 thousand) of loans as of December 31, 2001 were sold subject to payment guarantees by the subsidiaries on principal and interest of the loans or required repurchase by the subsidiaries. The decision to ask the subsidiaries to repurchase the loans is entirely at the option of KAMCO. As of December 31, 2001, ₩379,178 million (\$285,935 thousand) of allowance for possible loss on those loans sold was provided and included in other allowance of other liabilities in the balance sheet and in other administrative expense in the statement of income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

22. MANAGEMENT IMPROVEMENT PLAN:

(1) Agreement on the implementation of the management improvement plan between the subsidiaries and the KDIC

On December 30, 2000, four of the Company's subsidiaries, Hanvit Bank, Kyongnam Bank, Kwangju Bank, and Peace Bank, and the KDIC entered into agreements for the implementation of management improvement plans for the banks. Pursuant to the agreements, the subsidiaries received ₩3,466,800 million (\$2,614,282 thousand) from the KDIC in the form of investments in the subsidiaries' common stocks in December 2000 and agreed to make additional contributions to the subsidiaries prior to September 30, 2001. On September 30, 2001, the capital contributions in the aggregate amount of ₩2,581,000 million (\$1,946,309 thousand) were paid by the KDIC into the banks.

The details of the contribution to the subsidiaries were as follows (Unit: Won in million).

	Hanvit Bank	Kyongnam Bank	Kwangju Bank	Woori Credit Card	Total
Capital Stock	₩ 2,764,400	₩ 259,000	₩ 170,400	₩ 273,000	₩ 3,466,800
Capital contribution	1,877,200	93,800	271,400	338,600	2,581,000
	₩ 4,641,600	₩ 352,800	₩ 441,800	₩ 611,600	₩ 6,047,800

In addition, Woori Investment Bank entered into an agreement with the KDIC on June 29, 2001 in connection with the management improvement plan for Woori Investment Bank.

Under the agreement, the Company and its subsidiaries are obligated to sell non-performing loans and fixed assets, close certain branches and subsidiaries, improve financial ratios including the capital adequacy ratio, and reinforce its risk management system. If the subsidiaries fail to implement the agreement, the KDIC may order the 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.

(2) Agreement on the implementation of the management improvement plan between the Company and the KDIC

On July 2, 2001, the Company and the KDIC entered into an agreement whereby the Company would integrate the Company's subsidiaries and improve the performance of the subsidiaries. The agreement stipulates that the Company should 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.

(3) Agreement on the implementation of the business plan between the Company and its subsidiaries

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

23. SALES OF NON-PERFORMING LOANS AMONG SUBSIDIARIES:

(1) Woori First Asset Securitization Specialty and Woori Second Asset Securitization Specialty purchased non-performing loans from Hanvit Bank, Kyongnam Bank, Kwangju Bank, Woori Credit Card and Woori Investment Bank in 2001. The Company has privately placed bonds of ₩484,487 million (\$365,347 thousand) and ₩167,136 million (\$126,036 thousand) issued by Woori First Asset Securitization Specialty and Woori Second Asset Securitization Specialty, respectively. The transactions were as follows (Unit: Won in million):

1) Woori First Asset Securitization Specialty Co. Ltd.:

	Loans sold	Allowance for possible loan losses	Book value	Proceeds on disposition	Loss on disposition
Hanvit Bank	₩ 401,265	₩ 195,500	₩ 205,765	₩ 127,326	₩ 78,439
Kyongnam Bank	55,800	15,752	40,048	36,352	3,696
Kwangju Bank	10,545	2,830	7,715	7,137	578
Woori Credit Card	177,765	146,036	31,729	9,254	22,475
Woori Investment Bank	978,311	596,683	381,628	304,418	77,210
	₩ 1,623,686	₩ 956,801	₩ 666,885	₩ 484,487	₩ 182,398

2) Woori Second Asset Securitization Specialty Co. Ltd.:

	Loans sold	Allowance for possible loan losses	Book value	Proceeds on disposition	Loss on disposition
Woori Credit Card	₩ 633,656	₩ 413,427	₩ 220,229	₩ 167,136	₩ 53,093

(2) The Company accounted for loans disposed of ₩2,216,704 million (\$1,671,964 thousand) as other loans and included ₩1,370,228 million (\$1,033,277 thousand) of allowance for possible loan losses on the loans disposed in allowance for possible loan losses-other. In addition, loss on disposition of ₩235,491 million (\$177,582 thousand) were provided and included in allowance for possible loan losses-other. As of December 31, 2001, ₩1,605,719 million (\$1,210,858 thousand) of allowance for possible loss on the loans disposed was provided and included in allowance for possible loan losses-other.

24. AMOUNT DUE FROM HYNIX SEMICONDUCTOR INC:

As of December 31, 2001, amounts owed by Hynix Semiconductor Inc. (Hynix) to the Company's subsidiaries amounted to ₩819 billion (\$618 million) and ₩230 billion (\$173 million) in the form of loans to Hynix and convertible bonds issued by Hynix, respectively. On October 31, 2001, the creditors' committee agreed to a restructuring plan that provided for a new injection of funds, debt rescheduling, exemption of principal, extension of maturities and other matters. As of December 31, 2001, the Company's subsidiaries recorded allowances for possible loan losses and loss from valuation of investment securities amounting to ₩345 billion (\$260 million) and ₩92 billion (\$69 million), respectively, with regard to amounts due from Hynix. The potential impact on the Company's operations of the difficulties Hynix is facing cannot presently be determined.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

ANJIN & Co.

A Member Firm of Andersen Worldwide SC

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23-5 Yoido-dong, Youngdeungpo-ku, Seoul, 150-717, Korea
Tel : +82 2 6676-1000 Fax : +82 2 785-4753

To the Shareholder and Board of Directors of Woori Finance Holdings Co., Ltd.:

We have audited the accompanying non-consolidated balance sheet of Woori Finance Holdings Co., Ltd. (the "Company") as of December 31, 2001 and the related non-consolidated statement of income, appropriations of retained earnings and cash flows for the period from March 27, 2001 (inception) to December 31, 2001, 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure 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 audit provides 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 Woori Finance Holdings Co., Ltd. as of December 31, 2001, and the result of its operations, changes in its retained earnings and its cash flows for the period from March 27, 2001 (inception) to December 31, 2001 in conformity with financial accounting standards in the Republic of Korea (see Note 2).

The translated amounts in the accompanying financial statements have been translated into US dollars, solely for the convenience of the reader, on the basis set forth in Note 2 to the financial statements.

Without qualifying our opinion, we draw attention to Note 1 of the non-consolidated financial statements which states that the operations of the Company have been affected, and may continue to be affected for the foreseeable future, by the general unstable economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these uncertainties on the financial position of the Company as of the balance sheet dates cannot presently be determined.

As explained in Note 1 to the non-consolidated financial statements, the Company was established on March 27, 2001 under the Financial Holding Company Act. The Company's common stock amounts to ₩3,637,293 million, consisting of 727,459 thousand shares issued and outstanding as of December 31, 2001. The Company is wholly owned by the Korea Deposit Insurance Corporation (the "KDIC").

As explained in Note 15, pursuant to the business transfer agreement entered into between Hanvit Bank and Peace Bank on December 7, 2001, the banking business segment (including trust accounts) of Peace Bank was merged into Hanvit Bank as of December 31, 2001.

As explained in Note 16, as of December 31, 2001, amounts owed by Hynix Semiconductor Inc. (Hynix) to the Company's subsidiaries amounted to ₩819 billion (\$618 million) and ₩230 billion (\$173 million) in the form of loans to Hynix and convertible bonds issued by Hynix, respectively. On October 31, 2001, the creditors' committee agreed to a restructuring plan that provided for injection of new funds, debt rescheduling, exemption of principal, extension of maturities and other matters. As of December 31, 2001, the Company's subsidiaries recorded allowances for possible loan losses and loss from valuation of investment securities amounting to ₩345 billion (\$260 million) and ₩92 billion (\$69 million), respectively, with regard to amounts due from Hynix. The potential impact on the Company's operations of the difficulties Hynix is facing cannot presently be determined.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

As explained in Note 17, on January 16, 2002, the Company issued 15 billion, 1.74% Japanese Yen denominated Notes at par in the international markets. The redemption date is January 16, 2004.

As explained in Note 17, pursuant to an agreement on the business reform of Peace Bank dated November 20, 2001 and a business transfer agreement dated December 26, 2001 entered into by the Company, Hanvit Bank and Peace Bank of Korea, respectively, the credit card business of Hanvit Bank was sold to Woori Credit Card Co., Ltd., formerly Peace Bank of Korea, on January 31, 2002.

As explained in Note 18, on December 30, 2000, four of the Company's subsidiaries, Hanvit Bank, Kyongnam Bank, Kwangju Bank, and Peace Bank, and the KDIC entered into agreements for the implementation of management improvement plans for the banks. Pursuant to the agreements, the subsidiaries received ₩3,466,800 million (\$2,614,282 thousand) from the KDIC in the form of investments in the subsidiaries' common stocks in December 2000 and the KDIC agreed to make additional contributions to the subsidiaries prior to September 30, 2001. On September 30, 2001, the capital contributions in the aggregate amount of ₩2,581,000 million (\$1,946,309 thousand) were paid by the KDIC into the banks. In addition, Woori Investment Bank entered into an agreement with the KDIC on June 29, 2001 in connection with the management improvement plan for Woori Investment Bank. Under the agreement, the Company and its subsidiaries are obligated to sell non-performing loans and fixed assets, close certain branches and subsidiaries, improve financial ratios including the capital adequacy ratio, and reinforce their risk management systems. If the subsidiaries fail to implement the agreement, the KDIC may order the 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.

As explained in Note 18, on July 2, 2001, the Company and the KDIC entered into an agreement whereby the Company would integrate the Company's subsidiaries and improve the performance of the subsidiaries. The agreement stipulates that the Company should 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.

As explained in Note 18, in order to implement the agreement with the KDIC, on July 2, 2001, the Company and its subsidiaries entered into agreements for the implementation of a business plan for the subsidiaries. Pursuant to the agreements, the subsidiaries shall meet management goals provided by the Company, consult with the Company on material business decisions before execution, and prepare and implement a detailed business plan in conformity with the Company's business strategies. If the subsidiaries fail to implement the business plan, the Company may order the subsidiaries to limit sales of the specific financial products, investments in fixed assets, promotion of new business, new equity investments, or closing or merging its branch operations.

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 non-consolidated financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.



Seoul, Korea,
February 26, 2002

NON-CONSOLIDATED BALANCE SHEET

(AS OF DECEMBER 31, 2001)

	Korean Won	Translation into US Dollars (Note 2)
	(In millions)	(In thousands)
ASSETS		
Cash and bank deposits	₩ 13,825	\$ 10,425
Investment securities of subsidiaries (Note 3)	5,016,864	3,783,172
Loans (Note 4)	648,365	488,926
Fixed assets (Note 5)	651	491
Other assets (Notes 6 and 12)	14,108	10,639
	5,693,813	4,293,653
LIABILITIES AND SHAREHOLDER'S EQUITY		
LIABILITIES		
Borrowings (Note 7)	310,000	233,768
Debentures (Notes 8 and 12)	1,298,304	979,039
Other liabilities (Note 9)	8,162	6,155
	1,616,466	1,218,962
SHAREHOLDER'S EQUITY		
Common stock (Note 10)	3,637,293	2,742,850
Retained earnings (net income of ₩684,102 million in 2001)	558,501	421,161
Capital adjustments (Note 3)	(118,447)	(89,320)
	4,077,347	3,074,691
	₩ 5,693,813	\$ 4,293,653

The accompanying notes are an integral part of this statement.

NON-CONSOLIDATED STATEMENT OF INCOME

(FOR THE PERIOD FROM MARCH 27, 2001 (INCEPTION) TO DECEMBER 31, 2001)

	Korean Won	Translation into US Dollars (Note 2)
	(In millions)	(In thousands)
OPERATING REVENUE		
Gain on valuation using the equity method (Note 3)	₩ 706,492	\$ 532,759
Interest income	5,410	4,079
Gain on valuation of swap contracts (Note 8)	5,210	3,929
	717,112	540,767
OPERATING EXPENSES		
Interest on borrowings	9,991	7,534
General and administrative expenses	8,630	6,508
Others	12,601	9,502
	31,222	23,544
OPERATING INCOME	685,890	517,223
NON-OPERATING INCOME	-	-
NON-OPERATING EXPENSES		
Donations	5	3
ORDINARY INCOME	685,885	517,220
EXTRAORDINARY ITEMS	-	-
INCOME BEFORE INCOME TAX EXPENSE	685,885	517,220
INCOME TAX EXPENSE (Note 11)	1,783	1,345
NET INCOME	₩ 684,102	\$ 515,875
ORDINARY INCOME PER COMMON SHARE (in Currency Units)		
(Note 2)	₩ 940	\$ 0.71
NET INCOME PER COMMON SHARE (in Currency Units)		
(Note 2)	₩ 940	\$ 0.71

The accompanying notes are an integral part of this statement.

NON-CONSOLIDATED STATEMENT OF APPROPRIATIONS OF RETAINED EARNINGS

(FOR THE PERIOD FROM MARCH 27, 2001 (INCEPTION) TO DECEMBER 31, 2001)

	Korean Won	Translation into US Dollars (Note 2)
	(In millions)	(In thousands)
UNAPPROPRIATED RETAINED EARNINGS BEFORE DISPOSITION:		
Change in scope of consolidation of subsidiary of investee and other (Note 3)	₩ (123,832)	\$ (93,380)
Acquisition of investment securities of WFIS from Harvit Bank	(1,769)	(1,334)
Net income	684,102	515,875
	558,501	421,161
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	₩ 558,501	\$ 421,161

The accompanying notes are an integral part of this statement.

NON-CONSOLIDATED STATEMENT OF CASH FLOWS

(FOR THE PERIOD FROM MARCH 27, 2001 (INCEPTION) TO DECEMBER 31, 2001)

	Korean Won	Translation into US Dollars (Note 2)
	(In millions)	(In thousands)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	₩ 684,102	\$ 515,875
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	300	227
Amortization	3	2
Provision for possible loan losses	3,258	2,457
Loss on foreign currency transactions	4,391	3,311
Interest expense	1,285	969
Gain on valuation using the equity method	(706,492)	(532,759)
Gain on valuation of currency swap contracts	(5,210)	(3,929)
	(702,465)	(529,722)
Changes in operating assets and liabilities:		
Increase in other receivable	(15)	(11)
Increase in accrued income	(795)	(600)
Increase in prepaid expenses	(3,525)	(2,659)
Increase in prepaid income taxes	(692)	(522)
Increase in other payables	384	290
Increase in accrued expenses	5,845	4,408
Increase in withholdings	150	113
Increase in deferred income tax liabilities	1,783	1,345
	3,135	2,364
Net cash used in operating activities	(15,228)	(11,483)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase in guarantee deposits	(3,871)	(2,919)
Acquisition of investment securities on subsidiaries	(917,127)	(691,597)
Acquisition of tangible assets	(928)	(700)
Increase in loans	(651,623)	(491,383)
Increase in intangible assets	(26)	(20)
Net cash used in investing activities	(1,573,575)	(1,186,619)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	310,000	233,768
Proceeds from debentures in local currency	1,099,033	828,771
Proceeds from debentures in foreign currencies	193,595	145,988
Net cash provided by financing activities	1,602,628	1,208,527
NET INCREASE IN CASH	13,825	10,425
CASH, AT INCEPTION	-	-
CASH, END OF YEAR	₩ 13,825	\$ 10,425

The accompanying notes are an integral part of this statement.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

1. GENERAL:

Woori Finance Holdings Co., Ltd. (the "Company") was established on March 27, 2001 and is engaged in the business of managing the five financial institutions (Hanvit Bank, Kyongnam Bank, Kwangju Bank, Woori Credit Card Co., Ltd. (formerly Peace Bank), and Woori Investment Bank), 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. The Company's common stock amounts to ₩3,637,293 million (\$2,742,850 thousand), consisting of 727,459 thousand common shares issued and outstanding as of December 31, 2001. The Company is wholly owned by the KDIC.

The organizational structure of the Company as of December 31, 2001 is as follows:

Parent company	Subsidiaries	Percentage of ownership (%)	2nd -tier subsidiaries (*1)	Percentage of ownership (%)(*2)		
Woori Finance Holdings Co., Ltd.	Hanvit Bank	100.0	Hanvit Securities Co., Ltd.	40.2		
			Hanvit Investment Trust Management Co., Ltd.	100.0		
			Hanvit Credit Information Co., Ltd.	100.0		
			BC Card	29.7		
			Korea Finance Security Co., Ltd.	22.0		
			Hanvit America Bank	100.0		
			P.T. Bank Hanvit Indonesia	81.6		
			Kyongnam Leasing	24.3		
			BC Card	2.0		
			Kwangju Bank	99.9	-	
			Woori Credit Card	100.0	Nexbi Tech	50.5
			Woori Investment Bank	100.0	Central Telecom Capital Corp.	50.0
			Woori Finance Information System Co., Ltd.	100.0	-	-
			Woori Asset Management Company	100.0	-	-
			Woori First Asset Securitization Specialty Co., Ltd	95.0	-	-
			Woori Second Asset Securitization Specialty Co., Ltd.	95.0	-	-

(* 1) The equity method was used to value investments in 2nd -tier subsidiaries with the following exception. Due accumulated losses, the investment in Kyongnam Leasing is recorded at nil. Nexbi Tech is accounted for on the cost basis since its net assets were lower than ₩7 billion and the change in its equity is not significant.

(* 2) Percentage of ownership of 2nd-tier subsidiaries.

General information pertaining to the Company's subsidiaries is as follows:

Hanvit Bank was established in 1899 and is 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 Bank of Korea (BOK) and the Ministry of Finance and Economy (MOFE). Hanvit Bank's common stock was listed on the Korea Stock Exchange in 1956 but trading was ceased on December 18, 2000. As of December 31, 2000, the KDIC owned all common stock of Hanvit Bank. However, on March 27, 2001, the KDIC transferred Hanvit Bank's common stock to the Company. Its common stock amounts

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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to ₩2,764,400 million (\$2,084,609 thousand) consisting of 552,880 thousand common shares issued and outstanding as of December 31, 2001. Hanvit Bank is wholly owned by the Company. The head office of Hanvit Bank is located in Seoul, Korea. Hanvit Bank has 697 branches or offices in Korea and overseas.

Kyongnam Bank was incorporated on April 18, 1970 under the Korean Banking Law to engage in the commercial banking business and foreign exchange operations. Its common stock was listed on the Korea Stock Exchange in 1972 but trading was ceased on December 18, 2000. As of December 31, 2000, the KDIC owned all common stock of Kyongnam Bank. However, on March 27, 2001, the KDIC transferred Kyongnam Bank's common stock to the Company. As of December 31, 2001, Kyongnam Bank's common stock amounts to ₩259,000 million (\$195,310 thousand) consisting of 51,800 thousand shares of common stock issued and outstanding. Kyongnam Bank is wholly owned by the Company. The head office of Kyongnam Bank is located in Masan, Korea. Kyongnam Bank has 131 branches or offices in Korea.

Kwangju Bank was established on October 7, 1968 to engage 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. Kwangju Bank's common stock was listed on the Korea Stock Exchange in 1973 but trading was ceased on December 18, 2000. As of December 31, 2000, the KDIC owned all common stock of Kwangju Bank. However, on March 27, 2001, the KDIC transferred Kwangju Bank's common stock to the Company. Its common stock amounts to ₩170,403 million (\$128,499 thousand) consisting of 34,081 thousand common shares issued and outstanding as of December 31, 2001. The Company owns 99.99% of Kwangju Bank. Its head office is located in Kwangju City, Korea. Kwangju Bank has 118 domestic branches or offices in Korea.

Woori Credit Card (formerly Peace Bank of Korea) was established on November 6, 1991 to engage 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. As of December 31, 2000, the KDIC owned all common stock of Peace Bank. However, on March 27, 2001, the KDIC transferred Peace Bank's common stock to the Company. As of December 31, 2001, Woori Credit Card's common stock amounts to ₩1,173,000 million (\$884,549 thousand) consisting of 234,600 thousand shares of common stock issued and outstanding. Woori Credit Card is wholly owned by the Company. On December 17, 2001, Peace Bank changed its name to Woori Credit Card and is engaged in credit card business, factoring and other financing service. Pursuant to the business transfer agreement entered into between Hanvit Bank and Peace Bank on December 7, 2001, the banking business segment (including trust accounts) of Peace Bank was merged into Hanvit Bank as of December 31, 2001. The head office of Woori Credit Card is located in Seoul, Korea.

Woori Investment Bank (formerly Hanaro Investment Bank) was established on November 3, 2000 and initiated merchant bank services upon obtaining approval from the Financial Supervisory Commission on November 10, 2000. As of December 31, 2001, Woori Investment Bank's common stock amounts to ₩2,491,200 million (\$1,878,591 thousand) consisting of 498,240 thousand shares issued and outstanding. Woori Investment Bank is wholly owned by the Company. The head office and two branches of Woori Investment Bank are located in Seoul, Korea.

Woori Finance Information System Co., Ltd. ("WFIS") was established on April 17, 1989 for the business of installing computerized financial systems. On September 29, 2001, as part of the Company's establishment of an information technology subsidiary, WFIS was incorporated into the group and changed its name to Woori Financial Information System Co., Ltd. As of December 31, 2001, its common stock amounts to ₩4,500 million (\$3,393 thousand) consisting of 900 thousand shares issued and outstanding. WFIS is wholly owned by the Company. The office of WFIS is located in Seoul, Korea.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

Woori Asset Management Company (“WAMC”) was established on November 16, 2001 to engage in the business of management, operation and disposition of the securitization assets. WAMC entered into a contract with Woori First Asset Securitization Specialty, Co. Ltd. and Woori Second Asset Securitization Specialty, Co. Ltd. in connection with the asset management and other activities on December 10, 2001 and December 28, 2001, respectively. As of December 31, 2001, its common stock amounts to ₩10,000 million (\$7,541 thousand) consisting of 2,000 thousand shares issued and outstanding. WAMC is wholly owned by the Company. The office of WAMC is located in Seoul, Korea.

Woori First Asset Securitization Specialty Co. Ltd. (“WFASS”) was established on November 16, 2001 under the Act on Asset-Backed Securitization of the Republic of Korea as a special purpose company. WFASS is currently engaged in the business of management, operations, and disposition of the securitization assets and issuance of asset backed securities based on the securitization assets acquired from Hanvit Bank, Peace Bank, Kyongnam Bank, Kwangju Bank and Woori Investment Bank. As of December 31, 2001, its common stock amounts to ₩10 million (\$8 thousand) consisting of 2,000 shares issued and outstanding. The Company owns 95% of WFASS. The office of WFASS is located in Seoul, Korea.

Woori Second Asset Securitization Specialty Co. Ltd. (WSASS) was established on December 22, 2001 under the Act on Asset-Backed Securitization of the Republic of Korea as a special purpose company. WSASS is currently 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 Peace Bank. As of December 31, 2001, its common stock amounts to ₩10 million (\$8 thousand) consisting of 2,000 shares issued and outstanding. The Company owns 95% of WSASS. The office of WSASS is located in Seoul, Korea.

Beginning in 1997, Korea and other countries in the Asia Pacific region experienced a severe contraction in substantially all aspects of their economies. This situation is commonly referred to as the 1997 Asian Financial Crisis. In response to this situation, the Korean government and the private sector began implementing structural reforms to historical business practices.

The Korean economy continues to experience difficulties, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The banking industry is currently undergoing consolidation and uncertainty exists with regard to the continued availability of financing. The Company may be either directly or indirectly affected by the situation described above. The accompanying financial statements reflect management’s current assessment of the impact to date of the economic situation on the financial position of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean won and prepares its statutory non-consolidated financial statements in the Korean language (Hangul) in conformity with financial accounting standards and accounting standards for financial holding companies in the Republic of Korea. Certain financial accounting standards applied by the Company that conform with those generally accepted in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, the accompanying non-consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

The accompanying non-consolidated 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 statutory Korean language financial statements, but not required for a fair presentation of the Company's financial position or results of operations, is not presented in the accompanying non-consolidated financial statements.

The US dollar amounts presented in these non-consolidated financial statements were computed by translating the Korean won into US dollars based on BOK Basic Rate of ₩1,326.10 to US\$1.00 at December 31, 2001, solely for the convenience of the reader. This convenience translation into US dollars should not be construed as representation that the Korean won amounts have been, could have been, or could in the future be, converted into US dollars at this or any other rate of exchange.

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

Valuation of Investment Equity Securities

Equity securities held for investment of Hanvit Bank, Kyongnam Bank, Kwangju Bank, Peace Bank of Korea, and Woori Investment Bank that were transferred from the KDIC on March 27, 2001. All shares of Woori Finance Information System were acquired from Hanvit Bank on September 29, 2001. All shares of Woori Asset Management Company and Woori First Asset Securitization Specialty Co., Ltd. were acquired on November 16, 2001. All shares of Woori Second Asset Securitization Specialty Co., Ltd. were acquired on December 22, 2001. These investments in equity securities are accounted for using the equity method since the Company is able to exercise significant influence over the investees. The Company's share in net income or net loss of investees is reflected in current operations. Changes in the capital adjustment account of the investee resulting from changes in value of its investments are recorded as a valuation gain or loss on investments in the capital adjustment account of the investor. Changes in capital surplus or other capital accounts of the investee are reflected in the capital adjustment account as accounted for in a similar manner by the investor.

Allowance for Possible Loan Losses

The Company classified 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 proceeding. The loans are classified as of the balance sheet dates as normal, precautionary, substandard, doubtful, or loss. An allowance is then calculated on the category balances using the prescribed minimum percentages of 0.5 percent, 2 percent, 20 percent, 50 percent, and 100 percent, respectively.

Tangible Assets and Depreciation

Tangible assets included in fixed assets are recorded at cost. 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 tangible assets.

Depreciation is computed using the straight-line method for structures in leased offices and the declining balance method for all other assets based on the estimated useful lives of the assets. The estimated useful lives adopted by the Company are 5 years for tangible assets.

Intangible Assets

Intangible assets incurred in connection with software installation are recorded at the production cost or purchase cost, plus incidental expenses. Intangible assets are amortized using the straight-line method over the estimated useful lives of 5 years.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

Amortization of Discount (Premium) on Debentures

Discount or premium on debentures issued is amortized over the period from issuance to maturity using the effective interest rate method. Amortization of discount or premium is recognized as interest expense or interest income on the debentures.

Accounting for Derivative Instruments

The Company accounts for derivative instruments pursuant to the Interpretations on Financial Accounting Standards 53-70 on accounting for derivative instruments. Derivative instruments are classified as used for trading activities or for hedging activities according to their transaction purpose. All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations. The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustment is added to or deducted from the asset or the liability.

Accounting for Foreign Currency Transactions and Translation

The Company maintains its accounts in Korean won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rate of exchange on the transaction date. The Korean won equivalent of monetary assets and liabilities denominated in foreign currencies are translated in these financial statements based on the BOK Basic Rate (₩1,326.10 to \$1.00 at December 31, 2001) or cross rates as of the balance sheet dates. Translation gains and losses on foreign currency denominated assets and liabilities are credited or charged to current operations.

Income Tax Expense

Income tax expense is the amount currently payable for the period added to or deducted from the changes in deferred income taxes. However, deferred income tax assets are recognized only if the future tax benefits from accumulated temporary differences and tax loss carry forwards are reasonably expected to be realizable. The difference between the amount currently payable for the period and income tax expense is accounted for as deferred income tax assets or liabilities and offset against income tax assets and liabilities in future periods.

Ordinary Income Per Common Share and Net Income Per Common Share

Ordinary income per common share and net income per common share are computed by dividing ordinary income (after deduction for tax effect) and net income, respectively, by the weighted average number of common shares of 727,459 thousand outstanding for the period from March 27, 2001 to December 31, 2001.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

3. INVESTMENT SECURITIES ON SUBSIDIARIES:

(1) Investment equity securities as of December 31, 2001, all of which are those of the subsidiaries accounted for using the equity method, were as follows (Unit: Won in millions, Shares in thousands):

	Shares	Percentage of Ownership (%)	Acquisition cost	Book value	Net asset value	Difference between net asset value and book value
Equity securities accounted for using the equity method:						
Hanvit Bank	552,880	100.0	₩ 2,764,400	₩ 3,255,964	₩ 2,944,057	₩ 311,907
Kyongnam Bank	51,800	100.0	259,000	327,005	318,550	8,455
Kwangju Bank	34,081	99.9	170,400	213,177	194,801	18,376
Woori Credit Card	234,600	100.0	1,173,000	1,008,866	981,580	27,286
Woori Investment Bank	498,240	100.0	170,493	195,613	189,858	5,755
Woori Finance Information System	900	100.0	5,244	6,511	6,585	(74)
Woori Asset Management Company	2,000	100.0	10,094	9,728	9,634	94
Woori First Asset Securitization Specialty Co. Ltd.	2	95.0	10	-	-	-
Woori Second Asset Securitization Specialty Co. Ltd.	2	95.0	10	-	-	-
			₩ 4,552,651	₩ 5,016,864	₩ 4,645,065	₩ 371,799

- 1) The net asset value of Hanvit Bank, Kyongnam Bank and Kwangju Bank reflects the reclassification of dividends payable to shareholder's equity.
- 2) The increase in capital surplus of ₩31,903 million (\$24,058 thousand) and capital adjustment of ₩9,691 million (\$7,308 thousand) of Hanvit Bank resulting from transfer of the banking business segment between Hanvit Bank and Woori Credit Card were eliminated from the net asset value of Hanvit Bank.
- 3) The decrease in capital surplus of ₩11,113 million (\$8,380 thousand) and accumulated deficit of ₩30,481 million (\$22,985 thousand) of Woori Credit Card resulting from transfer of the banking business segment between Hanvit Bank and Woori Credit Card were eliminated from the net asset value of Woori Credit Card.
- 4) Since WFASS AND WSASS have accumulated deficits as of December 31, 2001, the equity method has been discontinued.
- 5) The acquisition cost of Woori Credit Card includes the capital increase of ₩900,000 million (\$678,681 thousand) made during 2001.
- 6) The difference of ₩464,213 million (\$350,059 thousand) between the acquisition cost and the book value consists of a) loss on valuation of investment securities of ₩118,447 million (\$89,320 thousand) reflected as capital adjustments, b) change in scope of consolidation of subsidiary of investee and other of ₩123,832 million (\$93,380 thousand) reflected in retained earnings, and c) gain on valuation using the equity method of ₩706,492 million (\$532,759 thousand) recorded in current operations.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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- (2) For investments in the subsidiaries accounted for using the equity method, the difference between the acquisition cost and book value of the net assets on the acquisition date was amortized using the straight-line method over 20 years as shown below (Unit: Won in millions):

	Net asset value on the acquisition date	Acquisition cost	Difference	Amortization	Difference between cost and book value
Hanvit Bank	₩ 2,436,077	₩ 2,764,400	₩ 328,323	₩ 16,416	₩ 311,907
Kyongnam Bank	250,100	259,000	8,900	445	8,455
Kwangju Bank	151,057	170,400	19,343	967	18,376
Woori Credit Card	244,278	273,000	28,722	1,436	27,286
Woori Investment Bank	164,514	170,493	5,979	224	5,755
Woori Finance Information System	5,355	5,244	(111)	(37)	(74)
Woori Asset Management Company	10,000	10,094	94	-	94
	₩ 3,261,381	₩ 3,652,631	₩ 391,250	₩ 19,451	₩ 371,799

- (3) The subsidiaries of the Company sold their non-performing loans to Woori First Asset Securitization Specialty, Co. Ltd. and Woori First Asset Securitization Specialty Co. Ltd as shown below (Unit: Won in millions):

1) Woori First Asset Securitization Specialty Co., Ltd.:

	Loans sold	Allowance for possible loan losses	Book value	Proceeds on disposition	Loss on disposition
Hanvit Bank	₩ 401,265	₩ 195,500	₩ 205,765	₩ 127,326	₩ 78,439
Kyongnam Bank	55,800	15,752	40,048	36,352	3,696
Kwangju Bank	10,545	2,830	7,715	7,137	578
Woori Credit Card	177,765	146,036	31,729	9,254	22,475
Woori Investment Bank	978,311	596,683	381,628	304,418	77,210
	₩ 1,623,686	₩ 956,801	₩ 666,885	₩ 484,487	₩ 182,398

2) Woori Second Asset Securitization Specialty Co., Ltd.:

	Loans sold	Allowance for possible loan losses	Book value	Proceeds on disposition	Loss on disposition
Woori Credit Card	₩ 633,656	₩ 413,427	₩ 220,229	₩ 167,136	₩ 53,093

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

4. LOANS:

(1) As of December 31, 2001, the Company has a loan of ₩167,136 million (\$126,036 thousand) to Woori Second Asset Securitization Specialty Co., Ltd. with annual interest rate of 7.5%. On January 8, 2002, the loan was converted into a privately placed bond, which was acquired by the Company.

(2) The Company has privately placed bonds from Woori First Asset Securitization Specialty Co., Ltd. as of December 31, 2001 as shown below:

	Issuance date	Maturity date	Interest rate (%)	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
1-1 non-guaranteed privately placed bond	2001.12.21	2010.12.21	6.91%	₩ 300,000	\$ 226,227
1-2 non-guaranteed privately placed bond	2001.12.21	2010.12.21	7.50%	184,487	139,120
				₩ 484,487	\$ 365,347

(3) Allowance for possible loan losses as of December 31, 2001 were ₩3,258 million (\$2,457 thousand).

5. FIXED ASSETS:

Fixed assets as of December 31, 2001 consisted of:

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Tangible assets		
Vehicles	₩ 104	\$ 78
Furniture and equipment	681	514
Structures in leased offices	143	108
	928	700
Less: Accumulated depreciation	(300)	(227)
	628	473
Intangible assets	23	18
	₩ 651	\$ 491

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

6. OTHER ASSETS:

Other assets as of December 31, 2001 consisted of:

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Guarantee deposits	₩ 3,871	\$ 2,919
Other receivable	15	11
Accrued income	795	600
Currency swaps	5,210	3,929
Prepaid expenses	3,525	2,658
Prepaid income taxes	692	522
	₩ 14,108	\$ 10,639

7. BORROWINGS:

Borrowings as of December 31, 2001 consisted of:

Type	Bank	Maturity date	Interest rate (%)	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
General loan	Seoul Bank	2002.3.28	5.86	₩ 220,000	\$ 165,900
General loan	Hana Bank	2002.2.28	5.86	90,000	67,868
				₩ 310,000	\$ 233,768

8. DEBENTURES:

(1) Debentures in local currency as of December 31, 2001 consisted of:

Type	Bank	Interest rate (%)	Maturity	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Bonds with warrants	2001. 7.16	5.00	2003. 7.16	₩ 66,680	\$ 50,283
The 2nd bonds payable	2001. 9.28	5.00	2004. 9.28	300,000	226,227
The 3rd bonds payable	2001.12. 3	5.93	2004.12. 3	300,000	226,227
The 4th bonds payable	2001.12.17	6.00	2004.12.17	150,000	113,114
The 5th bonds payable	2001.12.28	6.86	2004. 6.28	300,000	226,227
Total				1,116,680	842,078
Long-term accrued interest on bond				300	226
Less: Discounts				(16,712)	(12,602)
				₩ 1,100,268	\$ 829,702

The coupon rate on the bonds with warrants is five percent. A bonus of one percent is added for the last year if the Company is not listed on the Korea Stock Exchange as of the maturity date of the bonds. The warrant is exercisable from three months following the issuance date. The Company is obligated to issue new common shares upon the requests of the bondholders. The exercise price is ₩5,000 (\$3.77) and the warrants are valid from October 17, 2001 to June 16, 2003.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

(2) Debentures in foreign currencies as of December 31, 2001 consisted of the following:

	Issuing date	Annual interest rate (%)	Maturity	Foreign currency (In thousands)
Floating Rate Notes	2001.11. 2	(*1)	2004.11. 2	US\$ 150,000
Less: Discount	2001.12.28	6.86	2004. 6.28	(663)
				US\$ 149,337
Translation into Korean Won (in millions)				₩ 198,036

(*1) LIBOR (6 months) + 1.6%

(3) The Company has entered into cross currency swaps with Hanvit Bank in order to prevent any risks involved with fluctuations in exchange rates and interest rates as shown below (Unit: Won in millions, Dollars in thousands).

	Contract date	Maturity date	Type	Contracted amount	Interest rates and terms of payment
Swap 1	2001.11. 7	2004.11. 2	Receipt Payment	US\$ 50,000 64,650	LIBOR (6 months)+ 1.6% Annual rate of 6.90% in every 3 month
Swap 2	2001.11.18	2004.11. 2	Receipt Payment	US\$ 99,496 128,888	LIBOR (6 months)+ 1.6% CD interest rates (3 months) + 1.5%

Gain on valuation of ₩5,210 million has been accounted for in connection to the swap contracts above.

9. OTHER LIABILITIES:

Other liabilities as of December 31, 2001 consisted of:

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Accrued expenses	₩ 5,845	\$ 4,408
Other payables	384	289
Withholdings	150	113
Deferred income tax liabilities	1,783	1,345
	₩ 8,162	\$ 6,155

10. SHAREHOLDER'S EQUITY:

The Company has 2,400 million authorized shares of common stock ₩5,000 par value, of which 727,459 thousand shares [₩3,637,293 million (\$2,742,850 thousand)] were issued and outstanding as of December 31, 2001. The Company's common stock of the Company as of December 31, 2001 is wholly owned by the KDIC.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

11. INCOME TAX EXPENSE:

(1) Income tax expense for 2001 consisted of:

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Income tax currently payable	₩ -	\$ -
Increase in deferred tax liability	1,783	1,345
Income tax expense	₩ 1,783	\$ 1,345

(2) In 2001, differences between financial accounting income and taxable income were as follows:

	Korean Won (In millions)	US Dollars (Note 2) (In thousands)
Income before income tax expense	₩ 685,885	\$ 517,220
Permanent differences:		
Change in scope of consolidation of subsidiary of investee and other	(123,832)	(93,380)
Acquisition of investment securities of WFIS from Hanvit Bank	(1,769)	(1,334)
Capital adjustment	(118,447)	(89,320)
Entertainment	70	53
	(243,978)	(183,981)
Temporary differences:		
Gain on valuation using the equity method	(706,492)	(532,759)
Change in scope of consolidation of subsidiary of investee and other	123,832	93,380
Acquisition of investment securities of WFIS from Hanvit Bank	1,769	1,334
Capital adjustment	118,447	89,320
Gain on valuation of swap contracts	(5,210)	(3,929)
Accrued income	(795)	(600)
	(468,449)	(353,254)
Taxable loss	₩ (26,542)	\$ (20,015)

(3) The changes in cumulative temporary differences in 2001 were as follows (Unit: Won in millions):

	Beginning	Addition	Deduction	Ending
Gain on valuation using the equity method	₩ -	₩ (706,492)	₩ -	₩ (706,492)
Change in scope of consolidation of subsidiary of investee and other	-	123,832	-	123,832
Acquisition of investment securities of WFIS from Hanvit Bank	-	1,769	-	1,769
Capital adjustment	-	118,447	-	118,447
Gain on valuation of swap contracts	-	(5,210)	-	(5,210)
Accrued income	-	(795)	-	(795)
Total	₩ -	₩ (468,449)	₩ -	₩ (468,449)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

(4) As of December 31, 2001, the deferred tax liabilities consisted of:

	Beginning	Addition	Deduction	Ending
Total cumulative temporary differences	₩ -	₩ (468,449)	₩ -	₩ (468,449)
Gain on valuation using the equity method	-	706,492	-	706,492
Change in scope of consolidation of subsidiary of investee and other	-	(123,832)	-	(123,832)
Acquisition of investment securities of WFIS from Hanvit Bank	-	(1,769)	-	(1,769)
Capital adjustment	-	(118,447)	-	(118,447)
	₩ -	₩ (6,005)	₩ -	₩ (6,005)
Statutory tax rate	29.7%			29.7%
Deferred income tax assets (liabilities)	₩ -			₩ (1,783)

The Company did not recognize the effects of the tax loss carry forward of ₩26,542 million (\$20,015 thousand) due to the uncertainty of its future realization. The tax loss carry forward expires on December 31, 2006. The Company does not anticipate the sale of any of its investments in majority owned subsidiaries and therefore, did not recognize the effects of temporary differences related to these investments since those tax attributes will only be realized upon the sale of the securities.

12. ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

Assets and liabilities in foreign currencies of the Company as of December 31, 2001 are summarized as follows:

	Foreign currency (In thousands)		Korean Won (In millions)	
(Assets)				
Currency swaps	USD	3,929	₩	5,210
(Liabilities)				
Debentures in foreign currencies	USD	150,000	₩	198,915

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

13. FINANCIAL INFORMATION OF SUBSIDIARIES

(1) Balance sheets of subsidiaries as of December 31, 2001 are summarized as follows (Unit: Won in millions).

	Hanvit Bank	Kyongnam Bank	Kwangju Bank	Woori Credit Card	Woori Investment Bank
ASSETS					
Cash and due from banks	₩ 4,311,578	₩ 1,387,331	₩ 299,088	₩ 322,304	₩ 204,722
Trading securities	2,736,360	2,897	162,542	-	316,774
Investment securities	17,122,587	2,205,955	2,056,441	214,112	231,772
Loans	47,532,189	4,733,620	3,926,797	642,611	554,641
Leased assets	-	-	-	-	492,964
Fixed assets	1,893,227	214,581	229,929	11,583	67,200
Other assets	4,253,119	235,474	421,816	158,065	831,431
Total assets	₩ 77,849,060	₩ 8,779,858	₩ 7,096,613	₩ 1,348,675	₩ 2,699,504
LIABILITIES AND SHAREHOLDER'S EQUITY					
Deposits	₩ 56,264,265	₩ 5,978,822	₩ 5,282,204	₩ -	₩ 2,041,478
Borrowings	9,617,363	1,418,456	904,486	-	196,474
Debentures	3,084,569	424,974	297,723	-	45,901
Other liabilities	5,651,782	639,056	417,399	408,689	205,159
Dividends payable	55,288	5,180	3,414	-	-
Total liabilities	74,673,267	8,466,488	6,905,226	408,689	2,489,012
Capital stock	2,764,400	259,000	170,402	1,173,000	2,491,200
Capital surplus	26,912	26,906	-	-	-
Retained earnings (deficit)	205,055	51,905	26,807	(181,146)	(2,239,457)
Capital adjustments	(66,004)	(24,441)	(5,822)	(51,868)	(61,885)
Minority interest	245,430	-	-	-	20,634
Total shareholder's equity	3,175,793	313,370	191,387	939,986	210,492
Total liabilities and shareholder's equity	₩ 77,849,060	₩ 8,779,858	₩ 7,096,613	₩ 1,348,675	₩ 2,699,504

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

	Woori Finance Information System	Woori Asset Management Company	Woori First Asset Securitization Specialty	Woori Second Asset Securitization Specialty
ASSETS				
Cash and due from banks	₩ 8,182	₩ 8,260	₩ 48,104	₩ 10
Trading securities	-	27	-	-
Investment securities	38	-	-	-
Loans	-	-	437,482	167,136
Lease assets	-	-	-	-
Fixed assets	370	688	-	-
Other assets	1,962	709	181	-
Total Assets	₩ 10,552	₩ 9,684	₩ 485,767	₩ 167,146
LIABILITIES AND SHAREHOLDER'S EQUITY				
Deposits	₩ -	₩ 27	₩ -	₩ -
Borrowings	-	-	-	167,136
Debentures	-	-	484,487	-
Other liabilities	3,967	23	1,297	34
Dividends payable	-	-	-	-
Total Liabilities	3,967	50	485,784	167,170
Capital stock	4,500	10,000	10	10
Capital surplus	-	-	-	-
Retained earnings (deficit)	2,085	(366)	(27)	(34)
Capital adjustments	-	-	-	-
Total shareholder's equity	6,585	9,634	(17)	(24)
Total liabilities and shareholder's equity	₩ 10,552	₩ 9,684	₩ 485,767	₩ 167,146

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

- (2) The related statements of operations of Hanvit Bank, Kyongnam Bank, Kwangju and Woori Credit Card for the year then ended, related statement of operations Woori Investment Bank for the nine-month period then ended, related statement of Woori Asset Management Company and Woori First Asset Securitization Specialty Co., Ltd. for the period from November 16, 2001 (inception) to December 31, 2001 and Woori Asset Securitization Specialty Co., Ltd. for the period from December 22, 2001(inception) to December 31, 2001 are summarized as follows (Unit: Won in millions).

	Hanvit Bank	Kyongnam Bank	Kwangju Bank	Woori Credit Card	Woori Investment Bank
Operating revenues	₩ 7,459,439	₩ 724,675	₩ 534,798	₩ 588,710	₩ 506,716
Operating expenses	7,093,709	637,912	463,508	693,807	414,018
Operating income (loss)	365,730	86,763	71,290	(105,097)	92,698
Non-operating income	938,566	36,413	48,621	58,723	129,370
Non-operating expense	652,937	54,018	53,565	225,251	187,456
Ordinary income (loss)	651,359	69,158	66,346	(271,625)	34,612
Net income (loss)	₩ 705,352	₩ 69,158	₩ 66,346	₩ (150,665)	₩ 34,703
Subsidiary's net income (loss) to total net income (loss)	97.17%	9.53%	9.14%	△20.76%	4.78%
Debt to equity	2,351.3%	2,701.8%	3,608.0%	43.5%	1,182.5%

	Woori Finance Information System	Woori Asset Management Company	Woori First Asset Securitization Specialty	Woori Second Asset Securitization Specialty
Operating revenues	₩ 24,858	₩ 196	₩ 5,593	₩ -
Operating expenses	22,178	610	7,853	34
Operating income (loss)	2,680	(414)	(2,260)	(34)
Non-operating income	36	48	2,270	-
Non-operating expense	269	-	37	-
Ordinary income (loss)	2,447	(366)	(27)	(34)
Net income (loss)	₩ 1,435	₩ (366)	₩ (27)	₩ (34)
Subsidiary's net income (loss) to total net income (loss)	0.19%	△0.05%	0.00%	0.00%
Debt to equity	60.2%	0.5%	-	-

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

(3) Financing and asset management of the Company and its subsidiaries are summarized as follows (Unit: Won in millions).

<Debt financing>

	Woori Finance	Hanvit Bank	Kyongnam Bank	Kwangju Bank	Woori Credit Card
Deposits	₩ -	₩ 56,264,265	₩ 5,978,822	₩ 5,282,204	₩ -
Borrowings	310,000	9,617,363	1,418,456	904,486	-
Debentures	1,298,304	3,084,569	424,974	297,723	-
	₩ 1,608,304	₩ 68,966,197	₩ 7,822,252	₩ 6,484,413	₩ -

	Woori Investment Bank	Woori Asset Management Company	Woori Finance Information System	Woori First Asset Securitization Specialty	Woori First Asset Securitization Specialty
Deposits	₩ 2,041,478	₩ -	₩ 27	₩ -	₩ -
Borrowings	196,474	-	-	-	167,136
Debentures	45,901	-	-	484,487	-
	₩ 2,283,853	₩ -	₩ 27	₩ 484,487	₩ 167,136

<Asset management>

	Woori Finance	Hanvit Bank	Kyongnam Bank	Kwangju Bank	Woori Credit Card
Cash and due from banks	₩ 13,825	₩ 4,311,578	₩ 1,387,331	₩ 299,088	₩ 322,304
Trading securities	-	2,736,360	2,897	162,542	-
Investment securities	5,016,864	17,122,587	2,205,955	2,056,441	214,112
Loans	648,365	47,532,189	4,733,620	3,926,797	642,611
	₩ 5,679,054	₩ 71,702,714	₩ 8,329,803	₩ 6,444,868	₩ 1,179,207

	Woori Investment Bank	Woori Asset Management Company	Woori Finance Information System	Woori First Asset Securitization Specialty	Woori First Asset Securitization Specialty
Cash and due from banks	₩ 204,722	₩ 8,260	₩ 8,182	₩ 48,104	₩ 10
Trading securities	316,774	27	-	-	-
Investment securities	231,772	-	38	-	-
Loans	554,641	-	-	437,482	167,136
	₩ 1,307,909	₩ 8,287	₩ 8,220	₩ 485,586	₩ 167,146

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

(4) The allowance for possible loan losses of subsidiaries as of December 31, 2001 (Unit: Won in millions).

	Hanvit Bank	Kyongnam Bank	Kwangju Bank	Woori Credit Card	Woori Investment Bank
Loans subject to allowance for possible loan losses	₩ 45,181,200	₩ 4,506,640	₩ 3,646,595	₩ 759,288	₩ 2,034,063
Allowance	1,235,100	81,946	71,090	89,635	512,617
% of allowance to loans	2.73%	1.82%	1.95%	11.81%	25.20%

(5) The allowance for possible losses on acceptances and guarantees of subsidiaries as of December 31, 2001 are as follows (Unit: Won in millions).

	Hanvit Bank	Kyongnam Bank	Kwangju Bank	Woori Credit Card	Woori Investment Bank
Confirmed acceptances and guarantees	₩ 3,577,100	₩ 138,918	₩ 107,080	₩ -	₩ 136,261
Allowance for possible losses on acceptances and guarantees	177,200	26,909	236	-	37,637
% of allowance to loans	4.95%	19.37%	0.22%	-	27.62%

14. TRANSACTIONS WITH RELATED PARTIES:

Significant asset balances with the subsidiaries as of December 31, 2001 are as follows:

Account	Korean Won	US Dollars (Note2)	Subsidiaries
	(In thousands)	(In millions)	
Guarantee deposits	₩ 3,846	\$ 2,900	Hanvit Bank
Cash and bank deposits	13,825	10,425	Hanvit Bank
Investment securities	6,511	4,910	Hanvit Bank
Loans	167,136	126,036	Woori First Asset Securitization Specialty Co., Ltd.
Loans	484,487	365,347	Woori Second Asset Securitization Specialty Co., Ltd.
Currency swaps	5,210	3,929	Hanvit Bank
	₩ 681,015	\$ 513,547	

15. TRANSFER OF THE BANKING BUSINESS SEGMENT FROM PEACE BANK TO HANVIT BANK:

Pursuant to the business transfer agreement entered into between Hanvit Bank and Peace Bank on December 7, 2001, the banking business segment (including trust accounts) of Peace Bank was merged into Hanvit Bank as of December 31, 2001.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

(December 31, 2001)

16. CREDITS TO HYNIX SEMICONDUCTOR INC.:

As of December 31, 2001, amounts owed by Hynix Semiconductor Inc. (Hynix) to the Company's subsidiaries amounted to ₩819 billion (\$618 million) and ₩230 billion (\$173 million) in the form of loans to Hynix and convertible bonds issued by Hynix, respectively. On October 31, 2001, the creditors' committee agreed to a restructuring plan that provided for injection of new funds, debt rescheduling, exemption of principal, extension of maturities and other matters. As of December 31, 2001, the Company's subsidiaries recorded allowances for possible loan losses and loss from valuation of investment securities amounting to ₩345 billion (\$260 million) and ₩92 billion (\$69 million), respectively, with regard to amounts due from Hynix. The potential impact on the Company's operations of the difficulties Hynix is facing cannot presently be determined.

17. SUBSEQUENT EVENT:

(1) Issuance of debentures in foreign currencies:

On January 16, 2002, the Company issued 15 billion 1.74% Japanese Yen denominated Notes at par in the international markets. The redemption date is January 16, 2004. In order to prevent any risk involved with changes in exchange rates and interest rates in connection to the above debentures issued, the Company has entered into a cross currency swap with Hanvit Bank, and the following is the summary of terms and conditions of the contract (Unit: Won in millions, Yen in millions).

Contract date	Maturity date	Contracted Type	amount	Interest rates and payment terms
2002.1.24	2004.1.16	Receipt	JPY 14,925	Annual rate of 1.74% in every 6 months
		Payment	₩ 147,754	CD interest rate (3 months) + 1.59%

(2) Transfer of Credit card business of Hanvit Bank to Woori Credit Card:

Pursuant to an agreement on the business reform of Peace Bank dated November 20, 2001 and a business transfer agreement dated December 26, 2001 entered into by the Company, Hanvit Bank and Peace Bank, respectively, the credit card business of Hanvit Bank was sold to Woori Credit Card Co., Ltd., formerly Peace Bank of Korea, on January 31, 2002.

18. AGREEMENT ON THE IMPLEMENTATION OF A MANAGEMENT IMPROVEMENT PLAN:

(1) Agreement on the implementation of the management improvement plan between the subsidiaries and the KDIC

On December 30, 2000, four of the Company's subsidiaries, Hanvit Bank, Kyongnam Bank, Kwangju Bank, and Peace Bank, and the KDIC entered into agreements for the implementation of management improvement plans for the banks. Pursuant to the agreements, the subsidiaries received ₩3,466,800 million (\$2,614,282 thousand) from the KDIC in the form of investments in the subsidiaries' common stocks in December 2000 and the KDIC agreed to make additional contributions to the subsidiaries prior to September 30, 2001. On September 30, 2001, capital contributions in the aggregate amount of ₩2,581,000 million (\$1,946,309 thousand) were paid by the KDIC into the banks.

Board of Directors

Standing Board of Directors

Yoon, Byungchul

Chairman & CEO

Lee, Dukhoon

Vice Chairman & CEO of Hanvit Bank

Jun, Kwang Woo

Vice Chairman & CSO

Min, Euoo Sung

Vice Chairman & CFO

Non-standing Board of Directors

Cho, Nam-Hong

Vice Chairman of the Korea Employers Federation

Lee, Sang-Chul

Former CEO of Kookmin Bank

Lee, Chae-Woong

Vice President of Sunkyunkwan University

Lee, Gae-Min

Columnist of Korea Economic Daily

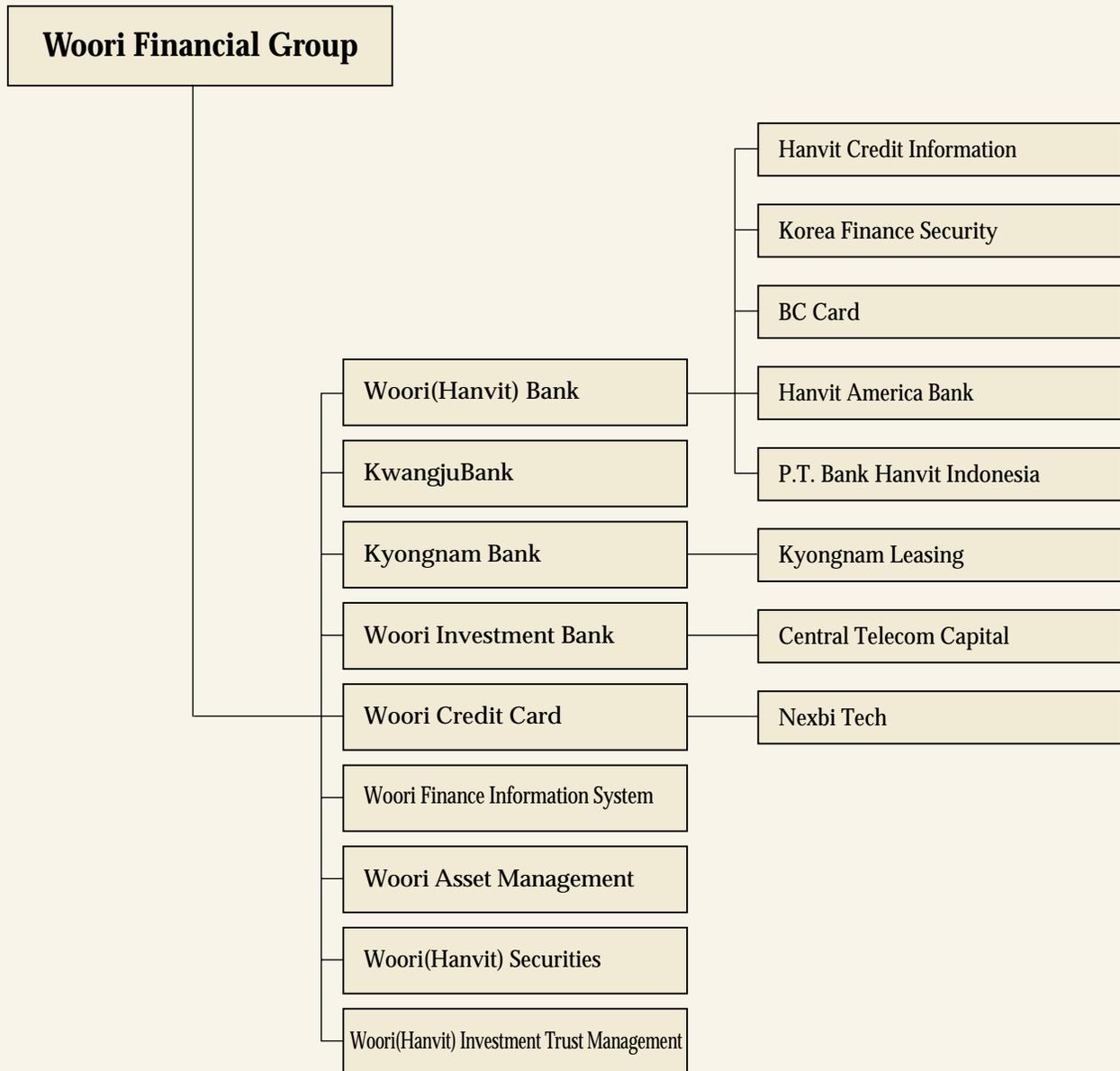
Chung, Kwang-Suon

Professor of Joongang University

Suh, Hae Suk

Attorney at Law

The Group Structure



Network

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President & CEO

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Chairman & CEO

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Jun Ho Lee
CEO

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President & CEO

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Hun Ihl Nam
President & CEO

Corporate Data

Date of Establishment

March 27, 2001

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Domestic Network 952

Overseas Network 10

Number of Employees 13,580

Paid-in Capital

3,637,293 million Korean Won

(2,742,850 thousand US dollars)

Number of Shares of Common Stock

Authorized: 2,400,000,000 shares

Issued: 727,458,609 shares

Number of Shareholders 1

Major Shareholders

Korean Deposit Insurance Corporation

General Meeting of Shareholders

March 22, 2002

Independent Accountants

Anjin & Co



WOORI FINANCIAL GROUP

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