

WOORI FINANCE HOLDINGS CO LTD

Form 6-K

March 31, 2009

# **SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

## **Form 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**

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

**THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of March 2009**

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

**(Translation of Registrant's name into English)**

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

**(Address of principal executive offices)**

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

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Form 20-F  X       Form 40-F \_\_\_\_\_

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

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

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

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

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

Yes \_\_\_\_\_      No  X

**Summary of FY2008 Business Report**

**Table of Contents**

<b>I.</b>	<b><u>Company Overview</u></b>	4
1.	<b><u>Purpose of the Company</u></b>	4
a.	<u>Scope of Business</u>	4
b.	<u>Scope of Business of Subsidiaries</u>	4
2.	<b><u>History of the Company</u></b>	10
a.	<u>Company History</u>	10
b.	<u>Associated Business Group</u>	12
3.	<b><u>Capital Structure</u></b>	15
a.	<u>Changes in Capital</u>	15
b.	<u>Anticipated Changes in Capital</u>	15
c.	<u>Convertible Bonds</u>	15
4.	<b><u>Total Number of Authorized Shares</u></b>	16
a.	<u>Total Number of Authorized Shares</u>	16
b.	<u>Capital and Price per Share</u>	16
c.	<u>Treasury Stock</u>	16
d.	<u>Status of Employee Stock Option Program</u>	17
5.	<b><u>Voting Rights</u></b>	17
6.	<b><u>Dividend Information</u></b>	18
a.	<u>Dividend Information for the Past Three Years</u>	18
<b>II.</b>	<b><u>Description of Business</u></b>	19
1.	<b><u>Business Overview</u></b>	19
a.	<u>Organizational Chart</u>	19
2.	<b><u>Overview of Operations</u></b>	20
a.	<u>Performance of Operations</u>	20
b.	<u>Financing of Operations</u>	20
c.	<u>Transactions related to Commission Fees</u>	21
3.	<b><u>Other Information Relevant to Investment Decisions</u></b>	22
a.	<u>BIS ratio</u>	22
b.	<u>Credit Ratings for the Past Three Years</u>	22
c.	<u>Won-denominated Current Ratio</u>	22
d.	<u>Foreign Currency-denominated Current Ratio</u>	23
e.	<u>Debt Ratio</u>	23
<b>III.</b>	<b><u>Financial Information</u></b>	24
1.	<b><u>Condensed Financial Statements (Consolidated)</u></b>	24
2.	<b><u>Accounting Information</u></b>	25
a.	<u>Loan Loss Reserves</u>	25
3.	<b><u>Notes on Consolidated Financial Statements</u></b>	25

<b>IV. <u>Independent Auditor's Opinion</u></b>	26
<b>1. <u>Independent Auditor's Opinion</u></b>	26
a. <u>Independent Auditor</u>	26
<b>2. <u>Compensation to the Independent Auditor for the Past Three Years</u></b>	26
a. <u>Auditing Service</u>	26
b. <u>Compensation for Services Other than the Audit</u>	26
<b>V. <u>Corporate Governance and Affiliated Companies</u></b>	27
<b>1. <u>Overview of Corporate Governance</u></b>	27
a. <u>About the Board of Directors</u>	27
<b>2. <u>Related Companies</u></b>	31
<b>3. <u>Investments in Other Companies</u></b>	32
<b>VI. <u>Stock Information</u></b>	33
<b>1. <u>Stock Distribution</u></b>	33
a. <u>Stock Information of Major Shareholders and Related Parties</u>	33
b. <u>Share Ownership of More than 5%</u>	33
c. <u>Shareholder Distribution</u>	33
<b>2. <u>Stock Price and Stock Market Performance for the Past Six Months</u></b>	34
a. <u>Domestic Stock Market</u>	34
b. <u>Foreign Stock Market (NYSE)</u>	34
<b>VII. <u>Directors and Employee Information</u></b>	35
<b>1. <u>Directors</u></b>	35
<b>2. <u>Employee Status</u></b>	35
<b>3. <u>Labor Union Membership</u></b>	35
<b>4. <u>Number of Professional Personnel</u></b>	35
<b>VIII. <u>Related Party Transactions</u></b>	36
<b>1. <u>Transactions with Affiliated Parties</u></b>	36
a. <u>Transactions of Provisional Payments and Loans (including secured loans)</u>	36
b. <u>Payment Transactions</u>	36
<b><u>Exhibit A- Financial Statements</u></b>	37
<b><u>All financial information contained in this document (including the attached financial statements) have been prepared in accordance with generally accepted accounting principles in Korea, which differ in certain important respects from generally accepted accounting principles in the United States.</u></b>	

**I. Company Overview**

**1. Purpose of the Company**

**a. Scope of Business**

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

(1) Corporate Management

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

(2) Corporate Management Support Activities

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

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

**b. Scope of Business of Subsidiaries**

(1) Woori Bank

1. Banking business as prescribed by the Banking Act;
2. Trust business; and
3. Other authorized businesses.

(2) Kwangju Bank

1. Banking business as prescribed by the Banking Act;
2. Trust business; and
3. Other authorized businesses.

(3) Kyongnam Bank

1. Banking business as prescribed under the Banking Act;
2. Trust business as prescribed under the Trust Business Act;
3. Other businesses related to the items listed above; and
4. Other authorized businesses.

(4) Woori Investment & Securities

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

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13. Payment guarantees for principal and interests of corporate bonds;
14. Trustee services for bond offerings;
15. Trading and brokering of marketable certificates of deposits;
16. Lottery sales;
17. Real estate leasing;
18. Lending of securities, and related brokerage, arrangement and agency services;
19. Trading of leased securities and related brokerage, arrangement and agency services;



20. Depositary of securities;
21. Asset management and trustee services for securitization specialty companies under asset securitization regulations;
22. Underwriting, brokerage and agency services for securities issued on a private placement basis;
23. Leasing and sales of IT systems and software related to securities business;
24. Advertisement in the form of electronic document;
25. Sales of indirect investment products;
26. Advisory, intermediary and agency services for M&A transactions;
27. Agency services related to securities transactions;
28. Advisory and consulting services related to management, restructuring and financing;
29. Safe deposit box service;
30. Training services related to securities and finance related business;
31. Publication of journals and books;
32. Brokerage and advisory services related to leasing/sales of restructured real estate;
33. Sales of securities analysis;
34. Arrangement of loans to affiliated financial institutions;
35. Other businesses and activities related to the items listed above; and
36. Other businesses approved by relevant regulatory agencies.

(5) Woori Aviva Life Insurance

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1. Life insurance and related businesses:

Development and sale/operation of individual insurance and reinsurance products, including life insurance, accident insurance, illness insurance and pension insurance.

2. Asset management using the following methods:

- Acquisition and use of government bonds, municipal bonds, stocks, debentures or bonds issued by entities established pursuant to special laws
  
- Acquisition and use of real estate

- Loan services and discount of commercial notes
  
  - Savings with financial institutions
  
  - Placing of cash and securities in trusts
  
  - Other methods in accordance with insurance-related regulations
3. Other insurance activities or other business activities permitted under the Insurance Business Act

(6) Woori Credit Suisse Asset Management

1. Creation/cancellation of investment trusts;
2. Management of investment trust assets;
3. Management of mutual funds;
4. Sales and redemption of indirect investment securities;
5. Investment advisory;
6. Investment executions;
7. Administration of invested companies;
8. Futures trading;
9. Call trading;
10. Bill purchases;
11. Domestic and global economy and capital markets research;
12. Securities dealing;

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13. Publishing investment related books;
14. Real estate leasing;
15. Other activities approved by the Indirect Investment Asset Management Business Act; and
16. Other businesses and activities related to the items listed above.

(7) Woori Financial

1. Rental business in connection with facilities, machineries, construction equipment, automobiles, ships, aircrafts, real estate and their rights;
2. Yearly installment sales;
3. Installment finance;

4. New technology business finance;
5. Credit and collateralized loans;
6. Bill discounting;
7. Acquisitioning, management and collection of account receivables;
8. Acquisition of receivable of, or related Securities issued by, other finance or leasing companies relating to businesses listed in (1) through (7) above;
9. Payment guarantee business;
10. Securitized asset management under asset securitization regulations;
11. Credit review and related activities in connection with businesses listed in (1) through (10) above;
12. Real estate rental business;
13. Corporate restructuring SPC business in accordance with the Industry Development Act;
14. General partner of private equity funds investing in new technologies;
15. Rental business for leased goods; and
16. Other businesses and activities related to the items listed above.

(8) Woori Finance Information System

1. Development, distribution and management of computer systems;
2. Consulting services in computer installation and usage;
3. Distribution, brokerage and lease of computer systems;
4. Maintenance of computer-related equipment;

5. Publication and distribution of IT-related reports and books;
6. Educational services related to computer usage;
7. Research and outsourcing information processing services;
8. Internet-related businesses;
9. Information processing, telecommunications and information distribution services;
10. Manufacturing and distribution of audio-visual media;
11. Information-processing operations and service systems; and
12. All activities directly or indirectly related to the items listed above.

(9) Woori F&I

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

(10) Woori Private Equity

1. Private equity business;
2. Other asset management activities approved by the Indirect Investment Asset Management Business Act; and
3. Other activities related to the items listed above.

(11) Woori Third Asset Securitization Specialty Co., Ltd.

1. Transfer, management and disposition of the securities and other assets (the securitized assets ) and all rights related to the securitized assets of Hanvit Bank (now Woori Bank), Kyongnam Bank, and Woori Credit Card pursuant to the Asset Securitization Law;
2. Offering and redemption of the securitized assets;
3. Preparation and registration of asset securitization plans with the Financial Supervisory Service;
4. Execution of agreements required for the asset securitization plan;
5. Provisional borrowing and other similar procedures for ABS redemption;

6. Investment of surplus funds; and
7. Other activities related to the items listed above.



**2. History of the Company**

**a. Company History**

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

March 24, 2001	Official approval from the Financial Supervisory Service for Woori Finance Holdings Co., Ltd.
March 27, 2001	Incorporated as Woori Finance Holdings Co., Ltd. (Total Capital: Won 3.6 trillion)
April 2, 2001	Official launch of Woori Finance Holdings
July 16, 2001	Issued bonds with warrants
September 1, 2001	Hanaro Merchant Bank's name changed to Woori Merchant Bank
September 29, 2001	Woori Finance Information System incorporated as a subsidiary
December 3, 2001	Woori Asset Management incorporated as a subsidiary
December 3, 2001	Woori First Asset Securitization Specialty Co., Ltd. incorporated as a subsidiary
December 26, 2001	Woori Second Asset Securitization Specialty Co., Ltd. incorporated as a subsidiary
December 31, 2001	Spin-off and merger of Peace Bank; Launch of Woori Credit Card
March 15, 2002	Woori Third Asset Securitization Specialty Co., Ltd. incorporated as a subsidiary
March 29, 2002	Woori Investment Trust Management incorporated as a subsidiary
May 20, 2002	Hanvit Bank's name changed to Woori Bank
June 11, 2002	Capital increase through public offering (Total capital: Won 3.8 trillion)
June 24, 2002	Listed on the Korea Stock Exchange
July 29, 2002	Woori Securities incorporated as a subsidiary
September 5, 2002	Executed strategic investment agreement with Lehman Brothers with respect to the management of distressed assets
December 23, 2002	Purchase and acquisition agreement with the credit card division of Kwangju Bank
July 31, 2003	Woori Merchant Bank merged into Woori Bank

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September 29, 2003	Listing on the New York Stock Exchange
December 12, 2003	Liquidation of Woori LB First Asset Securitization Specialty Co., Ltd.
March 30, 2004	Appointment of new management
March 31, 2004	Woori Card merged into Woori Bank
June 18, 2004	Woori Securities becomes a wholly-owned subsidiary
December 21, 2004	Capital increase through conversion of CBs (Total capital after conversion: Won 4.0 trillion)
December 24, 2004	Acquired LG Investment & Securities and incorporated as a subsidiary
February 17, 2005	Capital increase through conversion of CBs (Total capital after conversion: Won 4.0 trillion)
March 11, 2005	Capital increase through conversion of CBs (Total capital after conversion: Won 4.0 trillion)
March 31, 2005	Woori Securities and LG Investment & Securities merged (the name of the surviving entity, LG Investment & Securities, changed to Woori Investment & Securities)
May 6, 2005	Incorporated LG Investment Trust Management from 2 <sup>nd</sup> tier subsidiary to 1 <sup>st</sup> tier subsidiary
May 31, 2005	Woori Investment Trust Management and LG Investment Trust Management merged (the name of the surviving entity, LG Investment Trust Management, changed to Woori Asset Management)
August 3, 2005	Dissolution of Woori LB Second Asset Securitization Specialty Co., Ltd.
September 5, 2005	Woori Asset Management becomes a wholly-owned subsidiary through capital reduction and cancellation
October 21, 2005	Woori Private Equity is established and incorporated as a subsidiary
October 27, 2005	Closure of strategic investment agreement with Lehman Brothers
February 23, 2006	Joint venture arrangement between Woori CA Asset Management, a 2 <sup>nd</sup> tier subsidiary, and Japan's Shinsei Bank (involving a transfer of 49% of Woori F&I's 100% stake in Woori CA Asset Management to Shinsei Bank)

April 11, 2006	Joint venture agreement to transfer 30% of the shares of Woori Asset Management to Credit Suisse Asset Management International Holdings, a wholly owned subsidiary of Credit Suisse.
May 30, 2006	Upon the 30% share transfer to Credit Suisse Asset Management International Holdings, Woori Asset Management was renamed Woori Credit Suisse Asset Management.
March 30, 2007	Appointment of new management
September 14, 2007	Acquired Hanmi Capital as a subsidiary (Hanmi Capital was renamed Woori Financial as of October 26, 2007)
April 4, 2008	Acquired LIG Life Insurance as a subsidiary (LIG Life Insurance was renamed Woori Aviva Life Insurance as of April 1, 2008)
June 27, 2008	Appointment of new management

**b. Associated Business Group**

(1) Overview of Business Group

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

(2) Related companies within the business group

Type	Name of Company	Controlling Company	Notes
Holding Company	Woori Finance Holdings	Korea Deposit Insurance Corporation	1 company
1 <sup>st</sup> Tier Subsidiaries	Woori Bank Kwangju Bank Kyongnam Bank Woori Finance Information System Woori F & I Woori Third Asset Securitization Specialty Woori CS Asset Management Woori Investment & Securities Woori Private Equity Woori Financial Woori Aviva Life Insurance	Woori Finance Holdings	11 companies
2 <sup>nd</sup> Tier Subsidiaries	Woori Credit Information Woori America Bank P.T. Bank Woori Indonesia Korea BTL Infrastructure Fund Woori Global Markets Asia Ltd. ZAO Woori Bank Woori Bank (China) Limited	Woori Bank	29 companies

Woori SB Asset Management	
Woori F&I Fifth Asset Securitization Specialty Co., Ltd.	
Woori F&I Sixth Asset Securitization Specialty Co., Ltd.	
Woori F&I Seventh Asset Securitization Specialty Co., Ltd.	Woori F&I
Woori F&I Eighth Asset Securitization Specialty Co., Ltd.	
Woori F&I Ninth Asset Securitization Specialty Co., Ltd.	
Woori SB Tenth Asset Management	
Woori F&I Tenth Asset Securitization Specialty Co., Ltd.	
Woori Private Equity Fund	Woori Private Equity
Woori Futures	
Woori Investment & Securities International Ltd.	
Woori Investment & Securities (HK) Ltd.	
Woori Investment & Securities America Inc.	
Mars Private Equity Fund No. 1	
Mars Private Equity Fund No. 2	
Woori Investment Asia Pte. Ltd.	Woori Investment & Securities
Mars Private Equity Fund No. 3	
Mars Private Equity Fund No. 4	
Woori Absolute Partners PTE, Ltd.	
Woori Absolute Asia Multi Strategy Fund	
Woori Absolute Global Opportunity Fund	
PT Clemont Securities Indonesia	

- \* Woori Finance Holdings, Woori Investment & Securities and Woori Financial are listed on the Korea Exchange
- \* On March 5, 2007, Mars Private Equity Fund No. 2, with KRW 31,500 million paid-in-capital, was included as our 2<sup>nd</sup> tier subsidiary. Woori Investment & Securities, which owns a 4.76% stake, is its general partner.
- \* On March 27, 2007, Nexbi Tech, a subsidiary of Woori Finance Information System, was removed from our list of 2<sup>nd</sup> tier subsidiaries as the company undertook a second capital reduction (the first capital reduction was as of Oct. 18, 2006), liquidating all the shares held by Woori Finance Information System.
- \* On May 23, 2007, Woori F&I Fifth Asset Securitization Specialty Co., Ltd. was included as our 2<sup>nd</sup> tier subsidiary. Woori F&I Co., Ltd. owns 100% of its equity.
- \* On September 14, 2007, Hanmi Capital was included as our 1<sup>st</sup> tier subsidiary to strengthen our non-banking business (Hanmi Capital was renamed Woori Financial as of October 26, 2007).
- \* On September 20, 2007, Woori Investment Asia Pte. Ltd. was included as our 2<sup>nd</sup> tier subsidiary. Woori Investment & Securities owns a 100% stake in Woori Investment Asia Pte. Ltd.
- \* On October 26, 2007, Woori Bank (China) Limited was included as our 2<sup>nd</sup> tier subsidiary. Woori Bank owns a 100% stake in Woori Bank (China) Limited.
- \* On November 22, 2007, ZAO Woori Bank was included as our 2<sup>nd</sup> tier subsidiary. Woori Bank owns a 100% stake in ZAO Woori Bank, excluding one ZAO Woori Bank share which is owned by a related party of Woori Bank in order to comply with Russian regulations on single shareholder limitations.

- \* On December 12, 2007, Woori F&I Sixth Asset Securitization Specialty Co., Ltd. and Woori F&I Seventh Asset Securitization Specialty Co., Ltd. were included as our 2nd tier subsidiaries. Woori F&I Co., Ltd. owns a 100% stake in each of these two subsidiaries.
- \* On March 18, 2008, Mars Private Equity Fund No. 3, with an expected paid-in-capital of KRW 51 billion, was included as our 2<sup>nd</sup> tier subsidiary. Woori Investment & Securities, as its general partner, will have contributed 1.96% of the capital of Mars Private Equity Fund No. 3.
- \* On April 3, 2008, Woori F&I Eighth Asset Securitization Specialty Co., Ltd. was included as our 2<sup>nd</sup> tier subsidiary. Woori F&I Co., Ltd. owns 100% of its equity.
- \* On April 4, 2008, LIG Life Insurance was included as our 1<sup>st</sup> tier subsidiary (LIG Life Insurance was renamed Woori Aviva Life Insurance as of April 1, 2008).
- \* On May 14, 2008, Mars Private Equity Fund No. 4, with an expected paid-in-capital of KRW 51 billion, was included as our 2<sup>nd</sup> tier subsidiary. Woori Investment & Securities, as its general partner, will have contributed 0.99% of the capital.
- \* On May 29, 2008, Woori Absolute Partners Pte. Ltd., an investment advisory service company wholly-owned by Woori Investment & Securities and established in Singapore to manage offshore funds, was included as our 2<sup>nd</sup> tier subsidiary.
- \* On June 27, 2008, Woori SB Tenth Asset Securitization Specialty Co., Ltd. was included as our 2<sup>nd</sup> tier subsidiary. Woori F&I owns a stake of 50% plus one share in the company.
- \* On July 21, 2008, Woori Absolute Asia Multi Strategy Fund, an offshore financial company wholly-owned by Woori Investment & Securities, was included as our 2<sup>nd</sup> tier subsidiary.
- \* On July 21, 2008, Woori Absolute Global Opportunity Fund, an offshore financial company wholly-owned by Woori Investment & Securities, was included as our 2<sup>nd</sup> tier subsidiary.
- \* On September 9, 2008, Woori F&I Ninth Asset Securitization Specialty Co., Ltd. was included as our 2<sup>nd</sup> tier subsidiary. Woori F&I Co., Ltd. owns 100% of its equity.
- \* On March 3, 2009, PT Clemont Securities Indonesia was included as our 2<sup>nd</sup> tier subsidiary. Woori Investment & Securities owns a 60% stake in PT Clemont Securities Indonesia.
- \* On March 12, 2009, Woori F&I Tenth Asset Securitization Specialty Co., Ltd. was included as our 2<sup>nd</sup> tier subsidiary. Woori F&I Co., Ltd. owns 100% of its equity.

**3. Capital Structure****a. Changes in Capital**

(units: Won, shares)

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

**b. Anticipated Changes in Capital**

Not applicable

**c. Convertible Bonds**

Not applicable

**4. Total Number of Authorized Shares**

**a. Total Number of Authorized Shares**

As of December 31, 2008

(units: shares)

Items	Type	
	Common Shares	Total
Total number of shares authorized	2,400,000,000	2,400,000,000
Total number of issued stock	806,015,340	806,015,340
Treasury stock	2,560	2,560
Free float shares	806,012,780	806,012,780

**b. Capital and Price per Share**

As of December 31, 2008

(units: Won, shares)

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

**c. Treasury Stock**

As of December 31, 2008

(units: shares)

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

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

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

Not applicable

**5. Voting Rights**

As of December 31, 2008

(units: shares)

Items		Number of stock	Notes
Total number of shares	Common Shares	806,015,340	
	Preferred Shares		
Stocks without voting rights	Common Shares		
	Preferred Shares		
Stocks with limited voting rights under the Securities & Exchange Law		2,560	
Stocks with voting rights restored			
Stocks with voting rights	Common Shares	806,012,780	
	Preferred Shares		



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

(Non-consolidated)

(Unit: Won)

Items		2008	2007	2006
Par value per share (Won)		5,000	5,000	5,000
Net profit (Won in Millions)		454,478	1,943,560	2,029,319
Earnings per share (Won)		564	2,411	2,518
Profit available for dividend distribution (Won in Millions)		6,539,848	6,274,948	5,017,365
Total cash payout (Won in Millions)			201,503	483,608
Total stock dividends (Won in Millions)				
Propensity to cash dividends (%)			10.37	23.83
Cash dividend yield (%)	Common Shares		1.29	2.71
	Preferred Shares			
Stock dividend yield (%)	Common Shares			
	Preferred Shares			
Cash dividend per share (Won)	Common Shares		250	600
	Preferred Shares			
Stock dividend per share (Won)	Common Shares			
	Preferred Shares			

**II.** Description of Business

**1.** Business Overview

**a.** Organizational Chart

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

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

**b. Financing of Operations**

## (1) Source of Funds

(units: millions of Won)

Items	2008	2007	2006
Shareholders Equity	12,207,338	13,062,368	11,933,072
Capital	4,030,077	4,030,077	4,030,077
Capital Surplus	186,959	187,554	84,488
Retained Earnings	7,323,148	7,058,269	5,597,545
Capital Adjustments	667,154	1,786,488	2,220,962
Borrowings	3,412,854	2,129,288	1,860,449
Debtentures	3,393,702	2,116,679	1,847,591
Bank Borrowings			
Commercial Paper			
Other Borrowings			
Other Liabilities	19,152	12,609	12,858
Total	15,620,192	15,191,656	13,793,521

\* The figures for fiscal years 2006 and 2007 have been adjusted to reflect our adoption of Statements of Korea Accounting Standard No. 15 ( Equity method accounting ).

\* The figures for fiscal year 2007 have been adjusted to take into account the effects of the revisions to the Interpretations on Financial Accounting Standards 53-70 on accounting for derivative instruments.

## (2) Use of Funds

(units: millions of Won)

Items	2008	2007	2006
Subsidiary Stock	15,285,356	15,062,711	13,591,413
Woori Bank	11,900,128	12,196,954	11,297,882
Kyongnam Bank	1,245,318	923,555	794,984
Kwangju Bank	920,938	726,256	630,995
Woori Financial Information System	13,076	10,080	11,245
Woori F&I	139,999	144,746	124,874
Woori 3 <sup>rd</sup> Asset Securitization Specialty		1,885	24,317
Woori Investment & Securities	709,114	735,983	649,355
Woori CS Asset Management (formerly Woori Asset Management)	41,296	49,895	47,655
Woori Private Equity	12,844	11,949	10,106
Woori Financial	228,456	261,408	
Woori Aviva Life Insurance	74,187		
Investment Securities			
Loan Obligations	169,150		49,750
Tangible Assets	566	438	630
Intangible Assets	14	20	30
Cash	119,350	32,502	89,724
Other Assets	45,756	95,985	61,974
Total	15,620,192	15,191,656	13,793,521

\* The figures for fiscal years 2006, 2007 and 2008 have been adjusted to reflect our adoption of Statements of Korea Accounting Standard No. 15 ( Equity method accounting ).

\* The figures for fiscal year 2007 have been adjusted to take into account the effects of the revisions to the Interpretations on Financial Accounting Standards 53-70 on accounting for derivative instruments.

## c. Transactions related to Commission Fees

(units: millions of Won)

Category	2008	2007	2006
Commission Revenue (A)			
Commission Expense (B)	7,119	5,916	7,613
Commission Profit (A-B)	(7,119)	(5,916)	(7,613)

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

(units: millions of Won)

Items	2008	2007	2006
Total Capital (A)	22,570,998	20,102,976	
Risk weighted assets (B)	207,141,410	174,367,585	
BIS Ratio (A/B)	10.90%	11.53%	

\* Applied since January 1, 2007.

**b. Credit Ratings for the Past Three Years**

Date of Rating	Evaluated Securities	Credit Rating	Company (Ratings Range)	Evaluation Category
2005.06.07		BBB	S&P (AAA ~ D)	Case evaluation
2005.06.09	Debentures	AAA	KIS Ratings (AAA ~ D)	Case evaluation
2005.06.13	Debentures	AAA	Korea Ratings (AAA ~ D)	Case evaluation
2005.09.16	Debentures	AAA	NICE (AAA ~ D)	Case evaluation
2005.09.20	Debentures	AAA	KIS Ratings (AAA ~ D)	Case evaluation
2005.10.24		BBB+	Fitch Rating (AAA ~ D)	Case evaluation
2006.08.10		Baa2	Moody s (Aaa ~ C)	Case evaluation
2006.09.07		Baa1	Moody s (Aaa ~ C)	Case evaluation
2007.05.07		A2	Moody s (Aaa ~ C)	Case evaluation
2007.08.17	Debentures	AAA	NICE (AAA ~ D)	Case evaluation
2007.08.17	Debentures	AAA	KIS Ratings (AAA ~ D)	Case evaluation
2007.11.27	Debentures	AAA	NICE (AAA ~ D)	Case evaluation
2007.11.27	Debentures	AAA	Korea Ratings (AAA ~ D)	Case evaluation
2008.04.03	Debentures	AAA	KIS Ratings (AAA ~ D)	Case evaluation
2008.04.03	Debentures	AAA	NICE (AAA ~ D)	Case evaluation
2008.06.04		BBB+	S&P (AAA ~ D)	Case evaluation
2008.06.12		AAA	NICE (AAA ~ D)	Case evaluation

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2008.06.16	Debentures	AAA	Korea Ratings (AAA ~ D)	Case evaluation
2008.09.12	Debentures	AAA	NICE (AAA ~ D)	Case evaluation
2008.09.16	Debentures	AAA	Korea Ratings (AAA ~ D)	Case evaluation
	Debentures			

c. **Won-denominated Current Ratio**

(units: millions of Won)

Items	2008	2007	2006	2005
Current Assets (A)	119,566	32,874	117,037	111,091
Current Liabilities (B)	18,376	12,207	12,496	18,216
Current Ratio (A/B)	650.66%	269.30%	936.60%	609.85%

\* **Current ratio**

=  $\frac{\text{assets with maturity of less than 3 months}}{\text{liabilities with maturity of less than 3 months}}$

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

(units: millions of Won)

Items	2008	2007	2006	2005
Current Assets (A)				
Current Liabilities (B)				
Current Ratio (A/B)				

**\* Current ratio**

=  $\frac{\text{assets with maturity of less than 3 months}}{\text{liabilities with maturity of less than 3 months}}$

**e. Debt Ratio**

(units: millions of Won)

Items	2008	2007	2006	2005
Liabilities (A)	3,412,854	2,129,288	1,860,448	2,314,418
Equity (B)	12,207,338	(*)13,062,368	11,933,072	9,717,364
Debt Ratio (A/B)	27.96%	16.30%	15.59%	23.80%

\* The figures for fiscal years 2005, 2006, 2007 and 2008 have been adjusted to reflect our adoption of Statements of Korea Accounting Standard No. 15 ( Equity method accounting ).

\* The figures for fiscal year 2007 have been adjusted to take into account the effects of the revisions to the Interpretations on Financial Accounting Standards 53-70 on accounting for derivative instruments.

### III. Financial Information

#### I. Condensed Financial Statements (Consolidated)

(units: millions of Won)

Items	2008	2007	2006	2005	2004
Cash and Due from Banks	19,967,897	14,984,541	10,674,977	11,224,015	6,530,065
Securities	46,714,465	48,228,254	46,313,960	37,693,090	29,175,271
Loans	197,040,672	167,635,411	140,854,505	106,937,970	91,482,647
Tangible Assets	2,796,537	2,638,774	2,561,391	2,472,727	2,410,106
Other Assets	24,474,724	16,165,322	11,592,497	6,215,046	7,003,875
<b>Total Assets</b>	<b>290,994,295</b>	<b>249,652,302</b>	<b>211,997,330</b>	<b>164,542,848</b>	<b>136,601,964</b>
Deposits	170,224,891	146,583,312	129,022,868	107,087,990	92,148,907
Borrowings	74,717,758	66,040,316	54,111,207	37,116,858	27,910,757
Other Liabilities	31,743,043	22,011,382	15,438,450	9,233,038	7,837,020
<b>Total Liabilities</b>	<b>276,685,692</b>	<b>234,635,010</b>	<b>198,572,525</b>	<b>153,437,886</b>	<b>127,896,684</b>
Common Stock	4,030,077	4,030,077	4,030,077	4,030,077	3,982,278
Consolidated Capital Surplus	186,959	187,555	187,955	142,608	170,960
Consolidated Capital Adjustment	(57,219)	(55,812)	(55,854)	(52,747)	(48,254)
Consolidated Other Comprehensive Income	724,366	1,842,294	2,173,342	1,705,456	1,014,211
Consolidated Retained Earnings	7,323,149	7,058,249	5,601,869	3,896,255	2,333,145
Minority Interest	2,101,271	1,954,929	1,487,416	1,383,313	1,252,940
<b>Total Stockholder s Equity</b>	<b>14,308,603</b>	<b>15,017,292</b>	<b>13,424,805</b>	<b>11,104,962</b>	<b>8,705,280</b>
Operating Revenue	86,901,262	26,650,125	19,895,975	14,564,520	13,542,554
Operating Income	1,115,506	2,915,662	2,748,368	2,004,494	1,137,600
Net Profit before Tax	1,190,247	2,923,217	2,913,712	2,145,704	1,192,574
Aggregated Net Profit	588,502	2,114,360	2,189,207	1,833,521	1,261,052
Net Profit for Majority Shareholders	454,478	1,939,238	2,029,319	1,688,221	1,261,925
Net Profit for Minority Shareholders	134,024	175,122	159,888	145,300	(873)
No. of Companies Consolidated	38	30	24	21	24

\* The figures for fiscal year 2007 have been adjusted to take into account the effects of the revisions to the Interpretations on Financial Accounting Standards 53-70 on accounting for derivative instruments.



**2. Accounting Information****a. Loan Loss Reserves**

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

(units: millions of Won)

Period	Item	Total Credits	Loan Loss Reserves	Provisioning Ratio
2008	Loans	170,000	850	0.5%
	Total	170,000	850	0.5%
2007	Loans			
	Total			
2006	Loans	50,000	250	0.5%
	Total	50,000	250	0.5%

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

(units: millions of Won)

Item	2008	2007	2006
1. Initial loan loss reserves balance	0	250	550
2. Net credit costs			
1) Write-offs			
2) Recovery of written-off assets			
3) Other changes			
Recovery of credit costs	850	(250)	(300)
Ending loan loss reserve balance	850	0	250

**3. Notes on Consolidated Financial Statements**

(1) Auditor's opinion

Item	2008	2007	2006
Auditor's Opinion	Anjin (Deloitte Anjin) Unqualified Opinion	Anjin (Deloitte Anjin) Unqualified Opinion	Anjin (Deloitte Anjin) Unqualified Opinion

**IV. Independent Auditor's Opinion**

**1. Independent Auditor's Opinion**

**a. Independent Auditor**

2008 Anjin (Deloitte Anjin)	2007 Anjin (Deloitte Anjin)	2006 Anjin (Deloitte Anjin)
--------------------------------	--------------------------------	--------------------------------

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

**a. Auditing Service**

(units: millions of Won, hours)

Year	Auditor	Activity	Compensation	Accrued Time (hrs)
2008	Anjin (Deloitte Anjin)	Review of Quarter and Half Year financial statements and audit of Annual financial statements (Consolidated, Non-consolidated)	360	4,957
2007	Anjin (Deloitte Anjin)	Review of Quarter and Half Year financial statements and audit of Annual financial statements (Consolidated, Non-consolidated)	340	4,936
2006	Anjin (Deloitte Anjin)	Review of Quarter and Half Year financial statements and audit of Annual financial statements (Consolidated, Non-consolidated)	320	5,210

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

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

Year	Contract Date	Activity	Period	Comp.	Note
2008	2009.01.07	US GAAP and SOX Auditing	2008.12~2009.5	3,340	Deloitte Anjin
2007	2008.01.24	US GAAP and SOX Auditing	2007.12~2008.5	3,530	Deloitte Anjin
2006	2006.12.15	US GAAP and SOX Auditing	2006.12~2007.5	3,530	Deloitte Anjin

**V. Corporate Governance and Affiliated Companies**

**1. Overview of the Corporate Governance**

**a. About the Board of Directors**

(1) Board of Directors

A. Duties of Boards of Directors

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

B. Information Regarding the Board of Directors

The following information was stated in the notice to the shareholders of the annual general meeting and details of the agenda filed in Korea on March 10, 2009.

Ø Third Resolution: Appointment of Non-standing Directors

Name	Date of Birth	Term / Appointment	Career & Academic Background	Relationship with Largest Shareholder	Transactions with the Company in the Past Three Years
<b>Min Joon Bang</b>	Oct. 29, 1950	1 year / Re-appointment	- Arbitration Commissioner of Press Arbitration Commission  - Head of Editorial Desk, Korea Times	None	None
<b>Hi Taek Shin</b>	Aug. 6, 1952	1 year / Re-appointment	- Bachelor of Korean Language and Literature, Seoul National University  - <b>Current</b> ) Professor of College of Law, Seoul National University  - Lawyer, Kim & Chang Law Firm	None	None

			- Bachelor of Laws, Seoul National University		
			- Master of Laws, Seoul National University		
			- J.S.D at Yale Law School		
			- <b>Current)</b> Executive Director, Market Economy Research Institute	None	None
			- Chief Executive Officer, Korea Minting and Security Printing Corporation		
<b>Hi Bock Kang</b>	June 14, 1946	1 year / New appointment	- Bachelor of Public Administration, Seoul National University		
			- Graduate School of Public Administration, Seoul National University		
			- <b>Current)</b> Advisor, Kim & Chang Law Firm	None	None
			- Chairman, Market Oversight Commission of Korea Exchange		
<b>Young Ho Lee</b>	Jan. 19, 1949	1 year / New appointment	- Assistant Governor, Financial Supervisory Service		
			- Bachelor of Laws, Korea University		

			- <b>Current</b> ) Director General of Department of Planning & Coordination, Korea Deposit Insurance Corporation	Employee of the majority shareholding company	None
<b>Hak Jin Kim</b>	Nov. 24, 1956	1 year / New appointment	- General Manager of Human Resources Development Department,  Korea Deposit Insurance Corporation		
			- Bachelor of Economics, Chung-Ang University - <b>Current</b> ) Professor of College of Business Administration, Korea University	None	None
			- President, Korea Advertising Society		
<b>Doo Hee Lee</b>	Jun. 12, 1957	1 year / New appointment	- Bachelor of Business Administration, Korea University  - Master of Business Administration, University of Wisconsin-Madison  - Ph.D. in Business Administration, University of Wisconsin-Madison		
			- <b>Current</b> ) Co-Head, The Lawyers for Citizens	None	None
<b>Hun Lee</b>	Dec. 8, 1961	1 year / New appointment	- Lawyer, Barun Law  - Bachelor of Law, Chung-Ang University		

C. Appointment of Non-standing Directors

Pursuant to Article 42 of the Articles of Association and Article 5 of the non-standing director candidate nomination committee regulations, a non-standing director is recommended by the non-standing director candidate nomination committee and elected at a shareholders' meeting.

\* Article 42 (Committees)

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

- (a) Board of Directors Management Committee
- (b) Management Compensation Committee
- (c) Risk Management Committee
- (d) Executive Management Committee
- (e) Ethics Management Committee
- (f) Non-Standing Director Candidate Nomination Committee
- (g) MOU Review Committee
- (h) Audit Committee
- (i) Audit Committee Member Candidate Nomination Committee

D. Committees within Board of Directors

(After March 27, 2009)

<b>Name</b>	<b>Position</b>	<b>Notes</b>
Board of Directors Management Committee	Pal Seung Lee	Chairman and CEO Pal Seung Lee heads this committee consisting of the heads of the sub-committees.
	Hi Bock Kang	
	Young Ho Lee	
	Min Joon Bang	
	Hi Taek Shin	

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Management Compensation Committee	Young Ho Lee	Non-standing director Young Ho Lee heads this committee consisting of no fewer than three non-standing directors.
	Hi Taek Shin	
	Doo Hee Lee	
Risk Management Committee	Pal Seung Lee	Chairman and CEO Pal Seung Lee heads this committee. The committee consists of the Chairman and CEO, CFO and no fewer than three non-standing directors.
	Hi Bock Kang	
	Young Ho Lee	
	Hak Jin Kim	
	Hun Lee	
Executive Management Committee	Pal Seung Lee	Chairman and CEO Pal Seung Lee heads the committee consisting of all executive directors.
Ethics Management Committee	Pal Seung Lee	Non-standing director Min Joon Bang heads this committee consisting of all executive directors and no fewer than two non-standing directors.
	Min Joon Bang	
	Hak Jin Kim	
	Doo Hee Lee	
	Hun Lee	

Non-Standing Director Candidate	Pal Seung Lee	Non-standing director Hi Bock Kang heads this committee consisting of the Chairman and CEO and no fewer than three non-standing directors.
Nomination Committee	Hi Bock Kang	
	Hak Jin Kim	
	Doo Hee Lee	
MOU Review Committee	Hun Lee	Chairman and CEO Pal Seung Lee heads this committee consisting of the entire board of directors.
	Pal Seung Lee	
	Hi Bock Kang	
	Young Ho Lee	
	Min Joon Bang	
	Hi Taek Shin	
	Hak Jin Kim	
	Doo Hee Lee	
Audit Committee	Hun Lee	All non-standing directors are members of audit committee
	Hi Bock Kang	
	Young Ho Lee	
	Min Joon Bang	
	Hi Taek Shin	
	Hak Jin Kim	
	Doo Hee Lee	
Audit Committee Member	Hun Lee	Non-standing director Hi Bock Kang heads this committee consisting of all executive directors.
	Hi Bock Kang	
Candidate Nomination Committee	Young Ho Lee	
	Min Joon Bang	
	Hi Taek Shin	
	Hak Jin Kim	
	Doo Hee Lee	
Committee	Hun Lee	



**2. Related Companies**

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

## 3. Investments in Other Companies

As of December 31, 2008

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

Type	Name	Beginning Balance			Changes <sup>1</sup>		Ending Bal.			Latest Net Income <sup>2</sup>	Note (Equity Method Gain/Loss)
		Quantity	Share	Cost	Quantity	Cost	Quantity	Share	Cost		
DOMESTIC	Woori Bank	635,957	100.0	12,196,954	70,000	(296,826)	705,957	100.0	11,900,128	233,976	250,120
	Kwangju Bank	44,080	99.9	726,256	5,333	194,682	49,413	99.9	920,938	103,358	103,246
	Kyongnam Bank	51,800	99.9	923,555	6,250	321,763	58,050	99.9	1,245,318	210,202	211,607
	Woori Finance Info Sys.	900	100.0	10,080		2,996	900	100.0	13,076	2,420	2,995
	Woori F&I	2,000	100.0	144,746		(4,747)	2,000	100.0	139,999	22,892	22,801
	Woori 3 <sup>rd</sup> SPC	2	100.0	1,885		(1,885)	2	100.0		(153)	(153)
	Woori Investment & Securities	46,325	35.0	735,983		(26,869)	46,325	35.0	709,114	325,858	61,688
	Woori CS Asset Management	4,663	70.0	49,895		(8,599)	4,663	70.0	41,296	14,351	495
	Woori Private Equity	2,000	100.0	11,949		895	2,000	100.0	12,844	1,093	1,081
	Woori Financial	8,500	50.1	261,408		(32,952)	8,500	50.1	228,456	12,503	(32,919)
	Woori Aviva Life Insurance Foreign				3,060	74,187	3,060	51.0	74,187	6,927	(2,183)
	Total	796,227		15,062,711	84,643	222,645	880,870		15,285,356	933,427	618,778

- The changes in quantity and cost are calculated from the increase or decrease under the equity method.
- The figures for the latest net income stated above are for the fiscal year ended December 31, 2008, except for the figures for the latest net income of Woori Credit Suisse Asset Management, Woori Investment & Securities and Woori Aviva Life Insurance, which are for the fiscal year ended March 31, 2008.
- The figures have been adjusted to reflect our adoption of Statements of Korea Accounting Standard No. 15 ( Equity method accounting ). The figures for fiscal year 2007 have been adjusted to take into account the effects of the revisions to the Interpretations on Financial Accounting Standards 53-70 on accounting for derivative instruments.
- Woori Aviva Life Insurance was included as a subsidiary as of April 4, 2008.

**VI. Stock Information****1. Stock Distribution****a. Stock Information of the Largest Shareholder and Specially Related Parties**

As of December 31, 2008

(units: shares, %)

Name	Relation	Type	Beginning balance		Shares Held		Ending balance		Reasons Behind Change
			Stock	Share	(+)	(-)	Stock	Share	
KDIC	Largest S/H	Common	588,158,609	72.97			588,158,609	72.97	
		Common	588,158,609	72.97			588,158,609	72.97	
		Preferred							
Total		Total	588,158,609	72.97			588,158,609	72.97	

Largest Shareholder: KDIC

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

As of December 31, 2008

(units: shares, %)

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

**c. Shareholder Distribution**

As of December 31, 2008

Items	Shareholder		Number of shares	Ratio(%)
	number	Ratio(%)		
Total Minority Shareholders	77,012	100.00	209,454,431	25.99
Minority Shareholders (Companies)	1,073	1.39	146,935,896	18.23
Minority Shareholders (Individual)	75,939	98.60	62,518,535	7.76
Largest Shareholders, etc.	1		588,158,609	72.97
Main Shareholders				
Total Other Shareholders	1		8,399,560	1.04
Others Shareholders (Companies)	1		8,399,560	1.04
Others Shareholders (Individuals)				
Others	1		2,740	
Total	77,015	100.0	806,015,340	100.00

**2. Stock Price and Stock Market Performance for the Past Six Months**

**a. Domestic Stock Market**

(units: Won, shares)

<b>Period (in 2008)</b>		<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>
Common Stock	High	16,650	16,350	15,150	13,300	8,230	7,740
	Low	13,250	13,850	11,700	6,730	5,050	6,200
Monthly Trade Volume		88,331,889	59,419,588	147,425,880	234,017,713	276,420,972	192,996,394

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

(units: US Dollars, ADR)

<b>Period (in 2008)</b>		<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>
ADR	High	48.60	48.09	41.77	32.45	19.41	17.40
	Low	39.49	39.03	26.26	14.63	8.72	12.05
Monthly Trade Volume		180,400	114,800	482,900	581,700	447,900	634,500

**VII. Directors and Employee Information**

**1. Directors**

Position	Name	Common Stocks	
		Registered	Owned (As of Dec. 31, 2008)
Chairman and CEO	Pal Seung Lee	Registered	15,000
Senior Managing Director	Kyung Dong Kim	Non-Registered	2,000
Senior Managing Director	Seong Mok Park	Non-Registered	1,500
Senior Managing Director	Dong Il Kim	Non-Registered	1,150
Senior Managing Director	Gong Pil Choi	Non-Registered	
Managing Director	In Chul Park	Non-Registered	1,000
Managing Director	Sook Kyo Kwon	Non-Registered	1,000
Managing Director	Jong Oun Kim	Non-Registered	1,500
Non-standing Director	Pyoung Wan Har	Registered	1,110
Non-standing Director	Kwang Dong Kim	Registered	160
Non-standing Director	Bong Soo Park	Registered	870
Non-standing Director	Inbong Ha	Registered	1,310
Non-standing Director	Min Joon Bang	Registered	
Non-standing Director	Hi Taek Shin	Registered	
Non-standing Director	Myoung Soo Choi	Registered	

**2. Employee Status**

As of December 31, 2008

(units: persons, thousands of Won)

Items	Staff				Average	Yearly Compensation	Average Compensation Per Person	Note
	Admin.	Manu.	Misc.	Total	Tenure			
					Years			
Male	109		1	110	2 years and 9 months	5,293,836	48,125	
Female	12		9	21	3 years and 8 months	553,215	26,343	
Total	121		10	131	2 years and 10 months	5,847,051	44,633	

**3. Labor Union Membership**

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

**4. Number of Professional Personnel**

Items	Number	Responsibilities	Remarks
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CPA

2

Financial accounting

35

**VIII. Related Party Transactions**

**1. Transactions with Affiliated Parties**

**a. Transactions of Provisional Payments and Loans (including secured loans)**

(units: millions of Won)

Name	Relation	Item	Beg.	Changes		End	Notes
				+	-		
Woori Financial	Subsidiary	Other loan		170,000		170,000	
Total				170,000		170,000	

**b. Payment Transactions**

(units: shares)

Name	Relation	Types of Shares	Capital Contribution and Share Disposal Transactions			Notes
			Beginning	Increase	Decrease	
Woori Bank	Subsidiary	Common stock	635,956,580	70,000,000		705,956,580
Kwangju Bank	Subsidiary	Common stock	44,080,000	5,333,333		49,413,333
Kyongnam Bank	Subsidiary	Common stock	51,800,000	6,249,944		58,049,944
Woori Finance Info Sys.	Subsidiary	Common Stock	900,000			900,000
Woori F&I	Subsidiary	Common Stock	2,000,000			2,000,000
Woori Third Asset Securitization Specialty	Subsidiary	Invested Shares	2,000			2,000
Woori Investment & Securities	Subsidiary	Common Stock	46,324,981			46,324,981
Woori CS Asset Management	Subsidiary	Common Stock	4,663,400			4,663,400
Woori Private Equity	Subsidiary	Common Stock	2,000,000			2,000,000
Woori Financial	Subsidiary	Common Stock	8,499,955			8,499,955
Woori Aviva Life Insurance	Subsidiary	Common Stock		3,060,000		3,060,000
Total			796,226,916	84,643,327		880,870,243

**EXHIBIT A**

**FINANCIAL STATEMENTS**



WOORI FINANCE HOLDINGS CO., LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

AND INDEPENDENT AUDITORS' REPORT

**Audit.Tax.Consulting.Financial Advisory.**

**Independent Auditors Report**

English Translation of a Report Originally Issued in Korean

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

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

We have audited the accompanying consolidated balance sheets of Woori Finance Holdings Co., Ltd. (the Company) and its subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years ended December 31, 2008 and 2007, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Woori Investment Securities Co., Ltd., a consolidated subsidiary of the Company, which statements reflect total assets constituting 6.1% ((Won)17,710 billion) and 6.1% ((Won)15,193 billion) of consolidated total assets as of December 31, 2008 and 2007, respectively, and total revenues constituting 7.8% ((Won)6,739 billion) and 11.6% ((Won)3,096 billion) of consolidated total revenues for the years ended December 31, 2008 and 2007, respectively, and the financial statements of Woori Financial Co., Ltd., a consolidated subsidiary of the Company, which statements reflect total assets constituting 0.6% ((Won)1,802 billion) and 0.5% ((Won)1,154 billion) of consolidated total assets as of December 31, 2008 and 2007, respectively, and total revenues constituting 0.3% ((Won)237 billion) and 0.6% ((Won)154 billion) of consolidated total revenues for the years ended December 31, 2008 and 2007, respectively. The financial statements of Woori Investment Securities Co., Ltd. for the years ended December 31, 2008 and 2007 and Woori Financial Co., Ltd. for the years ended December 31, 2008 and 2007 were audited by other auditors, KPMG Samjong Accounting Corp., whose reports expressed unqualified opinions on those statements and have been furnished to us, and our opinion, insofar as it relates to the amounts included for Woori Investment Securities Co., Ltd. and Woori Financial Co., Ltd. are based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of December 31, 2008 and 2007, and the results of their operations, changes in shareholders' equity and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

Our audits also comprehended the translation of the Korean won amounts into U.S. dollar amounts and in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside of Korea.

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

March 4, 2009

Notice to Readers

This report is effective as of March 4, 2009, the auditors' report date. Certain subsequent events or circumstances may have occurred between this audit report date and the time the audit report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

## WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2008 AND 2007

	Korean won		Translation into U.S. dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
<b>ASSETS</b>				
Cash and due from banks (Notes 3, 18, 31, 33 and 34)	(Won) 19,967,897	(Won) 14,984,541	US\$ 15,879,043	US\$ 11,916,136
Trading securities (Notes 4, 7, 9, 11, 18 and 34)	16,501,737	16,228,419	13,122,654	12,905,303
Available-for-sale securities (Notes 5, 7, 9, 11, 18 and 34)	18,812,796	21,843,044	14,960,474	17,370,214
Held-to-maturity securities (Notes 6, 7, 9, 11, 18 and 34)	10,006,283	8,199,821	7,957,283	6,520,732
Market index funds (Notes 7 and 9)	503,572	1,397,878	400,455	1,111,633
Investments accounted for using the equity method of accounting (Notes 8, 9 and 34)	890,077	559,092	707,815	444,606
Loans, net of allowances for possible loan losses (Notes 12, 13, 33 and 34)	197,040,672	167,635,411	156,692,383	133,308,478
Fixed assets (Notes 14, 17, 18 and 34)	2,796,537	2,638,774	2,223,886	2,098,429
Other assets, net of present value discounts (Notes 16, 33 and 34)	24,474,724	16,165,322	19,463,001	12,855,127
	(Won) 290,994,295	(Won) 249,652,302	US\$ 231,406,994	US\$ 198,530,658
<b>LIABILITIES AND</b>				
<b>SHAREHOLDERS EQUITY</b>				
<b>LIABILITIES</b>				
Deposits (Notes 20, 33 and 34)	(Won) 170,224,891	(Won) 146,583,312	US\$ 135,367,707	US\$ 116,567,246
Borrowings (Notes 21, 33 and 34)	74,717,758	66,040,316	59,417,700	52,517,150
Other liabilities (Notes 22, 33 and 34)	31,743,043	22,011,382	25,242,976	17,504,081
	276,685,692	234,635,010	220,028,383	186,588,477
<b>SHAREHOLDERS EQUITY</b>				
Capital stock (Note 25)	4,030,077	4,030,077	3,204,833	3,204,833
Capital surplus	186,959	187,555	148,675	149,149
Capital adjustments (Note 25)	(57,219)	(55,812)	(45,502)	(44,383)
Accumulated other comprehensive income (Note 30)	724,366	1,842,294	576,036	1,465,045
Retained earnings	7,323,149	7,058,249	5,823,578	5,612,922
Minority interests	2,101,271	1,954,929	1,670,991	1,554,615
	14,308,603	15,017,292	11,378,611	11,942,181
	(Won) 290,994,295	(Won) 249,652,302	US\$ 231,406,994	US\$ 198,530,658

See accompanying notes to consolidated financial statements.

## WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Korean won		Translation into U.S. dollars (Note 2)	
	2008	2007	2008	2007
	(In millions, except for income per common share data)		(In thousands, except for income per common share data)	
<b>OPERATING REVENUE INTEREST INCOME</b> (Note 33):				
Interest on due from banks	(Won) 338,536	(Won) 104,671	US\$ 269,213	US\$ 83,237
Interest on trading securities	942,574	678,575	749,562	539,622
Interest on available-for-sale securities	840,279	913,049	668,214	726,083
Interest on held-to-maturity securities	517,291	429,207	411,365	341,318
Interest on loans	13,819,963	10,702,366	10,990,030	8,510,828
Other	261,920	187,919	208,286	149,438
	16,720,563	13,015,787	13,296,670	10,350,526
<b>GAIN ON VALUATION AND DISPOSAL OF SECURITIES:</b>				
Gain on valuation of trading securities	282,006	79,439	224,259	63,172
Gain on disposal of trading securities	375,945	512,482	298,962	407,540
Gain on redemption of available-for-sale securities	6,320	8,037	5,026	6,391
Gain on disposal of available-for-sale securities	163,407	693,746	129,946	551,687
Recovery of loss on impairment of available-for-sale securities (Note 11)	1,789	77,465	1,423	61,603
Recovery of loss on impairment of held-to-maturity securities (Note 11)		1,544		1,228
Gain on valuation of market index funds	1,516,282	106,953	1,205,791	85,052
Gain on disposal of market index funds	296,169	709,255	235,522	564,020
	2,641,918	2,188,921	2,100,929	1,740,693
<b>GAIN ON VALUATION AND DISPOSAL OF LOANS:</b>				
Reversal of allowances for possible loan losses (Note 12)	5,949	4,551	4,731	3,619
Gain on disposal of loans (Note 12)	19,354	23,342	15,391	18,562
	25,303	27,893	20,122	22,181
<b>GAIN ON FOREIGN EXCHANGE:</b>				
Gain on foreign exchange	22,410,304	2,898,866	17,821,315	2,305,261
<b>FEES (Note 33):</b>				
Commissions	1,683,999	1,689,039	1,339,164	1,343,172
Commissions received on credit cards	18,151	20,822	14,434	23,289
Guarantee fees	52,261	29,285	41,560	16,558
Other	23,279	35,761	18,512	28,438
	1,777,690	1,774,907	1,413,670	1,411,457

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DIVIDEND INCOME:				
Dividends on trading securities	20,241	14,753	16,096	11,732
Dividends on available-for-sale securities	196,301	85,282	156,104	67,819
	216,542	100,035	172,200	79,551

(Continued)

## WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

## FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Korean won		Translation into U.S. dollars (Note 2)	
	2008 (In millions, except for income per common share data)	2007 (In millions, except for income per common share data)	2008 (In thousands, except for income per common share data)	2007 (In thousands, except for income per common share data)
<b>INSURANCE INCOME:</b>				
Insurance income	(Won) 428,009	(Won)	US\$ 340,365	US\$
Reinsurance income	28,440		22,616	
	456,449		362,981	
<b>OTHER OPERATING REVENUE (Note 33):</b>				
Reversal of allowances for possible losses on acceptances and guarantees	45	29	36	23
Reversal of allowances for unused credit line	16,937	3,137	13,469	2,495
Reversal of other allowances	6,186	4,424	4,919	3,518
Gain on transaction of derivatives	30,319,757	4,063,439	24,111,139	3,231,363
Gain on valuation of derivatives (Note 36)	11,972,898	2,256,828	9,521,191	1,794,694
Gain on fair value hedged items	76,721	151,869	61,011	120,771
Trust management fees	84,910	80,499	67,523	64,015
Gain on securitization assets	23,150		18,409	
Other	151,889	83,491	120,786	66,394
	42,652,493	6,643,716	33,918,483	5,283,273
	86,901,262	26,650,125	69,106,370	21,192,942
<b>OPERATING EXPENSES INTEREST EXPENSE (Note 33):</b>				
Interest on deposits	6,984,225	4,971,965	5,554,056	3,953,849
Interest on borrowings	1,275,885	1,047,857	1,014,620	833,286
Interest on debentures	2,160,985	1,667,394	1,718,477	1,325,959
Interest on others	320,438	232,496	254,822	184,888
	10,741,533	7,919,712	8,541,975	6,297,982
<b>LOSS ON VALUATION AND DISPOSAL OF SECURITIES:</b>				
Loss on valuation of trading securities	94,063	120,183	74,801	95,573
Loss on disposal of trading securities	468,469	312,111	372,540	248,200
Loss on redemption of available-for-sale securities	392	39	312	31
Loss on disposal of available-for-sale securities	27,153	3,479	21,593	2,767
Loss on impairment of available-for-sale securities (Note 11)	744,437	453,544	591,998	360,671
Loss on valuation of market index funds	394,442	206,020	313,671	163,833
Loss on disposal of market index funds	333,539	666,199	265,240	529,780



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	2,062,495	1,761,575	1,640,155	1,400,855
LOSS ON VALUATION AND DISPOSAL OF LOANS:				
Provision for possible loan losses (Note 12)	1,627,703	647,289	1,294,396	514,743
Loss on disposal of loans (Note 12)	72,686	28,974	57,802	23,041
	1,700,389	676,263	1,352,198	537,784

(Continued)

## WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

## FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Korean won		Translation into U.S. dollars (Note 2)	
	2008 (In millions, except for income per common share data)	2007 (In millions, except for income per common share data)	2008 (In thousands, except for income per common share data)	2007 (In thousands, except for income per common share data)
<b>LOSS ON FOREIGN EXCHANGE:</b>				
Loss on foreign exchange	(Won) 20,853,737	(Won) 2,634,491	US\$ 16,583,489	US\$ 2,095,023
<b>COMMISSIONS (Note 33):</b>				
Commissions in local currency	173,879	170,187	138,274	135,337
Commissions in foreign currencies	30,965	24,931	24,624	19,826
Commissions paid on credit cards	361,635	200,772	287,582	159,660
	566,479	395,890	450,480	314,823
<b>INSURANCE EXPENSE:</b>				
Claims paid	178,267		141,763	
Reinsurance premium expenses	29,304		23,303	
Provision for policy reserves	200,580		159,507	
Selling and general operating expenses	33,775		26,859	
Others	58,666		46,653	
	500,592		398,085	
<b>OTHER OPERATING EXPENSES (Note 33):</b>				
Salaries, employee benefits and provision for severance benefits	1,963,065	1,900,908	1,561,085	1,511,656
Rent	170,375	124,467	135,487	98,980
Entertainment expense	29,475	26,187	23,439	20,825
Depreciation and amortization (Notes 14 and 15)	353,949	308,336	281,470	245,198
Taxes and dues	169,763	147,437	135,000	117,246
Advertising	76,795	76,039	61,070	60,468
Telecommunications	66,061	58,277	52,534	46,344
Service fees	172,058	139,210	136,825	110,704
IT operating expenses	95,791	99,673	76,176	79,263
Stock-based compensation (Note 26)	691	1,092	549	868
Other administrative expenses	165,395	135,920	131,527	108,087
Provision for allowances for possible losses on acceptances and guarantees	27,262	53,889	21,680	42,854
Provision for allowances for unused credit line	55,144	40,458	43,852	32,173
Provision for other allowances	135,312	39,288	107,604	31,243
Loss on transaction of derivatives	32,746,751	4,095,540	26,041,154	3,256,891
Loss on valuation of derivatives (Note 36)	12,154,986	2,456,037	9,665,993	1,953,111
Loss on fair value hedged items	392,977	109,874	312,507	87,375
Deposit insurance fee	150,547	148,224	119,719	117,872
Funds contribution fee	216	893	172	710
Subsidy for trust accounts adjustment	321,309	249,516	255,514	198,422
Other expenses	112,609	135,267	89,550	107,567
	49,360,531	10,346,532	39,252,907	8,227,857

85,785,756	23,734,463	68,219,289	18,874,324
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(Continued)

## WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

## FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Korean won		Translation into U.S. dollars (Note 2)	
	2008 (In millions, except for income per common share data)	2007 (In thousands, except for income per common share data)	2008 (In thousands, except for income per common share data)	2007 (In thousands, except for income per common share data)
OPERATING INCOME	(Won) 1,115,506	(Won) 2,915,662	US\$ 887,081	US\$ 2,318,618
NON-OPERATING INCOME (Note 27)	203,067	136,937	161,486	108,896
NON-OPERATING EXPENSES (Note 27)	128,326	129,382	102,048	102,888
INCOME BEFORE INCOME TAX EXPENSE	1,190,247	2,923,217	946,519	2,324,626
INCOME TAX EXPENSE (Note 28)	602,780	800,179	479,348	636,325
NET INCOME(LOSS) OF SUBSIDIARY BEFORE PURCHASE	(1,035)	8,678	(823)	6,901
NET INCOME	(Won) 588,502	(Won) 2,114,360	US\$ 467,994	US\$ 1,681,400
CONTROLLING INTEREST	454,478	1,939,238	US\$ 361,414	US\$ 1,542,138
MINORITY INTEREST	134,024	175,122	106,580	139,262
	(Won) 588,502	(Won) 2,114,360	US\$ 467,994	US\$ 1,681,400
BASIC CONTROLLING NET INCOME PER COMMON SHARE (Note 29)	(Won) 564	(Won) 2,406	US\$ 0.45	US\$ 1.91

See accompanying notes to consolidated financial statements.

## WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

Korean won	Capital stock	Capital surplus	Capital Adjustments	Accumulated other comprehensive income (In millions)	Retained earnings	Minority interests	Total
January 1, 2007 (Reported)	(Won) 4,030,077	(Won) 187,955	(Won) (55,854)	(Won) 2,173,342	(Won) 5,601,869	(Won) 1,487,416	(Won) 13,424,805
Dividend					(483,608)	(83,336)	(566,944)
Net income					1,939,238	175,122	2,114,360
Changes in subsidiaries capital surplus		357				355	712
Gain on valuation of available-for-sale securities				(325,879)		54,283	(271,596)
Valuation using the equity method on subsidiaries				(3,551)		(3,440)	(6,991)
Overseas business translation credit				1,351	750	3,072	5,173
Valuation on derivative instruments				(2,969)		(1,651)	(4,620)
Changes in minority interests						323,066	323,066
Others		(757)	42			42	(673)
December 31, 2007	(Won) 4,030,077	(Won) 187,555	(Won) (55,812)	(Won) 1,842,294	(Won) 7,058,249	(Won) 1,954,929	(Won) 15,017,292

(Continued)

Korean won	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (In millions)	Retained earnings	Minority interests	Total
January 1, 2008 (Reported)	(Won) 4,030,077	(Won) 188,237	(Won) (55,812)	(Won) 1,843,686	(Won) 7,145,883	(Won) 1,954,929	(Won) 15,107,000
The cumulative effect of changes in accounting policy (Note 2)		(682)		(1,392)	(87,634)		(89,708)
January 1, 2008 (Adjusted)	4,030,077	187,555	(55,812)	1,842,294	7,058,249	1,954,929	15,017,292
Dividend					(201,503)	(122,884)	(324,387)
Net income					454,478	134,024	588,502
Changes in subsidiaries capital surplus		839				1,066	1,905
Gain on valuation of available-for-sale securities				(1,137,599)		(81,992)	(1,219,591)
Valuation using the equity method on subsidiaries				26,238		7,182	33,420
Overseas business translation credit		425		15,161	11,925	34,476	61,987
Valuation on derivative instruments				(21,728)		(44,719)	(66,447)
Changes in consolidated entities						37,514	37,514
Changes in minority interests						181,789	181,789
Others		(1,860)	(1,407)			(114)	(3,381)
December 31, 2008	(Won) 4,030,077	(Won) 186,959	(Won) (57,219)	(Won) 724,366	(Won) 7,323,149	(Won) 2,101,271	(Won) 14,308,603

(Continued)

## Translation into

U.S. dollars (Note 2)	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (In thousands)	Retained earnings	Minority interests	Total
January 1, 2007 (Reported)	US\$ 3,204,833	US\$ 149,467	US\$ (44,417)	US\$ 1,728,304	US\$ 4,454,767	US\$ 1,182,836	US\$ 10,675,790
Dividend					(384,579)	(66,271)	(450,850)
Net income					1,542,138	139,262	1,681,400
Changes in subsidiaries capital surplus		284				282	566
Gain on valuation of available-for-sale securities				(259,148)		43,167	(215,981)
Valuation using the equity method on subsidiaries				(2,824)		(2,736)	(5,560)
Overseas business translation credit				1,074	596	2,443	4,113
Valuation on derivative instruments				(2,361)		(1,313)	(3,674)
Changes in minority interests						256,911	256,911
Others		(602)	34			34	(534)
December 31, 2007	US\$ 3,204,833	US\$ 149,149	US\$ (44,383)	US\$ 1,465,045	US\$ 5,612,922	US\$ 1,554,615	US\$ 11,942,181

(Continued)

Translation into							
U.S. dollars				Accumulated other			
(Note 2)	Capital stock	Capital surplus	Capital adjustments	comprehensive income (In thousands)	Retained earnings	Minority interests	Total
January 1, 2008 (Reported)	US\$ 3,204,833	US\$ 149,691	US\$ (44,383)	US\$ 1,466,152	US\$ 5,682,611	US\$ 1,554,615	US\$ 12,013,519
The cumulative effect of changes in accounting policy (Note 2)		(542)		(1,107)	(69,689)		(71,338)
January 1, 2008 (Adjusted)	3,204,833	149,149	(44,383)	1,465,045	5,612,922	1,554,615	11,942,181
Dividend					(160,241)	(97,721)	(257,962)
Net income					361,414	106,580	467,994
Changes in subsidiaries' capital surplus		667				848	1,515
Gain on valuation of available-for-sale securities				(904,651)		(65,202)	(969,853)
Valuation using the equity method on subsidiaries				20,865		5,711	26,576
Overseas business translation credit		338		12,056	9,483	27,416	49,293
Valuation on derivative instruments				(17,279)		(35,562)	(52,841)
Changes in consolidated entities						29,832	29,832
Changes in minority interests						144,564	144,564
Others		(1,479)	(1,119)			(90)	(2,688)
December 31, 2008	US\$ 3,204,833	US\$ 148,675	US\$ (45,502)	US\$ 576,036	US\$ 5,823,578	US\$ 1,670,991	US\$ 11,378,611

See accompanying notes to consolidated financial statements.



## WOORI FINANCE HOLDINGS CO., LTD. AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	Korean won		Translation into U.S. dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income	(Won) 588,502	(Won) 2,114,360	US\$ 467,994	US\$ 1,681,400
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Loss on valuation of trading securities	94,063	120,183	74,801	95,573
Loss on impairment of available-for-sale securities	744,437	453,544	591,998	360,671
Loss on valuation of market index funds	394,442	206,020	313,671	163,833
Provision for possible loan losses	1,627,703	647,289	1,294,396	514,743
Provision for severance benefits	131,788	158,210	104,801	125,813
Depreciation and amortization	355,358	308,336	282,591	245,198
Stock-based compensation	691	1,092	549	868
Provision for allowances for possible losses on acceptances and guarantees	27,262	53,889	21,680	42,854
Provision for allowances for unused credit line	55,144	40,458	43,852	32,173
Provision for other allowances	135,312	39,288	107,604	31,243
Loss on transaction of derivatives	32,746,751	4,095,540	26,041,154	3,256,891
Loss on valuation of derivatives	12,154,986	2,456,037	9,665,993	1,953,111
Loss on fair value hedged items	392,977	109,874	312,507	87,375
Loss on valuation using the equity method of accounting	20,842	20,887	16,574	16,610
Loss on disposal of fixed assets	994	1,694	790	1,347
Loss on impairment of fixed assets	4,759	3,273	3,784	2,603
Loss on impairment of intangible assets		580		461
Loss on impairment of other assets		1,805		1,435
Others	72,381		57,559	
Gain on valuation of trading securities	(282,006)	(79,439)	(224,259)	(63,172)
Reversal of loss on impairment of available-for-sale securities	(1,789)	(77,465)	(1,423)	(61,603)
Reversal of loss on impairment of held-to-maturity securities		(1,544)		(1,228)
Gain on valuation of market index funds	(1,516,282)	(106,953)	(1,205,791)	(85,052)
Reversal of allowances for possible loan losses	(5,949)	(4,551)	(4,731)	(3,619)
Reversal of allowances for possible losses on acceptances and guarantees	(45)	(29)	(36)	(23)
Reversal of allowances for unused credit line	(16,937)	(3,137)	(13,469)	(2,495)
Reversal of other allowances	(6,186)	(4,424)	(4,919)	(3,518)
Gain on transaction of derivatives	(30,319,757)	(4,063,439)	(24,111,139)	(3,231,363)
Gain on valuation of derivatives	(11,972,898)	(2,256,828)	(9,521,191)	(1,794,694)
Gain on fair value hedged items	(76,721)	(151,869)	(61,011)	(120,771)
Gain on valuation using the equity method of accounting	(76,727)	(43,500)	(61,015)	(34,592)
Gain on disposal of fixed assets	(8,842)	(1,356)	(7,031)	(1,078)
Gain on disposal of other assets	(558)	(205)	(444)	(163)
Reversal of loss on impairment of other assets	(146)		(116)	
Reversal of negative goodwill	(110)	(139)	(87)	(110)

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Others	(8,629)		(6,862)	
	4,666,308	1,923,121	3,710,780	1,529,321

(Continued)

	Korean won		Translation into U.S. dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
Changes in operating assets and liabilities:				
Decrease in present value discounts	(Won) (5,907)	(Won) (3,938)	US\$ (4,697)	US\$ (3,132)
Increase in trading securities	(82,684)	(3,399,446)	(65,753)	(2,703,337)
Decrease in market index funds	2,016,146	667,692	1,603,297	530,968
Decrease (increase) in available-for-sale securities	1,305,923	(4,187)	1,038,507	(3,330)
Decrease (increase) in held-to-maturity securities	(1,533,959)	438,425	(1,219,848)	348,648
Increase in loans	(30,957,363)	(26,600,121)	(24,618,181)	(21,153,178)
Increase in guarantee deposits	(87,478)	(110,496)	(69,565)	(87,870)
Decrease (increase) in other accounts receivable	3,151,107	(634,942)	2,505,850	(504,924)
Increase in accrued income	(192,028)	(106,004)	(152,706)	(84,297)
Increase in prepaid expenses	(17,566)	(4,814)	(13,969)	(3,828)
Increase in deferred income tax assets	(457,392)	(150,322)	(363,731)	(119,540)
Increase in CMA assets	(103,500)	(1,690,215)	(82,306)	(1,344,107)
Decrease (increase) in accounts receivable on disposal of assets	(1,762)	850	(1,401)	676
Decrease (increase) in domestic exchange settlements debits	158,195	(226,229)	125,801	(179,904)
Increase in sundry assets	(177,100)	(2,879)	(140,835)	(2,289)
Payment of severance benefits	(111,654)	(130,917)	(88,790)	(104,109)
Decrease (increase) in deposits in employee retirement trust	(47,143)	1,303	(37,489)	1,036
Decrease (increase) in post-retirement pension plan asset	139	(258)	111	(205)
Decrease (increase) in transfers to the National Pension Fund	(23)	27	(18)	22
Increase (decrease) in other accounts payables	(3,237,914)	846,516	(2,574,882)	673,174
Increase in accrued expenses	417,209	661,916	331,776	526,375
Increase (decrease) in income tax payable	(190,483)	135,627	(151,478)	107,854
Increase in unearned revenue	55,643	29,696	44,249	23,615
Increase in deposits for letter of guarantees and others	32,711	25,673	26,013	20,416
Increase (decrease) in foreign exchange remittance pending	35,642	(62,042)	28,344	(49,338)
Increase in domestic exchange remittance pending	486,869	169,364	387,172	134,683
Decrease in deferred income tax liabilities	(24,886)	(21,947)	(19,790)	(17,453)
Increase (decrease) in borrowings from trust accounts	(17,060)	2,538,485	(13,567)	2,018,676
Increase (decrease) in allowance for possible losses on acceptances and guarantees	416	(281)	331	(223)
Increase in allowance for unused credit line	149	15,617	118	12,419
Decrease in other allowances	(65,176)	(59,932)	(51,830)	(47,660)
Increase (decrease) in accounts for agency businesses	(2,114)	107,451	(1,681)	85,448
Increase in liabilities incurred by agency relationship	77,868	385,986	61,923	306,947

(Continued)



	Korean won		Translation into U.S. dollars (Note 2)	
	2008	2007	2008	2007
	(In millions)		(In thousands)	
	(Won)	(Won)	US\$	US\$
Increase in policy reserves	173,333		137,839	
Increase (decrease) in sundry liabilities	(197,320)	17,486	(156,915)	13,905
	(29,599,162)	(27,166,856)	(23,538,101)	(21,603,862)
Net cash used in operating activities	(24,344,352)	(23,129,375)	(19,359,327)	(18,393,141)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Net increase in restricted due from banks	(3,801,685)	(3,960,145)	(3,023,209)	(3,149,221)
Net increase in investments accounted for using the equity method of accounting	(159,617)	(617,453)	(126,932)	(491,016)
Net decrease in derivative instruments assets	32,297,674	5,177,381	25,684,035	4,117,202
Net increase in intangible assets	(48,630)	(58,106)	(38,672)	(46,208)
Net increase in fixed assets	(330,904)	(276,101)	(263,144)	(219,563)
Net increase in non-operating assets	(8,782)	(4,313)	(6,984)	(3,430)
Net decrease (increase) in operating lease assets	9,644	(4,518)	7,669	(3,593)
Net decrease in derivative instruments liabilities	(34,640,173)	(5,165,764)	(27,546,857)	(4,107,963)
Net cash used in investing activities	(6,682,473)	(4,909,019)	(5,314,094)	(3,903,792)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Net increase in deposits	23,641,579	17,560,444	18,800,460	13,964,568
Net increase in borrowings	4,204,714	4,019,389	3,343,709	3,196,333
Net increase in debentures in local currency	3,168,786	5,962,683	2,519,909	4,741,696
Net increase in debentures in foreign currencies	1,297,649	1,100,314	1,031,928	875,001
Payment of dividends	(201,503)	(483,608)	(160,241)	(384,579)
Share Issuance cost	(1,860)		(1,479)	
Net increase in minority interests	61,909	161,796	49,232	128,665
Net cash provided by financing activities	32,171,274	28,321,018	25,583,518	22,521,684
CHANGES IN CONSOLIDATED ENTITIES	37,222	66,795	29,600	53,117
NET INCREASE IN CASH AND DUE FROM BANKS	1,181,671	349,419	939,697	277,868
CASH AND DUE FROM BANKS, BEGINNING OF THE YEAR (Note 31)	5,991,011	5,641,592	4,764,223	4,486,355
CASH AND DUE FROM BANKS, END OF THE YEAR (Note 31)	(Won) 7,172,682	(Won) 5,991,011	US\$ 5,703,920	US\$ 4,764,223

See accompanying notes to consolidated financial statements.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**1. GENERAL**

(1) Woori Finance Holdings Co., Ltd.

Woori Finance Holdings Co., Ltd. (the Company) was incorporated on March 27, 2001, to engage in the business of managing the following five financial institutions: Woori Bank, Kyongnam Bank, Kwangju Bank, Woori Credit Card Co., Ltd. (formerly Peace Bank of Korea and merged into Woori Bank on March 31, 2004) and Woori Investment Bank (merged into Woori Bank on July 31, 2003), whose shares were contributed to the Company by the Korea Deposit Insurance Corporation (the KDIC) in accordance with the provisions of the Financial Holding Company Act. As a result of its functional restructuring, the Company owns 11 subsidiaries and 26 2nd-tier subsidiaries as of December 31, 2008.

Upon incorporation, the Company's stock amounted to (Won)3,637,293 million, consisting of 727,458,609 common shares ((Won)5,000 per share) issued and outstanding. As a result of several capital increases, exercise of warrants and conversion rights since incorporation, as of December 31, 2008, the Company's stock amounted to (Won)4,030,077 million, consisting of 806,015,340 common shares issued and outstanding of which the KDIC owns 588,158,609 shares (72.97% ownership).

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

(2) The major subsidiaries of the Company as of December 31, 2008 and 2007 are as follows:

Parent companies	Subsidiaries	2008		2007		Financial statements as of
		Number of shares owned	Percentage of ownership (%)	Number of shares owned	Percentage of ownership (%)	
Woori Finance Holdings Co., Ltd.	Woori Bank(*1)	705,956,580	100.0	635,956,580	100.0	Dec. 31
	Kyongnam Bank(*2)	58,049,994	99.9	51,800,000	99.9	Dec. 31
	Kwangju Bank(*2)	49,413,333	99.9	44,080,000	99.9	Dec. 31
	Woori Finance Information System Co., Ltd.	900,000	100.0	900,000	100.0	Dec. 31
	Woori F&I Co., Ltd.	2,000,000	100.0	2,000,000	100.0	Dec. 31
	Woori Third Asset Securitization Specialty Co., Ltd.	2,000	100.0	2,000	100.0	Dec. 31
	Woori Investment Securities Co., Ltd.	46,324,981	35.0	46,324,981	35.0	Dec. 31
	Woori Credit Suisse Asset Management Co., Ltd.	4,663,400	70.0	4,663,400	70.0	Dec. 31
	Woori Private Equity Co., Ltd.	2,000,000	100.0	2,000,000	100.0	Dec. 31
	Woori Financial Co., Ltd.	8,499,955	50.1	8,499,955	50.1	Dec. 31
	Woori Aviva Life Insurance Co., Ltd. (*3)	3,060,000	51.0			Dec. 31
Woori Bank	Woori Credit Information Co., Ltd.	1,008,000	100.0	1,008,000	100.0	Dec. 31(*8)
	Woori America Bank	10,500,000	100.0	10,500,000	100.0	Dec. 31(*8)

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PT. Bank Woori Indonesia	1,618	95.2	1,618	95.2	Dec. 31(*8)
Korea BTL Infrastructure Fund (*4)			24,233,666	100.0	Dec. 31(*8)
Woori Global Market Asia Limited	39,000,000	100.0	39,000,000	100.0	Dec. 31(*8)
Woori Bank (China) Limited		100.0		100.0	Dec. 31(*8)
ZAO Woori Bank	19,999,999	100.0	19,999,999	100.0	Dec. 31(*8)

Parent companies	Subsidiaries	2008		2007		Financial
		Number of shares owned	Percentage of ownership (%)	Number of shares owned	Percentage of ownership (%)	statements as of
Woori F&I Co., Ltd.	Woori SB Asset Management Co., Ltd.	408,000	51.0	408,000	51.0	Dec. 31
	Woori F&I Fifth Asset Securitization Specialty	182,500	100.0	182,500	100.0	Dec. 31
	Woori F&I Sixth Asset Securitization Specialty	98,780	100.0	98,780	100.0	Dec. 31
	Woori F&I Seventh Asset Securitization Specialty	105,300	100.0	105,300	100.0	Dec. 31
	Woori SB Tenth Asset Securitization Specialty(*5)	410,711	50.0			Dec. 31
	Woori F&I Eighth Asset Securitization Specialty(*5)	140,000	100.0			Dec. 31
Woori Investment Securities Co., Ltd.	Woori Futures Co., Ltd.	5,000,000	100.0	5,000,000	100.0	Dec. 31
	Woori Investment Securities Int 1 Ltd.	5,788,000	100.0	5,788,000	100.0	Dec. 31(*8)
	Woori Investment Securities (H.K.) Ltd.	22,500,000	100.0	22,500,000	100.0	Dec. 31(*8)
	Woori Investment Securities America, Inc.	300	100.0	300	100.0	Dec. 31(*8)
	LG Investments Holding B.V. (Amsterdam) GG	1,642,398,242	100.0	1,642,398,242	100.0	Dec. 31(*8)
	High Technology Venture Investment	208,000	42.9	208,000	42.9	Dec. 31(*8)
	Global Technology Investment	592,000	50.0	592,000	50.0	Dec. 31(*8)
	MARS First Private Equity Fund(*2)	18,000,000	52.9	13,500,000	52.9	Dec. 31(*8)
	MARS Second Private Equity Fund(*2)	2,507	8.9	2,418	8.9	Dec. 31(*8)
	Connacht Capital Market Investment	15,000,000	100.0	15,000,000	100.0	Dec. 31(*8)
	Woori Investment Asia Pte. Ltd.	50,000,000	100.0	50,000,000	100.0	Dec. 31(*8)
Woori, Kyongnam & Kwangju Bank, Woori Investment Securities, Woori F&I & Woori PE	Woori Private Equity Fund(*2)(*6)	141,494	61.0	128,296	61.0	Dec. 31
Woori Private Equity Fund	Kumho Investment Bank(*2)	74,550,000	41.4	7,100,000	41.4	Dec. 31
	Woori EL, Ltd.(*7)	1,010	100.0	3,000	100.0	Dec. 31

(\*1) The number of shares owned increased as a result of the Company acquiring 70,000,000 shares of convertible preferred stock of Woori Bank on December 16, 2008.

(\*2) The investees increased their capital for the year ended December 31, 2008.

(\*3) On April 4, 2008, the Company acquired 3,060,000 shares (51.0%) of Woori Aviva Life Insurance Co., Ltd. ( Woori Aviva ) by (Won)75,584 million and it has been included in consolidation scope of the Company.

(\*4) Due to the amendment to Enforcement Decree of the Act on External Audit of Corporations, Korea BTL Infrastructure Fund was excluded from consolidation and accounted for using the equity method for the year ended December 31, 2008.

(\*5) On March 10, 2008, Woori F&I acquired 100% ownership interest of Woori F&I Eighth Asset Securitization Specialty Co., Ltd. On June 27, 2008, Woori F&I acquired 50% ownership interest of Woori SB Tenth Asset Securitization Specialty Co., Ltd.





- (\*6) Since the total value of Woori Private Equity Fund's assets as of December 31, 2007 exceeded (Won)7 billion, it has been included in the consolidation scope of the Company.
- (\*7) The investees decreased their capital for the year ended December 31, 2008.
- (\*8) The financial statements as of December 31, 2008 are not audited.

(3) General information pertaining to the Company's subsidiaries as of December 31, 2008 is set forth below:

a. Woori Bank

Woori Bank was established in 1899 and has been engaged in the commercial banking business under the Korean Banking Law, trust business under the Trust Business Law, merchant bank services under the Merchant Bank Act and foreign exchange business with approval from the Bank of Korea (the BOK) and the Ministry of Strategy and Finance (the MOSF). In connection with the infusion of public funds, Woori Bank and the KDIC have entered into an Agreement on the Implementation of the Business Plan. As of December 31, 2008, its issued common stock amounted to (Won)3,179,783 million consisting of 635,956,580 shares and its issued preferred stock amounted to (Won)350,000 million consisting of 70,000,000 shares. Woori Bank is wholly owned by the Company. The head office of Woori Bank is located in Seoul, Korea. Woori Bank has 896 branches and offices in Korea, and 13 branches and offices overseas.

b. Kyongnam Bank

Kyongnam Bank was incorporated on April 18, 1970 and has been engaged in the commercial banking business under the Korean Banking Law, trust business under the Trust Business Law and foreign exchange business with approval from the BOK and the MOSF. In connection with the infusion of public funds, Kyongnam Bank and the KDIC have entered into an Agreement on the Implementation of the Business Plan. As of December 31, 2008, Kyongnam Bank's common stock amounted to (Won)290,250 million consisting of 58,050,037 shares of common stock issued and outstanding of which the Company owns 99.99% ownership. The head office of Kyongnam Bank is located in Masan, Korea. Kyongnam Bank has 151 branches and offices in Korea.

c. Kwangju Bank

Kwangju Bank was established on October 7, 1968 and has been engaged in the commercial banking business under the Korean Banking Law, trust business under the Trust Business Law and foreign exchange business with approval from the BOK and the MOSF. In connection with the infusion of public funds, Kwangju Bank and the KDIC have entered into an Agreement on the Implementation of the Business Plan. As of December 31, 2008, its common stock amounted to (Won)247,069 million consisting of 49,413,850 common shares issued and outstanding of which the Company owns 99.99% ownership. Kwangju Bank's head office is located in Kwangju, Korea. Kwangju Bank has 131 domestic branches and offices in Korea.

d. Woori Finance Information System Co., Ltd.

Woori Finance Information System Co., Ltd. ( WFIS ) was established on April 17, 1989 and has been engaged in the business of installing computerized financial systems. On September 29, 2001, the Company purchased all of the common stock of WFIS from Woori Bank in accordance with the group's functional restructuring, making WFIS a subsidiary of the Company. As of December 31, 2008, its common stock amounted to (Won)4,500 million consisting of 900,000 shares issued and outstanding, all of which are owned by the Company. The office of WFIS is located in Seoul, Korea.

e. Woori F&I Co., Ltd.

Woori F&I Co., Ltd. ( Woori F&I ) was established on November 16, 2001 and has been engaged in the business of management, operation and disposition of securitization assets. On September 13, 2002, Woori F&I split off the asset management business segment and established Woori SB Asset Management Co., Ltd. (formerly Woori CA Asset Management Co., Ltd., Woori SB ). As a result, Woori F&I is engaged in the business of acquisition and disposition of securities issued by asset securitization specialty corporations, established based on the Act on Asset-Backed Securitization for the purpose of non-performing assets securitization, and in the business of acquisition and disposition of equity of asset management corporations, which are established for the purpose of non-performing assets management. As of December 31, 2008, its common stock amounted to (Won)10,000 million consisting of 2,000,000 shares issued and outstanding, all of which are owned by the Company. The office of Woori F&I is located in Seoul, Korea.

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

Woori Third Asset Securitization Specialty Co., Ltd. ( Woori 3<sup>rd</sup> SPC ) was established on March 15, 2002 under the Act on Asset-Backed Securitization of the Republic of Korea as a special purpose company. Woori 3<sup>rd</sup> SPC has been engaged in the business of management, operation and disposition of the securitization assets and issuance of asset-backed securities based on the securitization assets acquired from Woori Bank, Kyongnam Bank and Woori Credit Card Co., Ltd. Woori 3<sup>rd</sup> SPC has entered into a consignment agreement with Woori SB Asset Management Co., Ltd. for asset management. As of December 31, 2008, its common stock amounted to (Won)10 million consisting of 2,000 shares issued and outstanding, all of which are owned by the Company. The office is located in Seoul, Korea.

g. Woori Investment Securities Co., Ltd.

Woori Investment Securities Co., Ltd. (formerly LG securities , Woori Investment Securities ), whose shares were listed on the Korea Exchange, was established in 1969 to engage in trading, agency, brokerage and underwriting of securities. Woori Investment Securities became a subsidiary of the Company on December 24, 2004 as the Company acquired 26.92% of voting rights of LG Securities and was able to govern its management. LG Securities merged with Woori Securities on March 31, 2005 and changed its name to Woori Investment Securities. As a result of the merger, 12,397,494 new common shares of Woori Investment Securities were issued by exchanging one common share of Woori Securities with 0.654 common share of Woori Investment Securities and the difference between the sum of its ownership interests in the individual pre-merger subsidiaries' net assets and its ownership interests in Woori Investment Securities' net assets amounting to (Won)36.1 billion was recorded in accumulated other comprehensive income. On January 24, 2006, Woori Investment Securities reduced its treasury stock by extinguishing against retained earnings. As a result, the Company's ownership interest in Woori Investment Securities increased from 34.4% to 35.0%. As of December 31, 2008, its issued common stock amounted to (Won)687,445 million consisting of 132,513,863 shares and its issued preferred stock amounted to (Won)99,355 million consisting of 18,870,968 shares. The head office of Woori Investment Securities is located in Seoul, Korea. Woori Investment Securities has 126 branches and offices in Korea and two offices in overseas.

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

Woori Credit Suisse Asset Management (formerly Woori Asset Management , Woori CS ) established on March 26, 1988, has been engaged in securities investment trust management, investment advisory and mutual fund management. As the Company acquired 90% ownership interest of LG Investment Trust Management from Woori Investment Securities, it became a subsidiary of the Company on May 6, 2005. On May 31, 2005, LG Investment Trust Management merged with Woori Investment Trust Management and changed its name to Woori Asset Management Co., Ltd. ( Woori Asset Management ). As a result of the merger, 3,810,000 new common shares of Woori Asset Management were issued by exchanging one common share of Woori Investment Trust Management with 0.635 common share of Woori Asset Management. On May 30, 2006, the Company sold 1,998,600 shares (30%) of Woori Asset Management to Credit Suisse (Won)34,604 million of gain on the disposal of ownership interest in Woori CS was recorded as accumulated other comprehensive income and subsequently, Woori Asset Management changed its name to Woori CS. As of December 31, 2008, the number of issued and outstanding common shares and contributed capital of Woori CS are 6,662,000 shares and (Won)33,310 million, respectively, which the Company owns 70% of the common shares. The head office of Woori CS is located in Seoul, Korea.

i. Woori Private Equity Co., Ltd.

Woori Private Equity Co., Ltd. ( Woori PE ), established on October 24, 2005, has been engaged in direct investment in a private equity fund or investment advisory and management services. As of December 31, 2008, its common stock amounted to (Won)10,000 million consisting of 2,000,000 shares issued and outstanding, all of which are owned by the Company. The office of Woori PE is located in Seoul, Korea.

j. Woori Financial Co., Ltd.

Woori Financial Co., Ltd. (formerly Hanmi Capital , Woori Financial ), established on September 1989, has been engaged in lease, installment and factoring business. On September 14, 2007, the Company acquired 8,499,955 shares of Hanmi Capital at (Won)271,149 million. On October 26, 2007, Hanmi Capital changed its corporate name into Woori Financial. As of December 31, 2008, the number of issued and outstanding common shares and contributed capital of Woori Financial are 16,963,128 shares and (Won)84,816 million, respectively, which the Company owns 50.11% of the common shares. The office of Woori Financial is located in Suwon, Korea and Woori Financial has 13 domestic branches in Korea.

k. Woori Aviva Life Insurance Co., Ltd.

Woori Aviva Life Insurance Co., Ltd. (formerly LIG Life Insurance , Woori Aviva ), established on March 4, 1988, has been engaged in life insurance and the related reinsurance business. On April 4, 2008, the Company acquired 3,060,000 shares of LIG Life Insurance at (Won)75,584 million and LIG Life Insurance changed its corporate name to Woori Aviva. As of December 31, 2008, the number of issued and outstanding common shares and contributed capital of Woori Aviva are 6,000,000 shares and (Won)30,000 million, respectively. The Company owns 51.0% of Woori Aviva s outstanding common shares. The office of Woori Aviva is located in Busan, Korea and Woori Aviva has 31 domestic branches in Korea.

l. Woori Credit Information Co., Ltd.

Woori Credit Information Co., Ltd. ( Woori CI ) was established on March 15, 1991 and has been engaged in the credit investigation business and credit collection business under the Act on Use and Protection of Credit Information of the Republic of Korea. As of December 31, 2008, the common stock of Woori CI amounted to (Won)5,040 million consisting of 1,008,000 shares issued and outstanding, and is wholly owned by Woori Bank. The head office of Woori CI is located in Seoul, Korea. Woori CI has 15 branches and offices in Korea.

m. Woori America Bank

Woori America Bank ( Woori America ) was established on January 7, 1984 and has been engaged in the banking business in New York, U.S.A. Woori America merged with Pansia Bank N.A. on September 11, 2003. As of December 31, 2008, its common stock amounted to US\$60,000 thousand consisting of 10,500,000 shares issued and outstanding, and is wholly owned by Woori Bank.

n. PT. Bank Woori Indonesia

PT. Bank Woori Indonesia ( Woori Indonesia ) was established on June 18, 1992 and has been engaged in the banking business in Indonesia. As of December 31, 2008, its common stock amounted to IDR 170,000 million consisting of 1,700 shares issued and outstanding of which Woori Bank owns 95.2% of its outstanding stock.

o. Woori SB Asset Management Co., Ltd.

Woori SB was established on September 14, 2002 as an asset management company for asset securitization specialty companies established based on the Act on Asset-Backed Securitization and has been engaged in the business of management, operation and disposition of securitization assets. On February 23, 2006, Woori F&I Co., Ltd. sold 392,000 shares (49%) of Woori CA Asset Management Co., Ltd. ( Woori CA ) and Woori CA changed its name to Woori SB. As of December 31, 2008, Woori SB's common stock amounted to (Won)4,000 million consisting of 800,000 shares issued and Woori F&I owns 51.0% ownership. The office of Woori SB is located in Seoul, Korea.

p. Woori Private Equity Fund

Woori Private Equity Fund ( Woori PEF ) was established on July 6, 2006, based on the Act on Indirect Investment Asset Management Business and has been engaged in investments by private funding and intends to offer an investment return to investors by enhancing the investees' value by participation in investees' management and restructuring. As of December 31, 2008, the common stock of Woori PEF amounted to (Won)231,810 million consisting of 231,810 shares of which the Company's subsidiaries own 61.0% of Woori PEF. The office of Woori PEF is located in Seoul, Korea.

q. The information of other 2nd tier subsidiaries as of December 31, 2008 is as follows (Korean won in millions and U.S. dollar, EURO, HKD, CNY and RUB in thousands):

Subsidiaries	Main business	Capital		Number of issued shares	Date of Establishment	Location
Woori Global Market Asia Limited	Financial business	HKD	39,000	39,000,000	2006.8.23	Hong Kong, China
Woori Bank (China) Limited	Banking	CNY	2,400,000		2007.10.26	Beijing, China
ZAO Woori Bank	Banking	RUB	500,000	20,000,000	2007.11.22	Moscow, Russia
Woori F&I Fifth Asset Securitization Specialty	Asset securitization	(Won)	912	182,500	2007.5.23	Seoul, Korea
Woori F&I Sixth Asset Securitization Specialty	Asset securitization	(Won)	494	98,780	2007.12.12	Seoul, Korea
Woori F&I Seventh Asset Securitization Specialty	Asset securitization	(Won)	527	105,300	2007.12.12	Seoul, Korea
Woori F&I Eighth Asset Securitization Specialty	Asset securitization	(Won)	700	140,000	2008.3.10	Seoul, Korea
Woori SB Tenth Asset Securitization Specialty	Asset securitization	(Won)	4,107	821,421	2008.6.27	Seoul, Korea
Woori Futures Co., Ltd.	Futures trading	(Won)	25,000	5,000,000	1992.7.10	Seoul, Korea
Woori Investment Securities Int'l Ltd.	Securities	USD	5,788	5,788,000	1991.8.15	London, UK
	Securities	USD	22,500	22,500,000	1995.3.6	Hong Kong, China

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Woori Investment Securities  
(H.K.) Ltd.

Woori Investment Securities  
America Inc.

Securities

USD

3

300

1992.6.18

New York, USA

58

Subsidiaries	Main		Capital	Number of issued shares	Date of Establishment	Location
	business					
LG Investment Holding B.V. (Amsterdam) GG	Securities investments	EURO	16,424	1,642,398,242	1996.10.18	Amsterdam, Holland
High Technology Venture Investment	Securities investments	USD	5	486,000	2000.2.28	Malaysia
Global Technology Investment	Securities investments	USD	12	1,184,000	1999.6.28	Malaysia
MARS First Private Equity Fund	Securities investments	(Won)	34,000	34,000,000	2005.1.26	Seoul, Korea
MARS Second Private Equity Fund	Securities investments	(Won)	282,000	28,200	2007.2.8	Seoul, Korea
Connacht Capital Market Investment	Securities investments	USD	150	15,000,000	1996.5.8	Malaysia
Woori Investment Asia Pte. Ltd.	Investments	USD	50,000	50,000,000	2007.9.20	Singapore
Kumho Investment Bank	Credit financial business	(Won)	89,951	179,902,850	1974.6.29	Kwangju, Korea
Woori EL, Ltd.	Securities investments	(Won)	10	1,010	2007.12.24	Seoul, Korea

(4) Affiliates of the Company and its subsidiaries accounted under the equity method of accounting as of December 31, 2008 and 2007 are as follows:

Investors	Investees	2008		2007		Financial statements as of
		Number of shares owned	Percentage of ownership (%)	Number of shares owned	Percentage of ownership (%)	
Woori Bank & Kyongnam Bank	BC Card Co., Ltd.	1,303,920	29.6	1,303,920	29.6	Dec. 31(*9)
Woori, Kyongnam & Kwangju Bank	Korea Credit Bureau	180,000	9.0	180,000	9.0	Dec. 31(*9)
Woori Bank	Korea Finance Security Co., Ltd.	183,870	15.3	183,870	15.3	Dec. 31(*9)
	Woori Service Networks Co., Ltd.	4,704	4.9	4,704	4.9	Dec. 31(*9)
	Woori SME Asset Securitization Specialty	54,600	5.0	54,600	5.0	Dec. 31(*9)
	Woori SME First ABS Co., Ltd.	82,960	5.0	82,960	5.0	Dec. 31(*9)
	Korea BTL Infrastructure Fund	24,233,666	100.0			Dec. 31(*9)
Woori Investment Securities	Woori Absolute Partners Pte.Ltd(*1)	50,000,000	100.0			Dec. 31(*9)
	Woori Absolute Asia Multi Strategy Fund(*2)	60,000	100.0			Dec. 31(*9)
	Woori Absolute Asia Global Opportunity Fund(*2)	35,000	100.0			Dec. 31(*9)
HTI & GTI	Athena Venture Fund (*3)		66.4		66.4	Sep. 30(*9)
Woori F&I	Woori SB First Asset Securitization Specialty	1,867,800	30.0	1,867,800	30.0	Dec. 31
	Woori SB Third Asset Securitization Specialty (*4)			301,086	30.0	Dec. 31
	Woori SB Fifth Asset Securitization Specialty (*4)	186,456	30.0	282,456	30.0	Dec. 31
	Woori SB Sixth Asset Securitization Specialty (*4)	200,742	30.0	274,542	30.0	Dec. 31
	Woori SB Seventh Asset Securitization Specialty	165,760	40.0	165,760	40.0	Dec. 31
	Woori SB Eighth Asset Securitization Specialty	149,336	40.0	149,336	40.0	Dec. 31

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Woori SB Ninth Asset Securitization Specialty(*5)	119,142	45.5	Dec. 31
Woori SB Eleventh Asset Securitization Specialty(*6)	157,527	45.0	Dec. 31



Investors	Investees	2008		2007		Financial statements as of
		Number of shares owned	Percentage of ownership (%)	Number of shares owned	Percentage of ownership (%)	
	Woori SB Twelfth Asset Securitization Specialty(*7)	157,544	40.0			Dec. 31(*9)
Woori F&I	Woori F&I Ninth Asset Securitization Specialty(*6)	34,260	100.0			Dec. 31
	Woori Stream First Asset Securitization Specialty (*4)	169,408	40.0	249,408	40.0	Dec. 31
	Woori Stream Second Asset Securitization Specialty	211,088	40.0	211,080	40.0	Dec. 31
	Woori Stream Third Asset Securitization Specialty	152,472	40.0	152,472	40.0	Dec. 31
	Woori Stream Fourth Asset Securitization Specialty	237,808	40.0	237,808	40.0	Dec. 31
	Woori BC Pegasus Asset Securitization Specialty	581,580	30.0	581,580	30.0	Dec. 31
	Woori Marine Third Asset Securitization Specialty (*4)	72,834	30.0	156,834	30.0	Dec. 31
	Hiking-Woori Capital	245,000	49.0	245,000	49.0	Dec. 31
	Woori-Consus Capital	220,000	44.0	220,000	44.0	Dec. 31
Woori F&I & Woori Bank	Woori Marine Second Asset Securitization Specialty	335,820	30.0	335,820	30.0	Dec. 31
MARS First	Sempio Foods Company	1,331,695	30.0	1,331,695	30.0	Sep. 30(*9)
	Woori INS	12,500	100.0			Sep. 30(*9)
MARS Second	Seoul Lakeside Co., Ltd.	76,000	47.5	76,000	47.5	Dec. 31, 2007
Woori PEF	Kumho Investment Bank(*8)			7,100,000	41.4	Dec. 31
Woori PEF	Woori Renaissance Holdings	1,260	51.6			Dec.31

(\*1) On May 29, 2008, Woori Investment Securities Co., Ltd. acquired 100% ownership interest of Woori Absolute Partners Pte. Ltd. ( Woori Absolute Partners ). Woori Absolute Partners is excluded from consolidation and accounted for using the equity method of accounting since its amount of common stock did not exceed (Won)7 billion when it was established.

(\*2) On July 22, 2008, Woori Investment Securities Co., Ltd. acquired 100% ownership interest of Woori Absolute Asia Multi Strategy Fund and 100% ownership interest of Woori Absolute Asia Global Opportunity Fund. Woori Absolute Asia Multi Strategy Fund and Woori Absolute Asia Global Opportunity Fund are excluded from consolidation and accounted for using the equity method of accounting since its amount of common stock did not exceed (Won)7 billion when it was established.

(\*3) Due to restriction of the voting rights on the investee, it is accounted for using the equity method of accounting and excluded from consolidation.

(\*4) The investees reduced their capital for the year ended December 31, 2008. As a result, the number of shares owned decreased.

(\*5) On September 29, 2008, Woori F&I acquired 45.5% ownership interest of Woori SB Ninth Asset Securitization Specialty Co., Ltd. ( Woori SB Ninth SPC ). Woori SB Ninth SPC is excluded from consolidation and accounted for using the equity method of accounting since its amount of common stock did not exceed (Won)7 billion when it was established.

(\*6) On September 29, 2008, Woori F&I acquired 45.0% ownership interest of Woori SB Eleventh Asset Securitization Specialty Co., Ltd ( Woori SB Eleventh SPC ). On September 29, 2008, Woori F&I acquired 100% ownership interest of Woori F&I Ninth Asset Securitization Specialty Co., Ltd. ( Woori SB Tenth SPC ). Woori SB Eleventh SPC and Woori F&I Ninth SPC are excluded from consolidation and accounted for using the equity method of accounting since its amount of common stock did not exceed (Won)7 billion when it was established.

(\*7) On October 9, 2008, Woori F&I acquired 40.0% ownership interest of Woori SB Twelfth Asset Securitization Specialty Co., Ltd. ( Woori SB Twelfth SPC ). Woori SB Twelfth SPC is excluded from consolidation and accounted for using the equity method of accounting since its amount of common stock did not exceed (Won)7 billion when it was established.

- (\*8) Since total value of Woori Private Equity Fund s assets as of December 31, 2008 exceeded (Won)7 billion, it has been included in the consolidation scope of the Company.
- (\*9) The financial statements for the year ended December 31, 2008 are not audited.

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

Investees	Main business	Capital	Number of issued shares	Established date	Location	The rationale of application of equity method of accounting
Korea BTL Infrastructure Fund	Financial business	121,168	24,233,666	2006.5.19	Seoul, Korea	Percentage of ownership exceeds 20%.
BC Card Co., Ltd.	Credit card & installment financing	44,000	4,400,000	Sep. 7, 1983	Seoul, Korea	
Korea Credit Bureau	Investigation and reference of credit information of individuals	10,000	2,000,000	Feb. 23, 2005	Seoul, Korea	Significant influence over the investee
Korea Finance Security Co., Ltd.	Security service/Investment	6,000	1,200,000	Dec. 7, 1990	Seoul, Korea	Banking act
Woori Service Networks Co., Ltd.	Freight & staffing services	480	96,000	Aug. 1, 2005	Seoul, Korea	The investee's material transaction with the investor
Woori SME Asset Securitization Specialty	Securitization	5,460	1,092,000	Aug. 1, 2005	Seoul, Korea	Significant influence over the investee
Woori SME First ABS Co., Ltd.	Securitization	8,297	1,659,360	Oct. 25, 2005	Seoul, Korea	
Woori Absolute Partners Pte. Ltd	Securities Investment	USD 5,000	50,000,000	May. 29, 2008	Singapore	Percentage of ownership exceeds 20%.
Woori Absolute Asia Multi Strategy Fund		USD 60,000	60,000	Jul. 21, 2008	Cayman Island	
Woori Absolute Asia Global Opportunity Fund		USD 35,000	35,000	Jul. 21, 2008	Cayman Island	
Athena Venture Fund		USD 55,079		Sep. 22, 1997	United States	
Woori SB First Asset Securitization Specialty	Securitization	31,130	6,226,000	Mar. 18, 2004	Seoul, Korea	
Woori SB Third Asset Securitization Specialty		5,018	1,003,620	Mar. 4, 2005	Seoul, Korea	
Woori SB Fifth Asset Securitization Specialty		3,108	621,520	Dec. 14, 2005	Seoul, Korea	
Woori SB Sixth Asset Securitization Specialty		3,346	669,140	Feb. 23, 2006	Seoul, Korea	
Woori SB Seventh Asset Securitization Specialty		2,072	414,400	Dec. 1, 2006	Seoul, Korea	
Woori SB Eighth Asset Securitization Specialty		1,867	373,340	Jun. 1, 2007	Seoul, Korea	
Woori SB Ninth Asset Securitization Specialty		1,324	264,760	Jun. 5, 2008	Seoul, Korea	
Woori SB Eleventh Asset Securitization Specialty		1,750	350,060	Sep. 10, 2008	Seoul, Korea	
Woori SB Twelfth Asset Securitization Specialty		1,969	393,860	Oct. 9, 2008	Seoul, Korea	
Woori F&I Ninth Asset Securitization Specialty		171	34,260	Sep. 9, 2008	Seoul, Korea	
Woori BC Pegasus Asset Securitization Specialty		9,693	1,938,600	Aug. 20, 2004	Seoul, Korea	
Woori Marine Second Asset Securitization		5,597	1,119,400	Mar. 28, 2005	Seoul, Korea	

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Specialty				
Woori Marine Third Asset Securitization Specialty	1,214	242,780	May 26, 2005	Seoul, Korea
Woori Stream First Asset Securitization Specialty	2,118	423,520	Jun. 2, 2006	Seoul, Korea
Woori Stream Second Asset Securitization Specialty	2,639	527,720	Mar. 5, 2007	Seoul, Korea

Investees	Main business	Capital	Number of issued shares	Established date	Location	The rationale of
						application of equity
						method of accounting
Woori Stream Third Asset Securitization Specialty	Securitization	1,906	381,180	Sep. 3, 2007	Seoul, Korea	Percentage of ownership exceeds 20%.
Woori Stream Fourth Asset Securitization Specialty		2,973	594,520	Dec. 5, 2007	Seoul, Korea	
Hiking-Woori Capital		USD 500	500,000	Nov. 28, 2006	China	
Woori-Consus Capital		USD 500	500,000	Oct. 29, 2007	China	
SEMPIO Foods Company	Food & Beverages Manufacturing	4,444	4,444,000	Dec. 9, 1971	Seoul, Korea	
Woori INS	Securities Investment	63	12,500	Mar. 26, 2008	Seoul, Korea	
Seoul Lakeside Co., Ltd.	Hotel	1,600	160,000	Aug. 22, 1986	Gyeonggi-do, Korea	
Woori Renaissance Holdings	Other Financial business	24	2,440	Mar. 31, 2008	Seoul, Korea	

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Financial Statement Presentation

The Company and its subsidiaries (excluding foreign subsidiaries) maintain its official accounting records in Korean won and prepare statutory consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying financial statements.

The accompanying financial statements are stated in Korean Won, the currency of the country in which the Company is incorporated and operates. The translation of Korean Won amounts into U.S. dollar amounts is included solely for the convenience of readers outside of the Republic of Korea and has been made at the rate of (Won)1,257.5 to US\$ 1.00 at December 31, 2008, the Base Rate announced by Seoul Money Brokerage Service, Ltd. Such translations should not be construed as representations that the Korean Won amounts could be converted into U.S. dollars at that or any other rate.

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

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

Korea Accounting Standards Board ( KASB ) has been issuing new accounting standards that replaces the existing Korea Financial Accounting Standards ( KFAS ) and has issued SKASs No.1 to No.25. The Company had adopted SKASs No.1 to No.25 before the beginning of the 2008. No SKASs have been newly adopted for the year ended December 31, 2008. Significant SKASs amended are summarized below.

KFAS, SKAS, Interpretation on KFAS, Opinion on Application of Accounting Standards and Opinion on Financial Reporting Practice that were amended by the KASB and newly adopted by the Company for the year ended December 31, 2008 are summarized below.

KFAS and others SKAS No. 8,	Description of the amendment
<i>Investments in Securities</i>	In rare cases, the trading securities may be reclassified as other categories of securities when an entity's intention changes not to trade the securities in the near future.
SKAS No.15, <i>Investments in Associates</i>	Amended SKAS No. 15 Investments in Associates requires that net income or loss and net assets on separate financial statements of a parent company equal to the investor's share on the consolidated financial statements unless the carrying amount of an investment in an associate falls below zero as a result of reflecting the associate's losses.
Interpretation 53-70, <i>Accounting for Derivatives and Others</i>	Classification criteria were established to clarify differentiation between guarantees and credit derivatives.  Basis was provided to enable an entity to designate derivatives currently held as hedging instruments reflecting economic substance.

Scope of hedge accounting on foreign currency exchange risk was expanded.

1) Amendment to SKAS No.15 Investments in Associates

Amended SKAS No. 15 Investments in Associates requires the net income (or loss) and net assets on separate financial statements of a parent company to be equal to the investor's share on the consolidated financial statements unless the carrying amount of an investment in an associate falls below zero as a result of reflecting the associate's losses. In addition, investment differences arisen from additional acquisition, disposal and capital contribution with consideration of the subsidiary are included in capital surplus or capital adjustments. As a result of this amendment, capital surplus and accumulated other comprehensive income decreased by (Won)682 million and (Won)1,392 million, respectively, and retained earnings increased by (Won)590 million for the year ended December 31, 2007.

2) Amendment to Interpretation for Derivatives

Woori Bank recorded credit derivatives sold as confirmed acceptances and guarantees for the year ended December 31, 2007, but as the Interpretation for Derivatives has been amended for the year ended December 31, 2008, Woori Bank has changed its accounting policy and a portion of credit derivatives sold is stated at fair value. Due to the change of Woori Bank's accounting policy, the Company retroactively adjusted the financial statements for the prior period and the effects of change for the year ended December 31, 2008 and 2007 are as follows (Korean won in millions except for net income per share):

	Before		After		Effects of change	
	2008	2007	2008	2007	2008	2007
Deferred income tax assets	512,430	83,037	647,151	116,501	134,721	33,464
Derivative instruments assets	12,697,815	2,626,113	12,697,815	2,626,113		
Allowances for acceptances and guarantees	142,794	115,161	137,730	110,097	(5,064)	(5,064)
Derivative instruments liabilities	13,318,982	2,951,296	13,801,576	3,078,048	482,594	126,752
Retained earnings	7,590,100	7,145,883	7,323,149	7,057,659	(266,951)	(88,224)
Gain on valuation of derivatives	11,972,712	2,256,828	11,972,898	2,256,828	186	
Provision for allowances for acceptances and guarantees	27,262	58,953	27,262	53,889		(5,064)
Loss on valuation of derivatives	11,786,592	2,329,286	12,154,986	2,456,038	368,394	126,752
Income tax expense	704,037	834,232	602,780	800,768	(101,257)	(33,464)
Net income	855,453	2,201,994	588,502	2,113,770	(266,951)	(88,224)
Basic controlling net income per share	895	2,515	564	2,405	(331)	(110)



3) Amended to SKAS No. 8 Investments in Securities

In rare cases the Bank reclassified one trading security that the Bank's intention changes not to trade the security in the near future as available-for-sale security and reclassified amounts are 1,383 Korean won in millions.

b. Reclassification of financial statements for the prior period

For the comparative purpose, the Company and its subsidiaries have reclassified the balance sheet as of December 31, 2007 and statements of income, changes in shareholders' equity and cash flow for the year ended December 31, 2007. However, the above reclassifications have no effect on the Company and its subsidiaries' net assets as of December 31, 2007 and net income for the year ended December 31, 2007.

c. Consolidation accounting

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

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

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

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

2) Overseas consolidated subsidiaries' financial statement's conversion rate

The Korean won amounts presented in the financial statements of the overseas consolidated subsidiaries were computed by translating U.S. dollar into Korean won based on the Base rate (\$1.00 to (Won)1,257.5 and (Won)938.2 at December 31, 2008 and 2007, respectively) published by Seoul Money Brokerage Service, Ltd. and cross rates.

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

If the Company and its subsidiaries own 20% (bank subsidiary 15%) or more of voting shares of its investees, either directly or indirectly, the Company and its subsidiaries are presumed to have significant influence on the investees' management and accordingly, the investment equity securities in those investees are accounted for using the equity method of accounting. Investment equity securities are initially stated at their acquisition costs including incidental cost incurred in connection with acquisition of the related securities.



The excess of the acquisition cost over the proportionate net asset value on the acquisition date is amortized using the straight-line method over 20 years or less. The excess of the proportionate net asset value over the acquisition cost arising with respect to identifiable non-monetary assets are recognized as income, as economic benefits embodied therein flow to the acquirer (when the assets are amortized or disposed). The amount of the excess of the proportionate net asset value over the acquisition cost in excess of the fair value of non-monetary assets, which is deemed arising from purchasing monetary assets at a lower price, is immediately recognized as a gain.

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

#### 4) Date of the consolidated financial statements

The accompanying financial statements are stated as of December 31, 2008 and 2007, the balance sheets date of the Company. In case the balance sheet dates of affiliates differ from the Company's, the Company used the consolidated balance sheets of affiliates as of December 31, 2008 and 2007, and the related consolidated statements of income for the years ended December 31, 2008 and 2007.

#### 5) Minority interests

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

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

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

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

##### 1) Trading securities

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

##### 2) Available-for-sale securities

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

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

### 3) Held-to-maturity securities

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

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

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

### 5) Reclassification of securities

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

When held-to-maturity securities are reclassified to available-for-sale securities, those securities are stated at the fair value on the reclassification date and the difference between the fair value and book value are recorded in accumulated other comprehensive income as gains or losses on valuation of available-for-sale securities. For available-for-sale securities reclassified to held-to-maturity securities, gains or losses on valuation of available-for-sale securities, which had been accumulated until the reclassification, continue to be stated on accumulated other comprehensive income and will be amortized using the effective interest method and be charged to interest income on maturity. The difference between the fair value on the reclassification date and the face value of the securities reclassified to held-to-maturity securities is amortized using the effective interest method and charged to interest income. In case the fair value of trading securities cannot be readily determinable and the trading securities may be reclassified as other categories of securities when an entity's intention changes not to trade the securities in the near future, the securities are reclassified to available-for-sale securities at the latest fair value.

e. Interest income recognition

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

f. Allowance for possible losses on credits

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

The classifications of the loans pursuant to the policies of the Company and its subsidiaries as of December 31, 2008 are as follows:

Credit Rating	Classification	Loans to corporate	Loans to households	Credit card accounts
AAA ~ BB-	Normal	Not less than 0.85(0.9)%	Not less than 1%	Not less than 1.5%
B+, B-, C	Precautionary	Not less than 7%	Not less than 10%	Not less than 15%
D	Substandard	Not less than 20%	Not less than 20%	Not less than 20%
D	Doubtful	Not less than 50%	Not less than 55%	Not less than 60%
D	Loss	100%	100%	100%

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

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

g. Deferred loan origination fees and costs

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

h. Restructuring of loans

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

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



i. Valuation of receivables and payables at present value

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

j. Fixed assets and depreciation

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

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

k. Intangible assets and amortization

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

l. Valuation allowance for non-business use property

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

m. Amortization of discount (premium) on debentures

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

n. Recognition of asset impairment

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

o. Accrued severance benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company and its subsidiaries. The accrued severance benefits that would be payable assuming all eligible employees and directors were to terminate as of December 31, 2008 and 2007 amount to (Won)414,127 million and (Won)391,815 million, respectively (Note 23).

p. Policy reserves

In accordance with the Insurance Business Law, the Company and its subsidiaries are required to maintain policy reserves.

q. Bonds under resale or repurchase agreements

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

r. Accounting for derivative instruments

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

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

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

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

t. Accounting for foreign currency translation

The Korean won equivalent of assets and liabilities denominated in foreign currencies are translated in these consolidated financial statements based on Base Rate announced by Seoul Money Brokerage Service Ltd. ((Won)1,257.5 and (Won)938.2 to \$1.00 at December 31, 2008 and 2007, respectively) or arbitrage rates at the balance sheets date. Translation gains and losses on foreign currencies denominated assets and liabilities are credited or charged to operations.

u. Stock-based compensation

The Company presented stock options at fair value in accordance with Interpretation on KFAS 39-35. The stock-based compensation had been charged to general & administration expense in the statement of income and credited to capital adjustments over the contract term of the services provided. However, in 2006, the Company made a resolution that the stock-based compensation will be settled by paying cash instead of issuing equity instrument. Therefore, the Company reclassified the compensation cost from equity to liabilities and recognized the incremental cost between the award value at the date the resolution was made and the fair value at the date it was granted. The Company recorded stock based compensation cost subject to exercise as liabilities as of December 31, 2008.

v. Provisions, contingent liabilities and contingent assets

The Company and its subsidiaries record liabilities of uncertain timing or amount, when they have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If there is material difference between the nominal value and present value of a provision, the amount of the provision are stated at the present value of the expenditures expected to be required to settle the obligation. In case the expenditure required settling a provision is expected to be reimbursed by another third party, the reimbursement is recognized as a separate asset when, and only when, it is virtually certain that reimbursement will be received if the entity settles obligation. In this case, gains on the reimbursement are offset by related losses in income statement.

### 3. CASH AND DUE FROM BANKS

(1) Cash and due from banks as of December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008	2007
Cash	(Won) 3,748,788	(Won) 3,485,011
Foreign currencies	417,885	295,671
<b>Due from banks in local currency</b>		
Due from Bank of Korea	8,175,245	6,935,045
Due from depository institutions	1,792,423	1,649,711
Due from non-depository financial institutions	32,050	273,494
Due from the Korea Stock Exchange	1,222,895	996,939
Others	2,218	7,658
	11,224,831	9,862,847
<b>Due from banks in foreign currencies</b>		
Due from banks on demand	1,251,143	880,648
Due from banks on time	367,034	262,525
Others	2,958,216	197,839
	4,576,393	1,341,012
	(Won) 19,967,897	(Won) 14,984,541

(2) Restricted due from banks as of December 31, 2008 and 2007 are as follows (Korean won in millions):

	2008	2007	Reason of restriction
<b>Due from banks in local currency</b>			
Bank of Korea	(Won) 8,175,244	(Won) 6,935,044	Banking law
Korea Exchange	376	251	Indemnity fund and others
Korea Securities Finance Corporation	1,117,033	1,234,853	Regulation of securities supervision
Samsung Securities and others	1,360	76,413	Subscription for futures
Hana Bank and others	338	731	Collateral for borrowings
Shinhan Bank and others	51	799	Collateral for borrowings
Others	8,063	1,616	Collateral for guarantees and others
	9,302,465	8,249,707	
<b>Due from banks in foreign currencies</b>			
Bank of Korea	568,397	134,484	Banking law
Bank of Japan and others	5,230	392,474	Reserve deposits on overseas banks
Bangladesh Bank and others	6,307	15,011	Reserve deposits on overseas banks
Bank of Indonesia	5,659	29,852	Reserve deposits on overseas banks
Industrial & Commercial Bank of China and others	23,567	7,887	Reserve deposits on overseas banks
ING Bank and others	2,695,801	122,399	Collateral for suit
Others	187,789	41,716	Security deposit and others
	3,492,750	743,823	
	(Won) 12,795,215	(Won) 8,993,530	

(3) The maturity structures of due from bank as of December 31, 2008 and 2007 are as follows (Korean won in billions):

	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 years	More than 3 years	Total
<b>&lt;2008&gt;</b>						
Due from banks in local currency	(Won) 3,352	(Won) 114	(Won) 163	(Won) 588	(Won) 7,008	(Won) 11,225
Due from banks in foreign currencies	1,618	111	57	2,725	65	4,576
	(Won) 4,970	(Won) 225	(Won) 220	(Won) 3,313	(Won) 7,073	(Won) 15,801
<b>&lt;2007&gt;</b>						
Due from banks in local currency	(Won) 2,800	(Won) 221	(Won) 457	(Won) 20	(Won) 6,365	(Won) 9,863
Due from banks in foreign currencies	1,154	52	13	122		1,341
	(Won) 3,954	(Won) 273	(Won) 470	(Won) 142	(Won) 6,365	(Won) 11,204



**4. TRADING SECURITIES**

Details of trading securities as of December 31, 2008 and 2007 are as follows (Korean won in millions):

<b>&lt;2008&gt;</b>	<b>Face value</b>	<b>Acquisition cost</b>	<b>Fair value</b>
<b>&lt;In local currency&gt;</b>			
Equity securities		(Won) 414,290	(Won) 381,702
Government bonds	(Won) 2,914,165	2,960,244	3,179,507
Financial debentures	7,696,100	7,636,123	7,656,117
Corporate bonds	776,703	781,047	782,106
Beneficiary certificates		421,957	384,707
Others		3,815,575	3,841,793
		16,029,236	16,225,932
<b>&lt;In foreign currencies&gt;</b>			
Equity securities		359	359
Bonds and others	259,019	295,375	275,446
		295,734	275,805
		(Won) 16,324,970	(Won) 16,501,737

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

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

(1) Available-for-sale securities as of December 31, 2008 and 2007 are as follows (Korean won in millions):

2008

2007

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<In local currency>		
Equity securities	(Won) 3,008,601	(Won) 4,760,991
Capital contributions	400,374	297,725
Government bonds	2,863,417	1,573,655
Financial debentures	7,574,271	10,877,690
Corporate bonds	1,135,332	1,382,835
Beneficiary certificates	1,727,690	1,211,680
Others	616,427	125,931
	17,326,112	20,230,507
<In foreign currencies>		
Equity securities	279,547	182,054
Bonds and others	1,206,843	1,427,042
Beneficiary Certificates	294	3,441
	1,486,684	1,612,537
	(Won) 18,812,796	(Won) 21,843,044

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(2) Equity securities in available-for-sale securities as of December 31, 2008 and 2007 are as follows (Korean won in millions, shares in thousands):

<b>&lt;2008&gt;</b>	<b>Number of shares owned</b>	<b>Percentage of ownership (%)</b>	<b>Acquisition cost</b>	<b>Book value</b>
<b>&lt;Marketable equity Securities&gt;</b>				
POSCO	872	1.0	(Won) 367,024	(Won) 331,310
Daewoo Engineering & Construction Co., Ltd.	13,052	4.1	256,230	120,488
KP Chemical Corporation	8,167	8.4	16,342	36,669
Ssangyong Cement Industry Co., Ltd	850	1.1	14,275	5,676
Hynix Semiconductor Inc.	39,918	9.2	152,309	246,055
Hyundai Eng. & Const. Co., Ltd.	15,953	14.5	232,204	838,535
Hyundai Corporation (*1)	5,070	22.7	68,589	69,619
Shinhan Financial Group.	1,258	0.3	72,592	37,365
SK Networks Co., Ltd.	11,009	4.4	47,265	89,924
Others			128,006	165,391
			1,354,836	1,941,032
<b>&lt;Non-marketable securities&gt;</b>				
Stocks subject to fair value valuation:				
Korea Aerospace Industries Ltd. (preferred stock)	2,006	2.4	22,338	6,367
Daewoo Electronics Corp.	5,747	5.4	13,695	4,018
Kocref-Cr-Reit 6	3,800	14.5	19,000	20,037
New Airport Hiway Co., Ltd.	923	2.1	5,072	14,053
Korea Securities Finance Corporation	9,518	14.0	48,462	67,000
Korea Housing Guarantee Co., Ltd.	6,899	1.1	10,014	27,687
Hyundai Merchant Marine Co., Ltd. (preferred stock)	3,334	2.2		