WOORI FINANCE HOLDINGS CO LTD
Form 20-F
June 27, 2011

Table of Contents

As filed with the Securities and Exchange Commission on June 27, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2010

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

For the transition period from to

Commission file number 001-31811

Woori Finance Holdings Co., Ltd.
(Exact name of Registrant as specified in its charter)

Woori Finance Holdings Co., Ltd.

(Translation of Registrant s name into English)

The Republic of Korea
(Jurisdiction of incorporation or organization)

203 Hoehyon-dong, 1-ga, Chung-gu, Seoul 100-792, Korea
(Address of principal executive offices)

Woo Seok Seong
203 Hoehyon-dong, 1-ga, Chung-gu, Seoul 100-792, Korea
Telephone No.: +82-2-2125-2110
Facsimile No.: +82-2-2125-2293
(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	**Name of each exchange on which registered**
American Depositary Shares, each representing three shares of Common Stock	**New York Stock Exchange**
Common Stock, par value ₩5,000 per share	**New York Stock Exchange***

Securities registered or to be registered pursuant to Section 12(g) of the Act.
None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

806,012,779 shares of Common Stock, par value ₩5,000 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. þ Yes o No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934. o Yes þ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. þ Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). o Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

þ Large accelerated filer	o Accelerated Filer	o Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

þ U.S. GAAP	o International Financial Reporting Standards as issued by the International Accounting Standards Board	o Other

If other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.
o Item 17 o Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes þ No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. o Yes o No

* Not for trading, but only in connection with the registration of the American Depositary Shares.

TABLE OF CONTENTS

			Page
Presentation of Financial and Other Information			1
Forward-Looking Statements			2
Item 1.	Identity of Directors, Senior Management and Advisers		3
Item 2.	Offer Statistics and Expected Timetable		3
Item 3.	Key Information		3
	Item 3A.	Selected Financial Data	3
	Item 3B.	Capitalization and Indebtedness	13
	Item 3C.	Reasons for the Offer and Use of Proceeds	13
	Item 3D.	Risk Factors	13
Item 4.	Information on the Company		39
	Item 4A.	History and Development of the Company	39
	Item 4B.	Business Overview	47
	Item 4C.	Organizational Structure	128
	Item 4D.	Property, Plants and Equipment	130
Item 4.A.	Unresolved Staff Comments		130
Item 5.	Operating and Financial Review and Prospects		130
	Item 5A.	Operating Results	130
	Item 5B.	Liquidity and Capital Resources	160
	Item 5C.	Research and Development, Patents and Licenses, etc.	178
	Item 5D.	Trend Information	178
	Item 5E.	Off-Balance Sheet Arrangements	178
	Item 5F.	Tabular Disclosure of Contractual Obligations	178
Item 6.	Directors, Senior Management and Employees		179
	Item 6A.	Directors and Senior Management	179
	Item 6B.	Compensation	181
	Item 6C.	Board Practices	181
	Item 6D.	Employees	184
	Item 6E.	Share Ownership	185
Item 7.	Major Stockholders and Related Party Transactions		186
	Item 7A.	Major Stockholders	186
	Item 7B.	Related Party Transactions	186
	Item 7C.	Interest of Experts and Counsel	187
Item 8.	Financial Information		187
	Item 8A.	Consolidated Statements and Other Financial Information	187
	Item 8B.	Significant Changes	190
Item 9.	The Offer and Listing		190
	Item 9A.	Offering and Listing Details	190
	Item 9B.	Plan of Distribution	191
	Item 9C.	Markets	191
	Item 9D.	Selling Shareholders	198
	Item 9E.	Dilution	198
	Item 9F.	Expenses of the Issuer	198

Table of Contents

			Page
Item 10.	Additional Information		198
	Item 10A.	Share Capital	198
	Item 10B.	Memorandum and Articles of Association	199
	Item 10C.	Material Contracts	205
	Item 10D.	Exchange Controls	205
	Item 10E.	Taxation	206
	Item 10F.	Dividends and Paying Agents	210
	Item 10G.	Statements by Experts	210
	Item 10H.	Documents on Display	210
	Item 10I.	Subsidiary Information	211
Item 11.	Quantitative and Qualitative Disclosures about Market Risk		211
Item 12.	Description of Securities other than Equity Securities		238
Item 13.	Defaults, Dividend Arrearages and Delinquencies		239
Item 14.	Material Modifications to the Rights of Security Holders and Use of Proceeds		239
Item 15.	Controls and Procedures		239
Item 16.	Reserved		240
	Item 16A.	Audit Committee Financial Expert	240
	Item 16B.	Code of Ethics	240
	Item 16C.	Principal Accountant Fees and Services	240
	Item 16D.	Exemptions from the Listing Standards for Audit Committees	241
	Item 16E.	Purchase of Equity Securities by the Issuer and Affiliated Purchasers	241
	Item 16F.	Change in Registrant s Certifying Accountant	241
	Item 16G.	Corporate Governance	241
Item 17.	Financial Statements		243
Item 18.	Financial Statements		243
Item 19.	Exhibits		243

EX-12.1
EX-13.1

Table of Contents

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless indicated otherwise, the financial information in this annual report as of and for the years ended December 31, 2006, 2007, 2008, 2009 and 2010 has been prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP.

In April 2008, we acquired a 51.0% interest in LIG Life Insurance, and entered into a joint venture agreement with Aviva International Holdings Limited in connection with this acquisition. LIG Life Insurance was subsequently renamed Woori Aviva Life Insurance and became an equity method investee as of April 2008.

In this annual report:

- references to we, us or Woori Finance Holdings are to Woori Finance Holdings Co., Ltd. and, unless the context otherwise requires, its subsidiaries;
- references to Korea are to the Republic of Korea;
- references to the government are to the government of the Republic of Korea;
- references to Won or ₩ are to the currency of Korea; and
- references to U.S. dollars, $ or US$ are to United States dollars.

Discrepancies between totals and the sums of the amounts contained in any table may be a result of rounding.

For your convenience, this annual report contains translations of Won amounts into U.S. dollars at the noon buying rate of the Federal Reserve Bank of New York for Won in effect on December 31, 2010, which was ₩1,130.6 = US$1.00.

Table of Contents

FORWARD-LOOKING STATEMENTS

The U.S. Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company s future prospects and make informed investment decisions. This annual report contains forward-looking statements.

Words and phrases such as aim, anticipate, assume, believe, contemplate, continue, estimate, expect, intend, may, objective, plan, positioned, predict, project, risk, seek to, shall, should, will like and words and terms of similar substance used in connection with any discussion of future operating or financial performance or our expectations, plans, projections or business prospects identify forward-looking statements. In particular, the statements under the headings Item 3D. Risk Factors, Item 5. Operating and Financial Review and Prospects and Item 4B. Business Overview regarding our financial condition and other future events or prospects are forward-looking statements. All forward-looking statements are management s present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

In addition to the risks related to our business discussed under Item 3D. Risk Factors, other factors could cause actual results to differ materially from those described in the forward-looking statements. These factors include, but are not limited to:

- our ability to successfully implement our strategy;
- future levels of non-performing loans;
- our growth and expansion;
- the adequacy of allowance for credit and investment losses;
- technological changes;
- interest rates;
- investment income;
- availability of funding and liquidity;
- our exposure to market risks; and
- adverse market and regulatory conditions.

By their nature, certain disclosures relating to these and other risks are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on our income or results of operations could materially differ from those that have been estimated. For example, revenues could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this annual report could include, but are not limited to:

- general economic and political conditions in Korea or other countries that have an impact on our business activities or investments;
- the monetary and interest rate policies of Korea;
- inflation or deflation;
- unanticipated volatility in interest rates;
- foreign exchange rates;
- prices and yields of equity and debt securities;
- the performance of the financial markets in Korea and globally;

Table of Contents

changes in domestic and foreign laws, regulations and taxes;

changes in competition and the pricing environment in Korea; and

regional or general changes in asset valuations.

For further discussion of the factors that could cause actual results to differ, see the discussion under Item 3D. Risk Factors contained in this annual report. We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this annual report. Except as required by law, we are not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

All subsequent forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this annual report.

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable

Item 3. KEY INFORMATION

Item 3A. *Selected Financial Data*

Unless otherwise indicated, the selected consolidated financial and operating data set forth below as of and for the years ended December 31, 2006, 2007, 2008, 2009 and 2010 have been derived from our audited consolidated financial statements, which have been prepared in accordance with U.S. GAAP and audited by Deloitte Anjin LLC, an independent registered public accounting firm.

You should read the following data together with the more detailed information contained in Item 5. Operating and Financial Review and Prospects and our consolidated financial statements included elsewhere in this annual report. Historical results do not necessarily predict future results.

Table of Contents

Consolidated Income Statement Data

	Year ended December 31, 2006	2007	2008	2009	2010	2010[1]
	(in billions of Won except per share data)					(in millions of US$ except per share data)
Interest and dividend income	₩ 9,365	₩ 12,192	₩ 15,553	₩ 13,273	₩ 12,919	US$ 11,426
Interest expense	5,465	7,656	10,402	8,586	7,660	6,775
Net interest income	3,900	4,536	5,151	4,687	5,259	4,651
Provision for loan losses	509	219	1,608	2,408	3,078	2,722
Provision for credit-related commitments (reversal of provision)[2]	107	(54)	157	44	169	150
Other provision[3]	36	36	71	103	171	151
Non-interest income	2,424	2,222	1,307	3,452	3,930	3,476
Non-interest expense	3,098	3,467	4,136	4,093	4,127	3,650
Income tax expense	620	837	358	379	415	367
Net income[4]	1,954	2,253	128	1,112	1,229	1,087
Net income attributable to the noncontrolling interest	3	11	(22)	(23)	(53)	(47)
Net income attributable to stockholders	1,951	2,242	150	1,135	1,282	1,134
Other comprehensive income (loss), net of tax	477	(143)	(139)	(158)	(15)	(14)
Comprehensive income (loss)	2,431	2,110	(11)	954	1,214	1,073
Comprehensive income (loss) attributable to the noncontrolling interest	3	14	(20)	(20)	(65)	(58)
Comprehensive income (loss) attributable to stockholders	₩ 2,428	₩ 2,096	₩ 9	₩ 974	₩ 1,279	US$ 1,131

Per common share data:												
Net income (loss) per share basic	₩	2,420	₩	2,781	₩	187	₩	1,408	₩	1,590	US$	1.41
Income (loss) per share before extraordinary items basic		2,420		2,781		187		1,408		1,590		1.41
Weighted average common shares outstanding basic (in thousands)		806,013		806,000		805,927		806,013		806,013		806,013
Net income (loss) per share diluted[5]	₩	2,420	₩	2,781	₩	187	₩	1,408	₩	1,590	US$	1.41
Income (loss) per share before extraordinary items diluted		2,420		2,781		187		1,408		1,590		1.41
Weighted average common shares outstanding diluted (in thousands)		806,013		806,000		805,927		806,013		806,013		806,013
Cash dividends paid per share[6]	₩	600	₩	250			₩	100	₩	250	US$	0.22

(1) Won amounts are expressed in U.S. dollars at the rate of ₩1,130.6 to US$1.00, the noon buying rate in effect on December 31, 2010 as quoted by the Federal Reserve Bank of New York in the United States.

(2) The reversal of provisions in 2007 resulted from subsequent changes in our estimation of losses related to our credit-related commitments. We determined in 2007 that a portion of our allowances for losses on credit-related commitments were no longer needed, and accordingly reversed the related portions of the provisions we had initially allocated during the year.

(3) Mainly consists of provisions relating to (a) trade receivables and (b) repurchase obligations with respect to loans sold to the Korea Asset Management Corporation. In 2008, 2009 and 2010, we did not have any provisions relating to repurchase obligations with respect to loans sold to the Korea Asset Management Corporation.

(4) On January 1, 2009, we adopted Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements (ASC 810-10-45-15, Consolidation Noncontrolling Interest in a Subsidiary) (ASC 810-10-45-15). As a result, minority interests have been recharacterized as noncontrolling interests and net income (loss) attributable to noncontrolling interests, net of tax, is included in income (loss) before cumulative effect of a change in accounting principle, net of tax, and subtracted from net income (loss) to calculate net income (loss) attributable to stockholders. Corresponding items for all prior periods have been restated accordingly. See Item 5B. Liquidity and Capital Resources Financial Condition Recent Accounting Pronouncements.

(5) In the diluted earnings per share calculation, options outstanding to purchase our common stock in 2006, 2007 and 2008 are not deemed to have been exercised. We did not have any stock options outstanding in 2009 and 2010. Convertible debentures issued by Woori Financial, a subsidiary we acquired in September 2007, were included in the diluted earnings per share calculations for 2007, 2009 and 2010 but excluded from such calculations due to their anti-dilutive effect in 2008, while stock-based compensation awards of Woori Financial were excluded from the diluted earnings per share calculations for 2007, 2008, 2009 and 2010 due to their anti-dilutive effect. See Note 30 of the notes to our consolidated financial statements. The convertible debentures issued by Woori Financial were redeemed in May 2010.

(6) Amounts shown for each year are cash dividends per share relating to such year, which were declared and paid in the following year. U.S. GAAP requires that dividends be recorded in the period in which they are declared rather than the period to which they relate unless those periods are the same. With respect to the 2006 fiscal year, we paid dividends in 2007 of ₩600 per common share ($0.65 per common share at the noon buying rate in effect on December 29, 2006) to our stockholders. With respect to the 2007 fiscal year, we paid dividends in 2008 of ₩250 per common share ($0.27 per common share at the noon buying rate in effect on December 31, 2007) to our stockholders. With respect to the 2008 fiscal year, we did not pay any dividends to our stockholders. With respect to the 2009 fiscal year, we paid dividends in 2010 of W100 per common share ($0.09 per common share at the noon buying rate in effect on December 31, 2009) to our stockholders. With respect to the 2010 fiscal year, we paid dividends in 2011 of ₩250 per common share ($0.22 per common share at the noon buying rate in effect on December 31, 2010) to our stockholders. See Item 8A. Consolidated Statements and Other Financial Information Dividends.

Consolidated Balance Sheet Data

	As of December 31, 2006	2007	2008 (in billions of Won)	2009	2010	2010[(1)] (in millions of US$)
Assets						
Cash and cash equivalents	₩ 7,935	₩ 11,553	₩ 13,564	₩ 16,581	₩ 15,958	US$ 14,114
Restricted cash[(2)]	243	131	2,761	588	478	423
Interest-earning deposits in other banks	1,582	2,128	1,747	2,207	2,875	2,543
Call loans and securities purchased under resale agreements	940	1,695	3,692	6,524	4,465	3,949
Trading assets	7,576	12,173	19,817	14,225	13,100	11,587
Available-for-sale securities	28,174	27,235	23,406	16,059	19,020	16,823
Held-to-maturity securities (fair value of ₩8,595 billion in 2006, ₩8,120 billion in 2007, ₩9,758 billion in 2008, ₩16,021 billion in 2009 and ₩20,158 billion ($17,830 million) in 2010)	8,614	8,216	9,612	15,974	19,905	17,606
Other investment assets[(3)]	1,568	2,051	2,417	2,565	2,601	2,301
Loans (net of allowance for loan losses of ₩1,855 billion in 2006, ₩1,736 billion in 2007, ₩2,942 billion in 2008, ₩3,557 billion in 2009 and ₩4,874 billion ($4,311 million) in 2010)	131,928	158,130	185,667	184,058	186,331	164,807
Due from customers on acceptances	267	249	789	791	667	590
Premises and equipment, net	2,149	2,399	2,454	2,611	2,469	2,184
Accrued interest and dividends receivable	865	950	1,079	956	1,028	909
Assets held for sale	81	132	351	591	135	120
Goodwill	38	232	136	114	88	78
Other assets[(4)]	3,121	3,601	3,653	3,180	3,818	3,375
Total assets	₩ 195,081	₩ 230,875	₩ 271,145	₩ 267,024	₩ 272,938	US$ 241,409
Liabilities						
Deposits						
Interest-bearing	₩ 121,688	₩ 140,359	₩ 161,653	₩ 170,547	₩ 180,207	US$ 159,390
Non-interest-bearing	4,851	4,668	6,679	7,027	6,119	5,412

Total deposits		126,539		145,027		168,332		177,574		186,326		164,802
Call money		2,270		3,008		2,960		5,687		4,649		4,113
Trading liabilities		1,701		2,981		11,286		4,131		3,337		2,952
Acceptances outstanding		267		249		789		791		667		590
Other borrowed funds		12,025		13,932		18,458		12,835		12,382		10,952
Secured borrowings		2,629		3,486		3,401		2,277		3,998		3,536
Long-term debt		32,298		41,336		44,470		43,340		39,487		34,926
Accrued interest payable		2,340		2,892		3,317		2,554		2,818		2,492
Other liabilities(2)(5)		4,531		5,494		5,871		4,613		5,020		4,439
Total liabilities		184,600		218,405		258,884		253,802		258,684		228,802
Stockholders equity		10,426		12,114		11,920		12,866		13,968		12,354
Noncontrolling interests(6)		55		356		341		356		286		253
Total equity		10,481		12,470		12,261		13,222		14,254		12,607
Total liabilities and equity	₩	195,081	₩	230,875	₩	271,145	₩	267,024	₩	272,938	US$	241,409

(1) Won amounts are expressed in U.S. dollars at the rate of ₩1,130.6 to US$1.00, the noon buying rate in effect on December 31, 2010 as quoted by the Federal Reserve Bank of New York in the United States.

(2) Commencing with the year ended December 31, 2007, we have reclassified deposits for severance payments from restricted cash to other liabilities. See Notes 4 and 20 of the notes to our consolidated financial statements.

(3) For a description of other investment assets, see Note 9 of the notes to our consolidated financial statements.

(4) For a description of other assets, see Note 15 of the notes to our consolidated financial statements.

(5) For a description of other liabilities, see Note 20 of the notes to our consolidated financial statements.

(6) On January 1, 2009, we adopted ASC 810-10-45-15. As a result, minority interests have been recharacterized as noncontrolling interests and reclassified as a component of equity. Corresponding items for all prior periods have been restated accordingly.

Profitability Ratios and Other Data

	Year ended December 31,				
	2006	2007	2008	2009	2010
	(in billions of Won except percentages)				
Return on average assets[1]	1.13%	1.03%	0.06%	0.40%	0.47%
Return on average equity[2]	18.70	20.41	1.17	9.55	9.67
Net interest spread[3]	2.37	2.16	1.99	1.81	2.01
Net interest margin[4]	2.50	2.28	2.16	1.86	2.10
Cost-to-income ratio[5]	48.99	51.30	64.04	50.29	44.91
Average stockholders equity as a percentage of average total assets	6.06	5.05	4.78	4.18	4.81
Total revenue[6]	₩ 11,789	₩ 14,414	₩ 16,860	₩ 16,725	₩ 16,849
Operating expense[7]	8,563	11,123	14,538	12,679	11,787
Operating margin[8]	3,226	3,291	2,322	4,046	5,062
Operating margin as a percentage of total revenue	27.36%	22.83%	13.77%	24.19%	30.04%

(1) Represents net income attributable to stockholders as a percentage of average total assets. Average balances are based on daily balances for Woori Bank, Kyongnam Bank and Kwangju Bank, and on quarterly balances for all of our other subsidiaries and our special purpose companies.

(2) Represents net income attributable to stockholders as a percentage of average stockholders equity. Average balances are based on daily balances for Woori Bank, Kyongnam Bank and Kwangju Bank, and on quarterly balances for all of our other subsidiaries and our special purpose companies.

(3) Represents the difference between the yield on average interest-earning assets and cost of average interest-bearing liabilities.

(4) Represents the ratio of net interest income to average interest-earning assets.

(5) Represents the ratio of non-interest expense to the sum of net interest income and non-interest income.

(6) Total revenue represents interest and dividend income plus non-interest income.

The following table shows how total revenue is calculated:

	Year ended December 31,				
	2006	2007	2008	2009	2010
	(in billions of Won)				

Interest and dividend income	₩	9,365	₩	12,192	₩	15,553	₩	13,273	₩	12,919
Non-interest income		2,424		2,222		1,307		3,452		3,930
Total revenue	₩	11,789	₩	14,414	₩	16,860	₩	16,725	₩	16,849

(7) Operating expense represents interest expense plus non-interest expense, excluding provisions of ₩652 billion, ₩201 billion, ₩1,836 billion, ₩2,555 billion and ₩3,418 billion for 2006, 2007, 2008, 2009 and 2010, respectively.

The following table shows how operating expense is calculated:

	2006		2007		2008		2009		2010	
					(in billions of Won)					
Interest expense	₩	5,465	₩	7,656	₩	10,402	₩	8,586	₩	7,660
Non-interest expense		3,098		3,467		4,136		4,093		4,127
Operating expense	₩	8,563	₩	11,123	₩	14,538	₩	12,679	₩	11,787

(8) Operating margin represents total revenue less operating expenses.

Table of Contents

Asset Quality Data

	As of December 31,				
	2006	2007	2008	2009	2010
	(in billions of Won)				
Total loans	₩ 133,740	₩ 159,885	₩ 188,632	₩ 187,617	₩ 191,185
Total non-performing loans[(1)]	1,354	1,121	2,088	2,489	5,855
Other impaired loans not included in non-performing loans	391	274	1,608	2,887	959
Total non-performing loans and other impaired loans	1,745	1,395	3,696	5,376	6,814
Total allowance for loan losses	1,855	1,736	2,942	3,557	4,874
Non-performing loans as a percentage of total loans	1.01%	0.70%	1.11%	1.33%	3.06%
Non-performing loans as a percentage of total assets	0.69	0.48	0.77	0.93	2.14
Total non-performing loans and other impaired loans as a percentage of total loans	1.30	0.87	1.96	2.87	3.56
Allowance for loan losses as a percentage of total loans	1.39	1.09	1.56	1.90	2.55

(1) Non-performing loans are defined as those loans that are classified as substandard or below based on the Financial Services Commission s asset classification criteria. See Item 4B. Business Overview Assets and Liabilities Asset Quality of Loans Loan Classifications.

Table of Contents

Segment Information Under Korean GAAP

The following table sets forth financial data under Korean GAAP as of or for the year ended December 31, 2010 for our business segments:

	Woori Bank	Kyongnam Bank	Kwangju Bank	Credit card operations	Securities brokerage services[1]	Other	Elimination[2]	Total
				(in billions of Won)				
erest and dividend come	₩ 10,142	₩ 1,158	₩ 904	₩ 996	₩ 600	₩ 486	₩ (29)	₩ 14,25
erest expense	5,902	552	434	123	269	475	(47)	7,70
t interest income	4,240	606	470	873	331	11	18	6,54
ovision for loan sses and edit-related mmitments (reversal provision)	2,255	89	136	79	12	316	(218)	2,66
on-interest income	15,090	546	226	44	3,450	3,198	(1,890)	20,66
on-interest expenses	15,847	860	409	520	3,473	1,494	(228)	22,37
t non-interest come (loss)	(757)	(314)	(183)	(476)	(23)	1,704	(1,662)	(1,71
preciation and nortization	129	9	9		1	164	62	37
t income (loss) fore tax	1,099	194	142	318	295	1,235	(1,488)	1,79
come tax expense	231	50	36	77	69	31	1	49
t income (loss) for e period under orean GAAP	868	144	106	241	226	1,204	(1,489)	1,30
S. GAAP justments	39	33	(4)	15	(226)	(223)	295	(7
nsolidated net come	₩ 907	₩ 177	₩ 102	₩ 256	₩	₩ 981	₩ (1,194)	₩ 1,22
nsolidated net come attributable to e noncontrolling	(12)					(60)	19	(5

erest nsolidated net come attributable to e stockholders	919	177	102	256		1,041	(1,213)	1,28
gments total assets der Korean GAAP	₩ 224,263	₩ 21,855	₩ 16,518	₩ 3,943	₩ 17,488	₩ 27,069	₩ (19,708)	₩ 291,42
S. GAAP justments	(640)	(187)	334	184	(17,488)	(1,308)	615	(18,49
gments total assets	₩ 223,623	₩ 21,668	₩ 16,852	₩ 4,127	₩	₩ 25,761	₩ (19,093)	₩ 272,93

(1) Includes the operations of Woori Investment & Securities, which is not a consolidated subsidiary under U.S. GAAP. We acquired a 27.3% voting interest in LGIS in October and December 2004. As a result of this acquisition, LGIS became a consolidated subsidiary under Korean GAAP (but not under U.S. GAAP) effective December 24, 2004. On March 31, 2005, we merged Woori Securities, a wholly-owned subsidiary, into LGIS and renamed the surviving entity Woori Investment & Securities, which remained a consolidated subsidiary under Korean GAAP (but not under U.S. GAAP).

(2) Includes eliminations for consolidation, intersegment transactions and certain differences in classification under the management reporting system.

Table of Contents

Selected Financial Information

Average Balance Sheets and Related Interest

The following tables show our average balances and interest rates for 2008, 2009 and 2010:

	Year ended December 31,							
	2008			2009			2010	
	Average Balance(1)	Interest Income(2)(3)(4)	Average Yield	Average Balance(1)	Interest Income(2)(3)	Average Yield	Average Balance(1)	Interest Income(2)(3)
	(in billions of Won except percentages)							
arning assets								
rning deposits in s	₩ 4,072	₩ 179	4.40%	₩ 4,679	₩ 195	4.16%	₩ 6,036	₩ 224
and securities under resale s	2,931	132	4.48	7,873	131	1.67	8,126	151
curities(5)	11,038	524	4.75	14,241	409	2.87	9,687	370
t securities(5)	34,636	2,102	6.07	37,400	1,774	4.74	36,853	1,601
al and industrial	98,392	6,783	6.89	106,282	6,241	5.87	106,616	6,150
ncing	349	28	8.10	301	32	10.51	348	41
ncing	12,718	514	4.05	11,090	463	4.17	12,002	314
mercial	9,021	690	7.65	7,538	631	8.37	7,101	607
rpose household(6)	56,945	4,005	7.03	57,323	2,925	5.10	58,344	2,967
	3,226	226	7.00	3,592	179	4.99	3,972	249
ds(3)	1,383	282	20.27	1,556	293	18.85	1,448	245
s(7)	182,034	12,528	6.88%	187,682	10,764	5.74%	189,831	10,573
rage arning assets	234,711	15,465	6.59%	251,875	13,273	5.27%	250,533	12,919
est-earning assets								
cash equivalents	10,992			8,987			14,553	
change contracts tives	8,094			6,991			4,026	
nd equipment	2,453			2,533			2,542	
customers on e	519			790			729	
e for loan losses	(2,147)			(3,430)			(4,357)	
-interest-earning	12,936			16,337			7,481	
rage non-interest- ssets	32,847			32,208			24,974	

rage assets	₩	267,558	₩	15,465	5.78%	₩	284,083	₩	13,273	4.67%	₩	275,507	₩	12,919

Table of Contents

	Year ended December 31,								
	2008			2009			2010		
	Average Balance(1)	Interest Expense	Average Cost	Average Balance(1)	Interest Expense	Average Cost	Average Balance(1)	Interest Expense	A
	(in billions of Won, except percentages)								
es									
-bearing liabilities									
:									
deposits	₩ 25,125	₩ 75	0.30%	₩ 27,652	₩ 77	0.28%	₩ 31,831	₩ 73	
deposits	15,850	591	3.73	21,423	403	1.88	22,586	418	
te of deposit accounts	21,808	1,371	6.28	15,070	775	5.14	8,314	363	
ne deposits	92,498	4,867	5.26	111,828	4,217	3.77	117,390	4,211	
nstallment deposits	344	13	3.78	257	9	3.32	183	6	
posits	155,625	6,917	4.44	176,230	5,481	3.11	180,304	5,071	
ey	3,779	137	3.63	4,576	87	1.90	3,366	49	
ngs from the Bank of	943	28	3.01	1,376	20	1.36	1,407	22	
ort-term borrowings	13,001	699	5.34	14,002	450	3.21	9,565	139	
borrowings	3,838	192	5.00	3,422	143	4.18	3,455	144	
m debt	48,747	2,429	4.99	48,610	2,405	4.95	45,434	2,235	
erage interest- bearing s	225,933	10,402	4.60	248,216	8,586	3.46	243,531	7,660	
erest-bearing liabilities									
deposits	6,132			4,579			4,124		
exchange contracts and es	10,508			11,162			6,211		
nces outstanding	519			790			729		
n-interest-bearing s	11,678			7,450			7,648		
erage rest-bearing liabilities	28,837			23,981			18,712		
erage liabilities	254,770	10,402	4.08	272,197	8,586	3.15	262,243	7,660	
equity	12,788			11,886			13,264		
erage liabilities and	₩ 267,558	₩ 10,402	3.89%	₩ 284,083	₩ 8,586	3.02%	275,507	7,660	

(1) Average balances are based on daily balances for Woori Bank, Kyongnam Bank and Kwangju Bank, and on quarterly balances for all of our other subsidiaries and our special purpose companies.

(2) Includes dividends received on securities, as well as cash interest received on non-accruing loans.

(3)

Interest income from credit cards is derived from interest-earning credit card receivables, and consists principally of interest on cash advances and card loans.

(4) Excludes an interest payment of ₩88 billion we received from the Bank of Korea in 2008 on our deposit of required reserves. This interest payment was excluded as it was a one-time event in response to the global financial crisis and the Bank of Korea generally does not pay interest on its required reserves.

(5) We do not invest in any tax-exempt securities.

(6) Includes home equity loans.

(7) Includes non-accrual loans.

(8) Includes non-interest-earning credit card receivables, principally monthly lump-sum purchase receivables, the entire balances of which are subject to repayment on the following payment due date.

Table of Contents

Analysis of Changes in Net Interest Income   Volume and Rate Analysis

The following table provides an analysis of changes in interest income, interest expense and net interest income based on changes in volume and changes in rate for 2009 compared to 2008 and 2010 compared to 2009. Information is provided with respect to: (1) effects attributable to changes in volume (changes in volume multiplied by prior rate) and (2) effects attributable to changes in rate (changes in rate multiplied by prior volume). Changes attributable to the combined impact of changes in rate and volume have been allocated proportionately to the changes due to volume changes and changes due to rate changes.

	2009 vs. 2008 Increase/(decrease) due to changes in			2010 vs. 2009 Increase/(decrease) due to changes in		
	Volume	Rate	Total[1]	Volume	Rate	Total
	(in billions of Won)					
Interest-earning assets						
Interest-earning deposits in other banks	₩ 27	₩ (11)	₩ 16	₩ 57	₩ (28)	₩ 29
Call loans and securities purchased under resale agreements	221	(222)	(1)	4	16	20
Trading securities	152	(267)	(115)	(131)	92	(39)
Investment securities	168	(496)	(328)	(26)	(147)	(173)
Loans						
Commercial and industrial	544	(1,086)	(542)	20	(111)	(91)
Lease financing	(4)	8	4	5	4	9
Trade financing	(65)	14	(51)	38	(187)	(149)
Other commercial	(113)	54	(59)	(37)	13	(24)
General purpose household[2]	27	(1,107)	(1,080)	53	(11)	42
Mortgage	26	(73)	(47)	19	51	70
Credit cards	33	(22)	11	(20)	(28)	(48)
Total interest income	1,016	(3,208)	(2,192)	(18)	(336)	(354)
Interest-bearing liabilities						
Deposits						
Demand deposits	8	(6)	2	12	(16)	(4)
Savings deposits	208	(396)	(188)	22	(7)	15
Certificate of deposit accounts	(424)	(172)	(596)	(348)	(64)	(412)
Other time deposits	1,016	(1,666)	(650)	210	(216)	(6)
Mutual installment deposits	(3)	(1)	(4)	(3)		(3)
Call money	29	(79)	(50)	(23)	(15)	(38)
Borrowings from the Bank of Korea	13	(21)	(8)	(1)	3	2
Other short-term borrowings	49	(298)	(249)	(143)	(168)	(311)
Secured borrowings	(21)	(28)	(49)	1		1
Long-term debt	(2)	(22)	(24)	(158)	(12)	(170)
Total interest expense	873	(2,689)	(1,816)	(431)	(495)	(926)

Net interest income	₩	143	₩	(519)	₩	(376)	₩	413	₩	159	₩	572

(1) Excludes an interest payment of ₩88 billion we received from the Bank of Korea in 2008 on our deposit of required reserves. This interest payment was excluded as it was a one-time event in response to the global financial crisis and the Bank of Korea generally does not pay interest on its required reserves.

(2) Includes home equity loans.

Table of Contents

Exchange Rates

The table below sets forth, for the periods and dates indicated, information concerning the noon buying rate for Won, expressed in Won per one U.S. dollar. The noon buying rate is the rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise stated, translations of Won amounts into U.S. dollars in this annual report were made at the noon buying rate in effect on December 31, 2010, which was ₩1,130.6 to US$1.00. We do not intend to imply that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate, or at all. On June 17, 2011, the noon buying rate was ₩1,085.8 = US$1.00.

	Won per U.S. dollar (noon buying rate)			
	Low	**High**	**Average[1]**	**Period-End**
2006	913.7	1,002.9	954.3	930.0
2007	903.2	950.2	929.0	935.8
2008	935.2	1,507.9	1,098.7	1,262.0
2009	1,149.0	1,570.1	1,274.6	1,163.7
2010	1,104.0	1,253.2	1,155.7	1,130.6
December	1,130.0	1,155.2	1,145.5	1,130.6
2011 (through June 17)	1,065.5	1,135.6	1,102.0	1,085.8
January	1,111.0	1,128.1	1,118.9	1,119.1
February	1,100.9	1,130.6	1,117.4	1,123.7
March	1,097.3	1,135.6	1,119.3	1,097.3
April	1,068.4	1,091.8	1,083.2	1,068.4
May	1,065.5	1,101.6	1,084.4	1,078.0
June (through June 17)	1,076.2	1,091.2	1,082.3	1,085.8

Source: Federal Reserve Bank of New York.

(1) The average of the daily noon buying rates of the Federal Reserve Bank in effect during the relevant period (or portion thereof).

Item 3B. ***Capitalization and Indebtedness***

Not Applicable

Item 3C. ***Reasons for the Offer and Use of Proceeds***

Not Applicable

Item 3D. ***Risk Factors***

Risks relating to our corporate credit portfolio

The largest portion of our exposure is to small- and medium-sized enterprises, and financial difficulties experienced by companies in this segment may result in a deterioration of our asset quality and have an adverse impact on us.

Our loans to small- and medium-sized enterprises increased from ₩68,077 billion, or 42.6% of our total loans, as of December 31, 2007 to ₩81,613 billion, or 42.7% of our total loans, as of December 31, 2010. As of December 31, 2010, on a Korean GAAP basis, Won-denominated loans to small- and medium-sized enterprises that were classified as substandard or below were ₩3,216 billion, representing 4.3% of such loans to those enterprises. On a Korean GAAP basis, we recorded charge-offs of ₩865 billion in respect of our Won-denominated loans to small- and medium-sized enterprises in 2010, compared to charge-offs of ₩862 billion in 2009. According to data compiled by the Financial Supervisory Service, the industry-wide delinquency ratios for Won-denominated loans to small- and medium-sized enterprises increased through most of 2009 and further increased in 2010. The delinquency ratio for small- and medium-sized enterprises is calculated as the ratio of (1) the outstanding balance of such loans in respect of which either principal or interest payments are over due by one month or more to (2) the aggregate outstanding balance of such loans. Our delinquency ratio for such loans denominated in Won on a Korean GAAP basis decreased from 1.4% as of December 31, 2008 to 0.9% as of December 31, 2009 but increased to 1.3% as of December 31, 2010. Our delinquency ratio may increase further in 2011 as a result of, among other things, adverse economic conditions in Korea and globally. See Other risks relating to our business Difficult conditions in the global financial markets could adversely affect our liquidity and performance. Accordingly, we may be required to take measures to decrease our exposures to these customers.

In light of the deteriorating financial condition and liquidity position of small- and medium-sized enterprises in Korea as a result of the global financial crisis commencing in the second half of 2008, the Korean government introduced measures intended to encourage Korean banks to provide financial support to small- and medium-sized enterprise borrowers. For example, in connection with a government program announced in October 2008 to guarantee certain foreign currency-denominated debt of Korean banks, the Korean government requested Korean banks, including our banking subsidiaries Woori Bank, Kyongnam Bank and Kwangju Bank, to enter into a memorandum of understanding relating to the rationalization of their management operations. Each of Woori Bank, Kyongnam Bank and Kwangju Bank entered into such a memorandum of understanding with the Financial Supervisory Service in November 2008, pursuant to which they were each required, among other things, to help improve the liquidity position of small-and medium-sized enterprises and exporters by providing them with adequate financing and to endeavor to alleviate burdens on low-income debtors by extending maturity dates or by delaying interest payments on their loans. In addition, the Korean government requested Korean banks, including Woori Bank, Kyongnam Bank and Kwangju Bank, to establish a fast track program to provide liquidity assistance to small- and medium-sized enterprises on an expedited basis. Under the fast track programs established by Woori Bank, Kyongnam Bank and Kwangju Bank, which are effective through December 31, 2011, liquidity assistance is provided to small- and medium-sized enterprise borrowers applying for such assistance, in the form of new short-term loans or maturity extensions or interest rate adjustments with respect to existing loans, after expedited credit review and approval by such banks. The overall prospects for the Korean economy in 2011 and beyond remain uncertain, and the Korean government may extend existing policies and initiatives or introduce new policies or initiatives to encourage Korean banks to provide financial support to small- and medium-sized enterprises. Our participation in such government-led initiatives may lead us to extend credit to small- and medium-sized enterprise borrowers that we would not otherwise extend, or offer terms for such credit that we would not otherwise offer, in the absence of such initiatives. Furthermore, there is no guarantee that the financial condition and liquidity position of our small- and medium-sized enterprise borrowers benefiting from such initiatives will improve sufficiently for them to service their debt on a timely basis, or at all. Accordingly, increases in our exposure to small- and medium-sized enterprises resulting from such government-led initiatives may have a material adverse effect on our results of operations and financial condition.

Many small- and medium-sized enterprises represent sole proprietorships or very small businesses dependent on a relatively limited number of suppliers or customers and tend to be affected to a greater extent than large corporate borrowers by fluctuations in the Korean and global economy. In addition, small- and medium-sized enterprises often maintain less sophisticated financial records than large corporate borrowers. Therefore, it is generally more difficult for us to judge the level of risk inherent in lending to these enterprises, as compared to large corporations.

In addition, many small- and medium-sized enterprises have close business relationships with large corporations in Korea, primarily as suppliers. Any difficulties encountered by those large corporations would likely hurt the liquidity and financial condition of related small- and medium-sized enterprises, including those to which we have exposure, also resulting in an impairment of their ability to repay loans. In recent years, some Korean large corporations have expanded into China and other countries with lower labor costs and other expenses through relocating their production plants and facilities to such countries, which may have a material adverse impact on such small- and medium-sized enterprises.

Financial difficulties experienced by small- and medium-sized enterprises as a result of, among other things, adverse economic conditions in Korea and globally, as well as aggressive marketing and intense

Table of Contents

competition among banks to lend to this segment in recent years, have led to a deterioration in the asset quality of our loans to this segment in the past and such factors may lead to a deterioration of asset quality in the future. Any such deterioration would result in increased charge-offs and higher provisioning and reduced interest and fee income from this segment, which would have an adverse impact on our financial condition and results of operations.

We have exposure to Korean construction and shipbuilding companies, and financial difficulties of these companies may adversely impact us.

As of December 31, 2010, the total amount of loans provided by us to construction and shipbuilding companies in Korea amounted to ₩10,948 billion and ₩3,171 billion, or 5.7% and 1.7% of our total loans, respectively. We also have other exposures to Korean construction and shipbuilding companies, including in the form of guarantees extended for the benefit of such companies and debt and equity securities of such companies held by us. In the case of shipbuilding companies, such exposures include refund guarantees extended by us on behalf of shipbuilding companies to cover their obligation to return a portion of the ship order contract amount to customers in the event of performance delays or defaults under shipbuilding contracts. In the case of construction companies, we also have potential exposures in the form of guarantees provided to us by general contractors with respect to financing extended by us for residential and commercial real estate development projects, as well as commitments to purchase asset-backed securities secured by the assets of companies in the construction industry and other commitments we enter into relating to project financing for such real estate projects which may effectively function as guarantees. In October 2009, we received a reprimand from the Financial Supervisory Service about our prior internal approval processes and the activities of certain responsible officers and employees of Woori Bank s trust management operations in connection with such commitments, and we took certain remedial actions in response to such reprimand.

The construction industry in Korea has experienced a downturn in recent years, due to excessive investment in residential property development projects, stagnation of real property prices and reduced demand for residential property, especially in areas outside of Seoul, including as a result of the deterioration of the Korean economy commencing in the second half of 2008. In October 2008, the Korean government implemented a ₩9 trillion support package for the benefit of the Korean construction industry, including a program to buy unsold housing units and land from construction companies. The shipbuilding industry in Korea has also experienced a severe downturn in recent years due to a significant decrease in ship orders, primarily due to adverse conditions in the global economy and the resulting slowdown in global trade. In response to the deteriorating financial condition and liquidity position of borrowers in the construction and shipbuilding industries, which were disproportionately impacted by adverse economic developments in Korea and globally, the Korean government implemented a program in the first half of 2009 to promote expedited restructuring of such borrowers by their Korean creditor financial institutions, under the supervision of major commercial banks. In accordance with such program, 24 construction companies and five shipbuilding companies became subject to workout in 2009, following review by their creditor financial institutions (including Woori Bank, Kyongnam Bank and Kwangju Bank) and the Korean government. In addition, in June 2010, the Financial Services Commission and the Financial Supervisory Service announced that, following credit risk evaluations conducted by creditor financial institutions (including us) of companies in Korea with outstanding debt of ₩50 billion or more, 65 companies had been selected by such financial institutions for restructuring in the form of workout, liquidation or court receivership. Of such 65 companies, 16 were construction companies and three were shipbuilding companies. However, there is no assurance that these measures will be successful in stabilizing the Korean construction and shipbuilding industries.

Principally as a result of the deterioration in the asset quality of our credit exposures to construction companies (including in the form of real estate project financing loans) and shipbuilding companies and the commencement of workout procedures with respect to a number of these companies in 2010, the ratio of the our non-performing loans to our total loans increased from 1.33% as of December 31, 2009 to 3.06% as of December 31, 2010, and our provision for loan losses increased from ₩2,408 billion in 2009 to ₩3,078 billion in 2010. The allowances that we have established against our credit exposures to Korean construction and shipbuilding companies may not be sufficient to cover all future losses arising from these and other exposures. If the credit quality of our exposures to Korean construction and shipbuilding companies declines, we may be required to take substantial additional loan loss provisions, which could adversely impact our results of operations and financial condition. Furthermore, although a portion of our loans to construction and shipbuilding companies are secured by collateral, such collateral may not be sufficient to cover uncollectible amounts in respect of such loans.

We also have construction-related credit exposures under our project financing loans for real estate development projects in Korea. In light of the general deterioration in the asset quality of real estate project financing loans in Korea in recent years, Korean banks, including Woori Bank, Kyongnam Bank and Kwangju Bank, implemented a uniform set of guidelines regarding the evaluation of real estate development projects and asset quality classification of project financing loans for such projects in September 2010. Under these guidelines, which became effective from the third quarter of 2010, Korean banks are generally required to apply more stringent criteria in evaluating the asset quality of real estate project financing loans. As a result, we may be required to establish additional allowances with respect to our outstanding real estate project financing loans, which could adversely affect our financial condition and results of operations.

We have exposure to the largest Korean commercial conglomerates, known as chaebols, and, as a result, recent and any future financial difficulties of chaebols may have an adverse impact on us.

Of our 20 largest corporate exposures (including loans, debt and equity securities, credit-related commitments and other exposures) as of December 31, 2010, 14 were to companies that were members of the 30 largest *chaebols* in Korea. As of that date, the total amount of our exposures to the 30 largest *chaebols* was ₩35,833 billion, or 13.6% of our total exposures. If the credit quality of our exposures to *chaebols* declines, we could require additional loan loss provisions, which would hurt our results of operations and financial condition. See Item 4B. Business Overview Assets and Liabilities Loan Portfolio Exposure to Chaebols.

The allowances we have established against these exposures may not be sufficient to cover all future losses arising from these exposures. In addition, in the case of companies that are in or in the future enter into workout, restructuring, reorganization or liquidation proceedings, our recoveries from those companies may be limited. We may, therefore, experience future losses with respect to these exposures.

A large portion of our exposure is concentrated in a relatively small number of large corporate borrowers, which increases the risk of our corporate credit portfolio.

As of December 31, 2010, our 20 largest exposures to corporate borrowers totaled ₩38,629 billion, which represented 14.7% of our total exposures. As of that date, our single largest corporate exposure was to the Korean government, to which we had outstanding credits in the form of debt securities of ₩11,274 billion, representing 4.3% of our total exposures. Aside from exposure to the Korean government and government-related agencies, our next largest exposure was to STX Offshore & Shipbuilding Co., Ltd., to which we had outstanding exposure of ₩1,740 billion representing 0.7% of our total exposures. Any deterioration in the financial condition of our large corporate borrowers may require us to take substantial additional provisions and may have a material adverse impact on our results of operations and financial condition.

We have exposure to companies that are currently or may in the future be put in restructuring, and we may suffer losses as a result of additional loan loss provisions required or the adoption of restructuring plans with which we do not agree.

As of December 31, 2010, our credit exposures to companies that were in workout or corporate restructuring amounted to ₩2,971 billion or 1.4% of our total credit exposures, of which ₩1,960 billion or 66.0% was classified as substandard or below and all of which was classified as impaired. As of the same date, our allowances for loan losses on these credit exposures amounted to ₩1,359 billion, or 45.7% of these exposures. These allowances may not be sufficient to cover all future losses arising from our credit exposure to these companies. Furthermore, we have other exposure to such companies, in the form of debt and equity securities of such companies held by us (including equity securities we acquired as a result of debt-to-equity conversions). Including such securities, our exposures as of December 31, 2010 to companies in workout or

Table of Contents

restructuring amounted to ₩3,256 billion, or 1.2% of our total exposures. Our exposures to such companies may also increase in the future, including as a result of adverse conditions in the Korean economy. In addition, in the case of borrowers that are or become subject to workout, we may be forced to restructure our credits pursuant to restructuring plans approved by other creditor financial institutions of the borrower, or to dispose of our credits to other creditors on unfavorable terms, which may adversely affect our results of operations and financial condition.

We have exposure to member companies of the Kumho Asiana Group, and financial difficulties of these companies may adversely impact us.

Several member companies of the Kumho Asiana Group, one of Korea s largest chaebols, have been experiencing financial difficulties, including as a result of their heavily leveraged acquisition of Daewoo Engineering & Construction Co., Ltd. in 2006 and the subsequent global financial crisis commencing in the second half of 2008. In January 2010, Kumho Tires Co., Inc. and Kumho Industrial Co., Ltd. agreed with their creditors, including us, to begin an out-of-court debt restructuring program under the Corporate Restructuring Promotion Act. In addition, Kumho Petrochemical Co., Ltd. and Asiana Airlines announced that they would undergo a voluntary restructuring, in return for which their creditors, including us, agreed to a suspension of payments on the two companies debt until the end of 2010. These four companies are member companies of the Kumho Asiana Group. As of December 31, 2010, our aggregate credit exposures to Kumho Tires, Kumho Industrial, Kumho Petrochemical and Asiana Airlines, consisting primarily of loans extended to such companies and also including other exposures such as project finance-related exposures, amounted to ₩1,417 billion, of which ₩460 billion were classified as substandard or below. As of December 31, 2010, our allowances for credit losses with respect to such credit exposures amounted to ₩60 billion. We also had exposure relating to put options granted to us in connection with our co-investment in Daewoo Engineering & Construction with the Kumho Asiana Group (although such put options are not recorded as part of our assets in our consolidated financial statements prepared under U.S. GAAP). The fair value of our holdings of Daewoo Engineering & Construction shares was ₩151 billion as of December 31, 2010. Moreover, in the first five months of 2011, we extended additional loans to such companies in the aggregate amount of approximately ₩34 billion and provided additional guarantees in the aggregate amount of ₩5 billion. We also converted an aggregate of ₩113 billion of our loans to such companies into equity interests in such companies in connection with such restructuring programs. Our allowances may not be sufficient to cover all future losses arising from our exposures to these companies. Furthermore, in the event that the financial condition of these companies deteriorates further in the future, we may be required to record additional provisions for credit losses, as well as charge-offs and valuation or impairment losses or losses on disposal, which may have a material adverse effect on our financial condition and results of operations.

Risks relating to our consumer credit portfolio

We may experience increases in delinquencies in our consumer loan and credit card portfolios.

In recent years, consumer debt has increased rapidly in Korea. Our portfolio of consumer loans has grown from ₩59,523 billion as of December 31, 2007 to ₩63,701 billion as of December 31, 2010. Our credit card portfolio has also increased from ₩3,325 billion as of December 31, 2007 to ₩4,354 billion as of December 31, 2010. As of December 31, 2010, our consumer loans and credit card receivables represented 33.3% and 2.3% of our total lending, respectively.

The growth in our consumer loan portfolio in recent years, together with adverse economic conditions in Korea and globally, may lead to increasing delinquencies and a deterioration in asset quality. Our consumer loans classified as substandard or below increased from ₩241 billion, or 0.4% of our consumer loan portfolio, as of December 31, 2007 to ₩560 billion, or 0.9% of our consumer loan portfolio, as of December 31, 2010. We charged off consumer loans amounting to ₩109 billion in 2010, as compared to ₩486 billion in 2009, and recorded provisions in respect of consumer loans of ₩146 billion in 2010, as compared to ₩310 billion in 2009. Within our consumer loan portfolio, the outstanding balance of general purpose household loans, which, unlike mortgage or home equity loans, are often unsecured and therefore tend to carry a higher credit risk, has decreased slightly from ₩30,967 billion, or 52.0% of our total outstanding consumer loans, as of

December 31, 2007 to ₩30,759 billion, or 48.3% of our total outstanding consumer loans, as of December 31, 2010.

In our credit card segment, outstanding balances overdue by 30 days or more increased from ₩71 billion, or 2.1% of our credit card receivables, as of December 31, 2007 to ₩103 billion, or 2.4% of our credit card receivables, as of December 31, 2010. In line with industry practice, we have restructured a portion of our delinquent credit card account balances as loans. As of December 31, 2010, these restructured loans amounted to ₩34 billion, or 0.8% of our credit card balances. Because these restructured loans are not initially recorded as being delinquent, our delinquency ratios do not fully reflect all delinquent amounts relating to our credit card balances. Including all restructured loans, outstanding balances overdue by 30 days or more accounted for 3.2% of our credit card balances as of December 31, 2010. We charged off credit card balances amounting to ₩140 billion in 2010, as compared to ₩203 billion in 2009, and recorded provisions in respect of credit card balances of ₩60 billion in 2010, as compared to ₩125 billion in 2009. Delinquencies may increase in the future as a result of, among other things, adverse economic conditions in Korea, difficulties experienced by other credit card issuers that adversely affect our customers, additional government regulation or the inability of Korean consumers to manage increased household debt.

A deterioration of the asset quality of our consumer loan and credit card portfolios would require us to increase our loan loss provisions and charge-offs and will adversely affect our financial condition and results of operations. In addition, our large exposure to consumer debt means that we are exposed to changes in economic conditions affecting Korean consumers. Accordingly, economic difficulties in Korea that hurt those consumers could result in further deterioration in the credit quality of our consumer loan and credit card portfolios. For example, a rise in unemployment or an increase in interest rates in Korea could adversely affect the ability of consumers to make payments and increase the likelihood of potential defaults.

In light of adverse conditions in the Korean economy affecting consumers, in March 2009, the Financial Services Commission requested Korean banks, including Woori Bank, Kyongnam Bank and Kwangju Bank, to establish a pre-workout program, including a credit counseling and recovery service, for retail borrowers with outstanding short-term debt. The pre-workout program has been in operation since April 2009 and, following successive extensions by the Korean government, is expected to continue until April 2013. Under the pre-workout program, maturity extensions and/or interest reductions are provided for retail borrowers with total loans of less than ₩500 million who are in arrears on their payments for more than 30 days but less than 90 days. Our participation in such pre-workout program and other government-led initiatives to provide financial support to retail borrowers may lead us to offer credit terms for such borrowers that we would not otherwise offer, in the absence of such initiatives, which may have an adverse effect on our results of operations and financial condition.

A decline in the value of the collateral securing our consumer loans and our inability to realize full collateral value may adversely affect our consumer credit portfolio.

A substantial portion of our consumer loans is secured by real estate, the values of which have fluctuated significantly in recent years. Although it is our general policy to lend up to 60% of the appraised value of collateral (except in areas of high speculation designated by the government where we generally limit our lending to 40% to 60% of the appraised value of collateral) and to periodically re-appraise our collateral, a downturn in the real estate markets in Korea in recent years has resulted in declines in the value of the collateral securing our mortgage and home equity loans. If collateral values decline further in the future, they may not be sufficient to cover uncollectible amounts in respect of our secured loans. Any future declines in the value of the real estate or other collateral securing our consumer loans, or our inability to obtain additional collateral in the event of such declines, could result in a deterioration in our asset quality and may require us to take additional loan loss provisions.

In Korea, foreclosure on collateral generally requires a written petition to a court. An application, when made, may be subject to delays and administrative requirements that may decrease the value of such collateral. We cannot guarantee that we will be able to realize the full value on our collateral as a result of, among other factors, delays in foreclosure proceedings and defects in the perfection of our security interest in collateral. Our failure to recover the expected value of collateral could expose us to potential losses.

Risks relating to our financial holding company structure and strategy

We may not succeed in implementing our current strategy to take advantage of our integrated financial holding company structure.

Our success under a financial holding company structure depends on our ability to take advantage of our large existing base of retail and corporate banking customers and to implement a strategy of developing and cross-selling diverse financial products and services to them. As part of this strategy, we have standardized our subsidiaries risk management operations (except with respect to operational risk), including with respect to credit risk management following systems upgrades completed in 2007. We also plan to continue to diversify our product offerings through, among other things, increased marketing of insurance products and expansion of our investment banking and investment trust operations. The continued implementation of these plans may require additional investments of capital, infrastructure, human resources and management attention. This strategy entails certain risks, including the possibility that:

- we may fail to successfully integrate our diverse systems and operations;
- we may lack required capital resources;
- we may fail to attract, develop and retain personnel with necessary expertise;
- we may face competition from other financial holding companies and more specialized financial institutions in particular segments; and
- we may fail to leverage our financial holding company structure to realize operational efficiencies and to cross-sell multiple products and services.

If our strategy does not succeed, we may incur losses on our investments and our results of operations and financial condition may suffer.

We may fail to realize the anticipated benefits relating to our reorganization and integration plan and any future mergers or acquisitions that we may pursue.

Our success under a financial holding company structure depends on our ability to implement our reorganization and integration plan and to realize the anticipated synergies, growth opportunities and cost savings from coordinating and, in certain cases, combining the businesses of our various subsidiaries. As part of this plan, between December 2001 and February 2002 we merged the commercial banking business of Peace Bank of Korea into Woori Bank, converted Peace Bank of Korea into a credit card subsidiary, Woori Credit Card, and transferred the credit card business of Woori Bank to Woori Credit Card. We also transferred the credit card business of Kwangju Bank to Woori Credit Card in March 2003. In light of the deteriorating business performance of Woori Investment Bank and with the objective of restructuring the group platform, we merged Woori Investment Bank with Woori Bank in August 2003. In March 2004, in response to the liquidity problems of Woori Credit Card stemming from the deteriorating asset quality of its credit card portfolio, we merged Woori Credit Card with Woori Bank. Although we currently intend for our commercial banking subsidiaries to continue to operate as separate legal entities within our financial holding company structure and to maintain separate loan origination and other functions, we have standardized our subsidiaries risk management operations (except with respect to operational risk), including with respect to credit risk management following systems upgrades completed in 2007. In October and December 2004, we also acquired a 27.3% voting interest in LGIS, a leading domestic securities firm. In March 2005, we merged Woori Securities into LGIS and renamed the surviving entity Woori Investment & Securities, which became an equity method investee. See Item 4B. Business Overview Business Capital Markets Activities Securities Brokerage. In May 2005, we purchased a 90.0% direct ownership interest in LG Investment Trust Management, or LGITM, from LGIS. We subsequently merged Woori Investment Trust Management, our wholly-owned asset management subsidiary, into LGITM and renamed the surviving entity Woori Asset

Management, which remains a consolidated subsidiary. In July and September 2005, Woori Asset Management reacquired the remaining 10.0% interest from its minority shareholders. In May 2006, we transferred 30.0% of our interest in Woori Asset Management to Credit Suisse. Following this transfer, we renamed the entity Woori Credit Suisse Asset Management. In October 2009, we reacquired Credit Suisse s 30.0% interest in Woori Credit Suisse Asset Management and renamed the entity Woori Asset Management. Furthermore, we acquired a 51.4% interest in Hanmi Capital in September 2007, which was subsequently renamed Woori Financial, and acquired a 51.0% interest in LIG Life Insurance in April 2008, which was subsequently renamed Woori Aviva Life Insurance. Woori Financial became a consolidated subsidiary, while we account for Woori Aviva Life Insurance as an equity method investee under U.S. GAAP. As part of our business plan, we, through Woori Bank, Kyongnam Bank and Kwangju Bank, have also entered into bancassurance marketing arrangements with third party insurance companies. See Item 4B. Business Overview Business Other Businesses Bancassurance.

Separately, on May 17, 2011, the Korean government, through the Public Funds Oversight Committee of the Financial Services Commission, announced its plans to privatize us through a sale of up to the entire 56.97% equity stake (and a minimum of a 30% equity stake) held by the Korean government through the KDIC. Such announcement superceded the prior privatization plans announced in July 2010. According to the latest privatization plan, the sale will be effected by a competitive bidding process open to domestic and foreign investors, with the preliminary bidding process open from May 18, 2011 to June 29, 2011. In its announcement on May 17, 2011, the Korean government further reconfirmed its previously announced intent to cause the memorandum of understanding between us and the KDIC to be amended or terminated upon the completion of the privatization transaction, depending on the KDIC s shareholding in us after the transaction, to promote our transition to private sector control. Our privatization may result in our merger with, or integration into, another financial institution. However, the implementation of the Korean government s privatization plan may be delayed or changed depending on a variety of factors, such as domestic and international economic conditions, and there can be no assurance that such privatization plan will be implemented as contemplated or at all.

In addition, we purchased certain assets and assumed certain liabilities of Samhwa Mutual Savings Bank through our wholly-owned subsidiary, Woori FG Savings Bank Co., Ltd., which began operating in March 2011. As part of our strategy, we intend to continue to seek opportunities to expand our overseas operations, including potentially through acquisitions and investments in the U.S., Europe and Asia. The integration of our subsidiaries separate businesses and operations, as well as those of any companies we may merge with or acquire in the future, could require a significant amount of time, financial resources and management attention, and may result in increased capital requirements and greater credit and other exposures. Moreover, the integration process could disrupt our operations (including our risk management operations) or information technology systems, reduce employee morale, produce unintended inconsistencies in our standards, controls, procedures or policies, and affect our relationships with customers and our ability to retain key personnel.

The continued implementation of our reorganization and integration plan, as well as any future additional integration plans that we may adopt in connection with our mergers or acquisitions or otherwise, and the realization of the anticipated benefits of our financial holding company structure and any mergers or acquisitions we decide to pursue may be blocked, delayed or reduced as a result of many factors, some of which may be outside our control. These factors include:

- difficulties in integrating the diverse activities and operations of our subsidiaries or any companies we may merge with or acquire, including risk management operations and information technology systems, personnel, policies and procedures;

- difficulties in reorganizing or reducing overlapping personnel, branches, networks and administrative functions;

restrictions under the Financial Holding Company Act, the Financial Investment Services and Capital Markets Act and other regulations on transactions between our company and, or among, our subsidiaries;

unexpected business disruptions;

loss of customers; and

labor unrest.

Accordingly, we may not be able to realize the anticipated benefits of our current or any future reorganization and integration plan and any future mergers or acquisitions that we pursue or undergo, and our business, results of operations and financial condition may suffer as a result.

We may not generate sufficient additional fees to achieve our revenue diversification strategy.

An important element of our overall strategy is increasing our fee income in order to diversify our revenue base, in anticipation of greater competition and declining lending margins. Historically, our primary source of revenues has been net interest income from our banking operations. To date, except for credit card, trust management, bancassurance, brokerage and currency transfer fees (including foreign exchange-related commissions) and fees collected in connection with the operation of our investment funds, we have not generated substantial fee income. We intend to develop new sources of fee income as part of our business strategy, including through our investment banking and asset management businesses. Although we, like many other Korean financial institutions, have begun to charge fees to our customers more regularly, customers may prove unwilling to pay additional fees, even in exchange for more attractive value-added services, and their reluctance to do so would adversely affect the implementation of this aspect of our strategy.

In 2007, our subsidiary Woori Bank reduced or waived many of the fees it charges on its banking services, in response to customer demand and to similar measures taken by other commercial banks in Korea. Specifically, Woori Bank reduced or waived its fees on fund transfers through its ATMs, and exempted its fees on fund transfers through its mobile banking services. Woori Bank also waived the fees it charges on the opening of household checking accounts and on the issuance of bankers checks and certain tax-related statements. In addition, in March 2008, we began a stockholder benefits program whereby Woori Bank would reduce or waive various fees, including foreign exchange-related commissions and credit card annual membership fees, for holders of ten shares or more of our common stock. These and other fee reduction or waiver measures that we may implement in the future may adversely affect our fee income.

We depend on limited forms of funding to fund our operations at the holding company level.

We are a financial holding company with no significant assets other than the shares of our subsidiaries. Our primary sources of funding and liquidity are dividends from our subsidiaries, direct borrowings and issuances of equity or debt securities at the holding company level. In addition, as a financial holding company, we are required to meet certain minimum financial ratios under Korean law, including with respect to liquidity, leverage and capital adequacy. Our ability to meet our obligations to our direct creditors and employees and our other liquidity needs and regulatory requirements at the holding company level depends on timely and adequate distributions from our subsidiaries and our ability to sell our securities or obtain credit from our lenders.

In the case of dividend distributions, this depends on the financial condition and operating results of our subsidiaries. In the future, our subsidiaries may enter into agreements, such as credit agreements with lenders or indentures relating to high-yield or subordinated debt instruments, that impose restrictions on their ability to make distributions to us, and the terms of future obligations and the operation of Korean law could prevent our subsidiaries from making sufficient distributions to us to allow us to make payments on our outstanding obligations. See As a holding company, we depend on receiving dividends from our subsidiaries to pay dividends on our common stock. Any delay in receipt of or shortfall in payments to us from our subsidiaries could result in our inability to meet our liquidity needs and regulatory requirements, including minimum liquidity and capital adequacy ratios, and may disrupt our operations at the holding company level.

In addition, creditors of our subsidiaries will generally have claims that are prior to any claims of our creditors with respect to their assets. Furthermore, our inability to sell our securities or obtain funds from our lenders on favorable terms, or at all, could also result in our inability to meet our liquidity needs and regulatory requirements and may disrupt our operations at the holding company level.

As a holding company, we depend on receiving dividends from our subsidiaries to pay dividends on our common stock.

Since our principal assets at the holding company level are the shares of our subsidiaries, our ability to pay dividends on our common stock largely depends on dividend payments from those subsidiaries. Those dividend payments are subject to the Korean Commercial Code, the Bank Act and regulatory limitations, generally based on capital levels and retained earnings, imposed by the various regulatory agencies with authority over those entities. The ability of our banking subsidiaries to pay dividends is subject to regulatory restrictions to the extent that paying dividends would impair each of their nonconsolidated profitability, financial condition or other cash flow needs. For example:

- under the Korean Commercial Code, dividends may only be paid out of distributable income, an amount which is calculated by subtracting the aggregate amount of a company s paid-in capital and certain mandatory legal reserves from its net assets, in each case as of the end of the prior fiscal period;

- under the Bank Act, a bank also must credit at least 10% of its net profit to a legal reserve each time it pays dividends on distributable income until that reserve equals the amount of its total paid-in capital; and

- under the Bank Act and the requirements of the Financial Services Commission, if a bank fails to meet its required capital adequacy ratio or otherwise subject to the management improvement measures imposed by the Financial Services Commission, then the Financial Services Commission may restrict the declaration and payment of dividends by that bank.

Our subsidiaries may not continue to meet the applicable legal and regulatory requirements for the payment of dividends in the future. If they fail to do so, they may stop paying or reduce the amount of the dividends they pay to us, which would have an adverse effect on our ability to pay dividends on our common stock.

In addition, we and our subsidiaries may not be able to pay dividends to the extent that such payments would result in a failure to meet any of the applicable financial targets under our respective memoranda of understanding with the Korea Deposit Insurance Corporation, or the KDIC. See Other risks relating to our business Our failure to meet the financial and other business targets set forth in current terms of the memoranda of understanding among us, our subsidiaries and the KDIC may result in substantial harm to us or our subsidiaries.

Risks relating to competition

Competition in the Korean financial industry is intense, and we may lose market share and experience declining margins as a result.

Competition in the Korean financial market has been and is likely to remain intense. Some of the financial institutions that we compete with are larger in terms of asset size and customer base and have greater financial resources or more specialized capabilities than our subsidiaries. In addition, in the area of our core banking operations, most Korean banks have been focusing on retail customers and small- and medium-sized enterprises in recent years, although they have begun to generally increase their exposure to large corporate borrowers, and have been focusing on developing fee income businesses, including bancassurance and investment products, as increasingly important sources of revenue. In the area of credit cards, Korean banks and credit card companies have in the past engaged in aggressive marketing activities and made significant investments, contributing to some extent to lower profitability and asset quality problems previously experienced with respect to credit card receivables. The competition and market saturation resulting from this common focus may make it more difficult for us to secure retail and small- and medium-sized customers with the credit quality and on credit terms necessary to maintain or increase our income and profitability.

In addition, we believe that regulatory reforms, including the Financial Investment Services and Capital Markets Act which became effective in February 2009, and the general modernization of business practices in Korea will lead to increased competition among financial institutions in Korea. We also believe that foreign financial institutions, many of which have greater experience and resources than we do, will seek to compete with us in providing financial products and services either by themselves or in partnership with existing Korean financial institutions. Furthermore, a number of significant mergers and acquisitions in the industry have taken place in Korea over the past decade, including the acquisition of Koram Bank by an affiliate of Citibank in 2004, the acquisition of Korea First Bank by Standard Chartered Bank in April 2005, Chohung Bank s merger with Shinhan Bank in April 2006 and Hana Financial Group s agreement in November 2010 to acquire a controlling interest in Korea Exchange Bank from the Lone Star funds. We expect that consolidation in the financial industry will continue. In particular, the Korean government has announced that it plans to privatize the Korea Development Bank. Other financial institutions may seek to acquire or merge with such or other entities, and the financial institutions resulting from this consolidation may, by virtue of their increased size and business scope, provide significantly greater competition for us. Increased competition and continuing consolidation may lead to decreased margins, resulting in a material adverse impact on our future profitability. Accordingly, our results of operations and financial condition may suffer as a result of increasing competition in the Korean financial industry.

Competition for customer deposits may increase, resulting in a loss of our deposit customers or an increase in our funding costs.

In recent years, we have faced increasing pricing pressure on deposit products from our competitors. If we do not continue to offer competitive interest rates to our deposit customers, we may lose their business. In addition, even if we are able to match our competitors pricing, doing so may result in an increase in our funding costs, which may have an adverse impact on our results of operations.

Other risks relating to our business

Difficult conditions in the global financial markets could adversely affect our results of operations and financial condition.

During the second and third quarter of 2007, credit markets in the United States started to experience difficult conditions and volatility that in turn affected worldwide financial markets. In particular, in late July and early August 2007, market uncertainty in the U.S. sub-prime mortgage sector increased dramatically and further expanded to other markets such as those for leveraged finance, collateralized debt obligations and other structured products. In September and October 2008, liquidity and credit concerns and volatility in the global financial markets increased significantly with the bankruptcy or acquisition of, and government assistance to, several major U.S. and European financial institutions. These developments resulted in reduced liquidity, greater volatility, widening of credit spreads and a lack of price transparency in the United States and global financial markets. In response to such developments, legislators and financial regulators in the United States and other jurisdictions, including Korea, implemented a number of policy measures designed to add stability to the financial markets, including the provision of direct and indirect assistance to distressed financial institutions. In addition, in line with similar actions taken by monetary authorities in other countries, from the third quarter of 2008 to the first quarter of 2009, the Bank of Korea decreased its policy rate by a total of 325 basis points in order to address financial market instability and to help combat the slowdown of the domestic economy and left the key interest rate unchanged at 2.00% throughout 2009. However, while the rate of deterioration of the global economy has slowed since the second half of 2009, with some signs of stabilization and improvement, the overall prospects for the Korean and global economy in 2011 and beyond remain uncertain. For example, many governments worldwide, in particular in Greece, Portugal, Spain and other countries in southern Europe, have shown signs of fiscal stress and may experience difficulties in meeting their debt service requirements. In addition, recent political instability in various countries in the Middle East and Northern Africa, including in Egypt, Tunisia, Libya and Bahrain, have resulted in volatility and uncertainty in the global financial and energy markets. Moreover, the earthquake and tsunami that occurred in the northeast part of Japan in March 2011 and the resulting releases of radiation from damaged nuclear power plants in the area have added to the uncertainty in global economic prospects. Any of these or other developments could potentially trigger another financial and economic crisis. Furthermore, while many governments worldwide are considering or are in the process of implementing exit strategies, in the form of reduced government spending, higher interest rates or otherwise, with respect to the economic stimulus measures adopted in response to the global financial crisis, such strategies may, for reasons related to timing, magnitude or other factors, have the unintended consequence of prolonging or worsening global economic and financial difficulties. In light of the high level of interdependence of the global economy, any of the foregoing developments could have a material adverse effect on the Korean economy and financial markets, and in turn on our business, financial condition and results of operations.

We are also exposed to adverse changes and volatility in global and Korean financial markets as a result of our liabilities and assets denominated in foreign currencies and our holdings of trading and investment securities, including structured products. From the second half of 2008 to the first half of 2010, the value of the Won relative to major foreign currencies in general and the U.S. dollar in particular fluctuated widely. While such fluctuations have generally stabilized in the second half of 2010 and into 2011, there is no guarantee that they will not occur again in the future. See Item 3A. Selected Financial Data Exchange Rates. A depreciation of the Won will increase our cost in Won of servicing our foreign currency-denominated debt, while continued exchange rate volatility may also result in foreign exchange losses for us. Furthermore, as a result of adverse global and Korean economic conditions, there has been significant volatility in securities prices, including the stock prices of Korean and foreign companies in which we hold an interest. Such volatility has resulted in and may lead to further trading and valuation losses on our trading and investment securities portfolio as well as impairment losses on our investments accounted for under the equity method.

Our risk management system may not be effective in mitigating risk and loss.

We seek to monitor and manage our risk exposure through a group-wide, standardized risk management system, encompassing a multi-tiered risk management governance structure under our Group Risk Management Committee, standardized credit risk management systems for our banking subsidiaries based on Woori Bank s centralized credit risk management system called the CREPIA system, reporting and monitoring systems, early warning systems and other risk management infrastructure, using a variety of risk management strategies and techniques. See Item 11. Quantitative and Qualitative Disclosures About Market Risk. However, such risk management strategies and techniques employed by us and the judgments that accompany their application cannot anticipate the economic and financial outcome in all market environments, and many of the our risk management strategies and techniques have a basis in historic market behavior that may limit the effectiveness of such strategies and techniques in times of significant market stress or other unforeseen circumstances. Furthermore, our risk management strategies may not be effective in a difficult or less liquid market environment, as other market participants may be attempting to use the same or similar strategies as us to deal with such market conditions. In such circumstances, it may be difficult for us to reduce our risk positions due to the activity of such other market participants.

Our failure to meet the financial and other business targets set forth in current terms of the memoranda of understanding among us, our subsidiaries and the KDIC may result in substantial harm to us or our subsidiaries.

Under the current terms of the memoranda of understanding entered into among us, Woori Bank, Kyongnam Bank, Kwangju Bank and the KDIC, we and our subsidiaries are required to meet certain financial and business targets on a semi-annual and/or quarterly basis until the end of 2011. See Item 4A. History and Development of the Company History Relationship with the Korean Government. As a result of deteriorating economic and financial market conditions in Korea and globally, both we and Woori Bank failed to meet our respective return on assets targets, expense-to-revenue ratio targets and operating income per employee targets as of December 31, 2008. In September 2009, the KDIC imposed an institutional warning on us and Woori Bank, as well as reprimands and warnings on 11 current and former executive officers of Woori Bank, in connection with our and Woori Bank s failures to meet such financial targets, including as a result of losses incurred on collateralized debt obligations and other credit derivatives. In February and October 2010 and February 2011, the KDIC imposed institutional warnings on Woori Bank in connection with its failure to meet its financial targets with respect to operating income per employee as of September 30, 2009 and return on assets and non-performing loan ratio as of June 30 and September 30, 2010, respectively. In October 2010, KDIC imposed an institutional warning on Kyongnam Bank, as well as reprimands and warnings on 10 current and former executive officers of Kyongnam Bank, in connection with certain fraudulent transactions undertaken on behalf of Kyongnam Bank by certain employees and their potential impact on Kyongnam Bank. See Item 8A. Consolidated Statements and Other Financial Information Legal Proceedings Kyongnam Bank. In April 2011, the KDIC imposed another institutional warning on us and Woori Bank, as well as a warning on the former chief executive officer of Woori Bank, in connection with our and Woori Bank s failure to meet our financial targets with respect to our return on assets and non-performing loan ratio as of December 31, 2010. We, Woori Bank, Kyongnam Bank and Kwangju Bank entered into a new business normalization plan with new restructuring measures and financial targets with the KDIC in March 2011.

If we or our subsidiaries fail to satisfy our obligations under the current or any new memoranda of understanding in the future, the Korean government, through the KDIC, may impose penalties on us or our subsidiaries. These penalties could include the replacement of our senior management, sale of our assets, restructuring of our organization, restrictions on our business, including a suspension or transfer of our business, and elimination or reduction of existing equity. Accordingly, our failure to meet the obligations in the memoranda of understanding may result in harm to our business, financial condition and results of operations.

We have provided certain assets as collateral in connection with our secured borrowings and could be required to make payments and realize losses in the future relating to those assets.

We have provided certain assets as collateral for our secured borrowings in recent years. These secured borrowings often take the form of asset securitization transactions, where we nominally sell our assets to a securitization vehicle that issues securities backed by those assets, although the assets remain on our balance sheet. These secured borrowings are intended to be fully repaid through recoveries on collateral. Some of these nominal asset sales were with recourse, which means that if delinquencies arise with respect to such assets, we will be required to either repay a proportionate amount of the related secured borrowing (by reversing the nominal sale and repurchasing such assets) or compensate the securitization vehicle for any net shortfalls in its recoveries on such assets. As of December 31, 2010, the aggregate amount of assets we had provided as collateral for our secured borrowings was ₩5,237 billion. As of that date, we had established allowances of ₩19 billion in respect of possible losses on those assets. If we are required to make payments on such assets, or to repay our secured borrowings on those assets and are unable to make sufficient recoveries on them, we may realize further losses on these assets to the extent those payments or recovery shortfalls exceed our allowances.

An increase in interest rates would decrease the value of our debt securities portfolio and raise our funding costs while reducing loan demand and the repayment ability of our borrowers, which could adversely affect us.

Interest rates in Korea have been subject to significant fluctuations in recent years. In late 2008 and early 2009, the Bank of Korea reduced its policy rate by a total of 325 basis points to support Korea s economy amid the global financial crisis, and left the key interest rate unchanged at 2.00% throughout 2009. In an effort to stem inflation amid improved growth prospects, the Bank of Korea increased its policy rate to 2.25% in July 2010, 2.50% in November 2010, 2.75% in January 2011, 3.00% in March 2011 and 3.25% in June 2011. All else being equal, an increase in interest rates leads to a decline in the value of our portfolio of debt securities, which generally pay interest based on a fixed rate. A sustained increase in interest rates will also raise our funding costs, while reducing loan demand, especially among consumers. Rising interest rates may therefore require us to re-balance our asset portfolio and our liabilities in order to minimize the risk of potential mismatches and maintain our profitability. See Item 11.

Quantitative and Qualitative Disclosures About Market Risk. In addition, rising interest rate levels may adversely affect the Korean economy and the financial condition of our corporate and consumer borrowers, including holders of our credit cards, which in turn may lead to a deterioration in our credit portfolio. In particular, since most of our consumer and corporate loans bear interest at rates that adjust periodically based on prevailing market rates, a sustained increase in interest rate levels will increase the interest costs of our consumer and corporate borrowers and will adversely affect their ability to make payments on their outstanding loans.

Our funding is highly dependent on short-term deposits, which dependence may adversely affect our operations.

Our banking subsidiaries meet a significant amount of their funding requirements through short-term funding sources, which consist primarily of customer deposits. As of December 31, 2010, approximately 92.7% of these deposits had maturities of one year or less or were payable on demand. In the past, a substantial proportion of these customer deposits have been rolled over upon maturity. We cannot guarantee, however, that depositors will continue to roll over their deposits in the future. In the event that a substantial number of these short-term deposit customers withdraw their funds or fail to roll over their deposits as higher-yielding investment opportunities emerge, our liquidity position could be adversely affected. Our banking subsidiaries may also be required to seek more expensive sources of short-term and long-term funding to finance their operations. See Item 5B. Liquidity and Capital Resources Financial Condition Liquidity.

Labor union unrest may disrupt our operations and hinder our ability to continue to reorganize and integrate our operations.

Most financial institutions in Korea, including our subsidiaries, have experienced periods of labor unrest. As part of our reorganization and integration plan, we have transferred or merged some of the businesses operations of our subsidiaries into one or more entities and implemented other forms of corporate and operational restructuring. We may decide to implement other organizational or operational changes, as well as acquisitions or dispositions, in the future. Such efforts have in the past been met with significant opposition from labor unions in Korea. For example, in July 2004, members of Koram Bank s labor union engaged in a strike to obtain concessions in connection with the acquisition of Koram Bank by an affiliate of Citibank. Although we did not experience any major labor disputes in connection with the merger of Woori Credit Card with Woori Bank, our employees at Woori Securities staged a one-month strike to protest the merger of Woori Securities into LGIS in March 2005. Actual or threatened labor disputes may in the future disrupt the reorganization and integration process and our business operations, which in turn may hurt our financial condition and results of operations.

The secondary market for corporate bonds in Korea is not fully developed, and, as a result, we may not be able to realize the full marked-to-market value of debt securities we hold when we sell any of those securities.

As of December 31, 2010, our banking subsidiaries held debt securities issued by Korean companies and financial institutions (other than those issued by government-owned or -controlled enterprises or financial institutions, which include the KDIC, the Korea Electric Power Corporation, the Bank of Korea, the Korea Development Bank and the Industrial Bank of Korea) with a total book value of ₩19,798 billion in our trading and investment securities portfolio. The market value of these securities could decline significantly due to various factors, including future increases in interest rates or a deterioration in the financial and economic condition of any particular issuer or of Korea in general. Any of these factors individually or a combination of these factors would require us to write down the fair value of these debt securities, resulting in impairment losses. Because the secondary market for corporate bonds in Korea is not fully developed, the market value of many of these securities as reflected on our consolidated balance sheet is determined by references to suggested prices posted by Korean rating agencies or the Korea Securities Dealers Association. These valuations, however, may differ significantly from the actual value that we could realize in the event we elect to sell these securities. As a result, we may not be able to realize the full marked-to-market value at the time of any such sale of these securities and thus may incur additional losses.

We and our commercial banking subsidiaries may be required to raise additional capital to maintain our capital adequacy ratio or for other reasons, which we or they may not be able to do on favorable terms or at all.

Under the capital adequacy requirements of the Financial Services Commission, we, as a bank holding company, are required to maintain a minimum consolidated capital adequacy ratio, which is the ratio of equity capital as a percentage of risk-weighted assets on a consolidated basis, of 8.0%. See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Financial Holding Companies Capital Adequacy and Item 5B. Liquidity and Capital Resources Financial Condition Capital Adequacy. In addition, each of our commercial banking subsidiaries is required to maintain a minimum combined Tier I and Tier II capital adequacy ratio of 8.0%, on a consolidated basis. In both cases, Tier II capital is included in calculating the combined Tier I and Tier II capital adequacy ratio up to 100% of Tier I capital. In addition, the current terms of the memoranda of understanding among us, our subsidiaries and the KDIC require us and our subsidiaries to meet specified capital adequacy ratio requirements. See Item 4A. History and Development of the Company History Relationship with the Korean Government. As of December 31, 2010, our capital ratio and the capital adequacy ratios of our subsidiaries exceeded the minimum levels required by both the Financial Services Commission and these memoranda. However, our capital base and capital adequacy ratio or those of our subsidiaries may deteriorate in the future if our or their results of operations or financial condition deteriorates for any reason, or if we or they are not able to deploy their funding into suitably low-risk assets. To the extent that our subsidiaries fail to maintain their capital adequacy ratios in the future, Korean regulatory authorities may impose penalties on them ranging from a warning to suspension or revocation of their licenses.

If our capital adequacy ratio or those of our subsidiaries deteriorate, we or they may be required to obtain additional Tier I or Tier II capital in order to remain in compliance with the applicable capital adequacy requirements. As the financial holding company for our subsidiaries, we may be required to raise additional capital to contribute to our subsidiaries. We or our subsidiaries may not be able to obtain additional capital on favorable terms, or at all. The ability of our company and our subsidiaries to obtain additional capital at any time may be constrained to the extent that banks or other financial institutions in Korea or from other countries are seeking to raise capital at the same time. Depending on whether we or our subsidiaries are obtaining any necessary additional capital, and the terms and amount of any additional capital obtained, holders of our common stock or American depositary shares, or ADSs, may experience a dilution of their interest, or we may experience a dilution of our interest in our subsidiaries.

We may face increased capital requirements under the new Basel Capital Accord.

Beginning on January 1, 2008, the Financial Supervisory Service implemented the new Basel Capital Accord, referred to as Basel II, in Korea, which has affected the way risk is measured among Korean financial institutions, including our commercial banking subsidiaries. Building upon the initial Basel Capital Accord of 1988, which focused primarily on capital adequacy and asset soundness as a measure of risk, Basel II expands this approach to contemplate additional areas of risk such as operational risk. Basel II also institutes new measures that require our commercial banking subsidiaries to take into account individual borrower credit risk and operational risk when calculating risk-weighted assets.

In addition, under Basel II, banks are permitted to follow either a standardized approach or an internal ratings-based approach with respect to calculating capital requirements. Woori Bank has voluntarily chosen to establish and follow an internal ratings-based approach, which is more stringent in terms of calculating risk sensitivity with respect to its capital requirements, while Kyongnam Bank and Kwangju Bank (both of which are in the process of establishing an internal ratings-based approach) currently use a standardized approach. In October 2008, the Financial Supervisory Service approved Woori Bank s internal ratings-based approach for credit risk. For regulatory reporting purposes, from September 30, 2008, Woori Bank has implemented its internal ratings-based approach for credit risk, beginning with its credit risk with respect to retail, small- and medium-size enterprises and large corporate loans and asset-backed securities portfolios, and plans to further implement its internal ratings-based approach to its specialized lending portfolio upon approval by the Financial Supervisory Service. A standardized approach will be used in measuring credit risk for those classes of exposure for which Woori Bank s internal ratings-based approach has not yet been implemented, as well as for certain classes of exposure (including those to the Korean government, public institutions and other banks) for which the internal ratings-based approach will not be applied. Woori Bank plans to implement an advanced internal ratings-based approach for credit risk in the near future. Woori Bank also implemented a standardized approach for operational risk beginning on January 1, 2008, and implemented an advanced measurement approach for operational risk in June 2009.

While we believe that Woori Bank s implementation of an internal ratings-based approach in 2008 increased its capital adequacy ratio and led to a decrease in its credit risk-related capital requirements as compared to those under its previous approach under the initial Basel Capital Accord of 1988, there can be no assurance that such internal ratings-based approach under Basel II will not require an increase in Woori Bank s credit risk capital requirements in the future, which may require it to either improve its asset quality or raise additional capital.

In December 2009, the Basel Committee on Banking Supervision introduced a new set of measures to supplement Basel II which include, among others, a requirement for higher minimum capital, introduction of a leverage ratio as a supplementary measure to the capital adequacy ratio and flexible capital requirements for different phases of the economic cycle. Additional details regarding such new measures, including an additional capital conservation buffer and countercyclical capital buffer, liquidity coverage ratio and other supplemental measures, were announced by the Group of Governors and Heads of Supervision of the Basel Committee on Banking Supervision in September 2010. After further impact assessment and observation periods, the Basel Committee on Banking Supervision is expected to begin implementing the new set of measures, referred to as Basel III, from 2013. The timing and scope of implementation of Basel III in Korea remain uncertain. The implementation of Basel III in Korea may have a significant effect on the capital requirements of Korean financial institutions, including our commercial banking subsidiaries.

See Item 5B. Liquidity and Capital Resources Financial Condition Capital Adequacy.

We engage in limited activities relating to Iran and may become subject to sanctions under relevant laws and regulations of the United States and other jurisdictions as a result of such activities, which may adversely affect our business and reputation.

The U.S. Department of the Treasury s Office of Foreign Assets Control, or OFAC, enforces certain laws and regulations that impose restrictions upon U.S. persons with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of such OFAC sanctions, including Iran. Even though non-U.S. persons are not directly bound by such OFAC sanctions, in recent years OFAC has asserted that such non-U.S. persons can be held liable if they cause violations by U.S. persons. The European Union, or E.U., also enforces certain laws and regulations that impose restrictions upon nationals and entities of, and business conducted in, E.U. member states with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of such E.U. sanctions, including Iran. The United Nations Security Council and other governmental entities also impose similar sanctions.

In addition, in July 2010, the United States adopted legislation that expands the potential for U.S. economic sanctions against foreign companies doing business with Iran in certain sectors. The Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, or the CISADA, among other things, expands the scope of sanctionable activities relating to the development of petroleum and gas resources in Iran, the export of refined petroleum products to Iran, and the development of refining capacity in Iran. These sanctionable activities could include the provision of goods and services (including financing) in connection with such projects. The CISADA also expands the severity of potential sanctions available under the Iran Sanctions Act, as amended, and imposes mandatory investigation and reporting requirements designed to increase the likelihood of enforcement. A range of sanctions may be imposed on companies that engage in sanctionable activities, including among other things the blocking of any property subject to U.S. jurisdiction in which the sanctioned company has an interest, which could include a prohibition on transactions or dealings involving securities of the sanctioned company.

Table of Contents

Pursuant to the CISADA, the Secretary of the U.S. Treasury has also issued regulations prohibiting or strictly controlling opening or maintaining a correspondent account or a payable-through account in the United States for a foreign financial institution that has been found by the Secretary of the U.S. Treasury to knowingly facilitate Iran s efforts to acquire weapons of mass destruction, Iran s support of foreign terrorist groups, the activities of a person subject to relevant United Nations Security Council resolution sanctions, or any significant transaction supporting the Iranian Revolutionary Guard Corps (or an entity designated as an affiliate thereof under the OFAC sanctions) or a financial institution whose property is blocked under the OFAC sanctions due to activities related to weapons of mass destruction or terrorism.

Korea has also adopted a sanctions programme targeting Iran in accordance with the series of relevant resolutions adopted by the United Nations Security Council. In particular, in September 2010, the Korean government announced broad sanctions implementation guidelines covering financial, trade, transportation and energy-related activities with Iran, which also included a proposal to facilitate legitimate trade between Korea and Iran through Won-denominated settlement accounts to be opened by Bank Markazi Jomhouri Islami Iran (the Central Bank of Iran, or CBI) at certain Korean banks for such purpose.

Woori Bank, our consolidated subsidiary, operates certain accounts for CBI, which were opened pursuant to a service agreement entered into by Woori Bank and CBI in September 2010 to facilitate trade between Korea and Iran. The accounts opened by CBI consist of Won-denominated accounts which are used for the settlement of exports of goods to Iran by Korean exporters and Won, U.S. dollar, euro and Japanese Yen-denominated accounts which are used for the settlement of imports of oil and gas from Iran by Korean importers. By the terms of the service agreement between Woori Bank and CBI, settlement of export and import transaction payments through such accounts opened by CBI are effected by crediting or debiting the relevant amount to or from the applicable accounts while a corresponding payment of funds is made to or from an Iranian bank by CBI, and generally does not involve any actual transfer of the relevant funds from such accounts at Woori Bank to CBI s accounts in Iran or elsewhere for such settlement. Our commercial banking subsidiaries, including Woori Bank, also provide limited export-import financing services to Korean exporters and importers in connection with their trade transactions with Iran that are permitted under the relevant Korean sanctions, primarily by discounting, advising on or issuing letters of credit, which are settled through the accounts opened by CBI at Woori Bank. Furthermore, our commercial banking subsidiaries occasionally act as recipient bank on behalf of Korean exporters for international money transfers from Iranian importers and maintain a limited number of deposit accounts in Korea for Iranian financial institutions. In addition, Woori Bank may in the future be requested by the Korean government to participate in the settlement, through the accounts opened by CBI at Woori Bank, of certain past trade transactions involving Iran which were frozen prior to the implementation of Iran-related economic sanctions and export controls by the Korean government in 2010.

The applicable laws and regulations and banking guidelines of Korea require that trade transactions between Korean and Iranian parties be subject to prior certification and clearance by relevant Korean governmental authorities (or organizations designated thereby) to ensure compliance with Korean economic sanctions and export controls against Iran, and the settlement of payments through the accounts opened by CBI at Woori Bank are not permitted without such prior certification and clearance. While we believe that our activities relating to Iran (including the operation of such accounts) are in compliance with applicable OFAC sanctions, applicable E.U. sanctions and applicable sanctions imposed by the United Nations Security Council and other governmental entities, and we do not believe our activities would be sanctioned under CISADA or the regulations issued pursuant thereto, there is no guarantee that such activities will not be found to constitute sanctionable activities or that we will not be subjected to liability under such sanctions.

Our business and reputation could be adversely affected if the U.S. government or other governments were to determine that our Iran-related activities (including the operation of the accounts opened by CBI at Woori Bank) involve sanctionable activity under any of the relevant sanctions. Our investors may also be adversely affected if we are found to violate any of the relevant sanctions, or if any sanctions with which the investors are required to comply results in their investment in us being restricted. If we are sanctioned under the Iran Sanctions Act as amended by CISADA, such sanctions could include the blocking of any property in which we have an interest, which would effectively prohibit all U.S. persons from receiving any payments from us or our commercial banking subsidiaries, or otherwise acquiring, holding, withholding, using, transferring, withdrawing, transporting, importing, or exporting any property in which we have any interest.

Furthermore, some of our U.S. investors may be required to divest their investments in us under the laws of certain U.S. states or under internal investment policies or may decide for reputational reasons to divest such investments. We are aware of initiatives by U.S. governmental entities and U.S. institutional investors, such as pension funds, to adopt or consider adopting laws, regulations, or policies prohibiting transactions with or investment in, or requiring divestment from, entities doing business with countries identified as state sponsors of terrorism. There can be no assurance that the foregoing will not occur or that such occurrence will not have a material adverse effect on the value of our common stock and ADSs.

Our Internet banking services are subject to security concerns relating to the commercial use of the Internet.

We provide Internet banking services to our retail and corporate customers, which require sensitive customer information, including passwords and account information, to be transferred over a secure connection on the Internet. However, connections on the Internet, although secure, are not free from security breaches. We may experience security breaches in connection with our Internet banking service in the future, which may result in liability to our customers and third parties and materially and adversely affect our business.

We may experience disruptions, delays and other difficulties from our information technology systems.

We rely on our information technology systems for our daily operations including billing, effecting online and offline banking transactions and record keeping. We may experience disruptions, delays or other difficulties from our information technology systems, which may have an adverse effect on our business and adversely impact our customers confidence in us.

The adoption of International Financial Reporting Standards by Korea may adversely affect our reported financial condition and results of operations.

Beginning in 2011, all listed companies in Korea are required to prepare their financial statements under International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by Korea, or IFRS. Accordingly, our quarterly and annual financial statements for 2011 and subsequent years will be prepared in accordance with IFRS. Neither we nor our subsidiaries will publish interim or annual financial information on a U.S. GAAP basis for 2011 and subsequent years. IFRS differs significantly from U.S. GAAP in certain respects. As a result, certain balance sheet and income statement items reflected in our financial statements prepared in accordance with IFRS may differ substantially from those required to be reflected under U.S. GAAP.

We are generally subject to Korean corporate governance and disclosure standards, which differ in significant respects from those in other countries.

Companies in Korea, including us, are subject to corporate governance standards applicable to Korean public companies which differ in many respects from standards applicable in other countries, including the United States. As a reporting company registered with the U.S. Securities and Exchange Commission and listed on the New York Stock Exchange, we are subject to certain corporate governance standards as mandated by the Sarbanes-Oxley Act of 2002. However, foreign private issuers, including us, are exempt from certain corporate governance requirements under the Sarbanes-Oxley Act or under the rules of the New York Stock Exchange. There may also be less publicly available information about Korean companies, such as us, than is regularly made available by public or non-public companies in other countries. Such differences in corporate governance standards and less public information could result in less than satisfactory corporate governance practices or disclosure to investors in certain countries.

Table of Contents

Risks relating to government control

The KDIC, which is our controlling stockholder, is controlled by the Korean government and could cause us to take actions or pursue policy objectives that may be against your interests.

The Korean government, through the KDIC, currently owns 56.97% of our outstanding common stock. So long as the Korean government remains our controlling stockholder, it will have the ability to cause us to take actions or pursue policy objectives that may conflict with the interests of our other stockholders. For example, in order to further its public policy goals, the Korean government could request that we participate with respect to a takeover of a troubled financial institution or encourage us to provide financial support to particular entities or sectors. Such actions or others that are not consistent with maximizing our profits or the value of our common stock may have an adverse impact on our results of operations and financial condition and may cause the price of our common stock and ADSs to decline.

In addition, pursuant to the terms of our memorandum of understanding with the KDIC, we are required to take any necessary actions (including share buybacks and payment of dividends) to return to the KDIC the funds it injected into us and our subsidiaries, so long as those actions do not cause a material adverse effect on the normalization of our business operations as contemplated by the memorandum of understanding. Any actions that we take as a result of this requirement may favor the KDIC over our other stockholders and may therefore be against your interests.

Risks relating to government regulation and policy

The Korean government may promote lending and financial support by the Korean financial industry to certain types of borrowers as a matter of policy, which financial institutions, including us, may decide to follow.

Through its policy guidelines and recommendations, the Korean government has promoted and, as a matter of policy, may continue to attempt to promote lending by the Korean financial industry to particular types of borrowers. For example, the Korean government has in the past announced policy guidelines requesting financial institutions to participate in remedial programs for troubled corporate borrowers, as well as policies aimed at promoting certain sectors of the economy, including measures such as making low interest funding available to financial institutions that lend to these sectors. The government has in this manner encouraged mortgage lending to low-income individuals and lending to small- and medium-sized enterprises. We expect that all loans or credits made pursuant to these government policies will be reviewed in accordance with our credit approval procedures. However, these or any future government policies may influence us to lend to certain sectors or in a manner in which we otherwise would not in the absence of that policy.

In the past, the Korean government has also announced policies under which financial institutions in Korea are encouraged to provide financial support to particular sectors. For example, in light of the deteriorating financial condition and liquidity position of small- and medium-sized enterprises in Korea as a result of the global financial crisis commencing in the second half of 2008 and adverse conditions in the Korean economy affecting consumers, the Korean government introduced measures intended to encourage Korean banks to provide financial support to small- and medium-sized enterprise borrowers. See Risks relating to our corporate credit portfolio The largest portion of our exposure is to small- and medium-sized enterprises, and financial difficulties experienced by companies in this segment may result in a deterioration of our asset quality and have an adverse impact on us.

The Korean government may in the future request financial institutions in Korea, including us, to make investments in or provide other forms of financial support to particular sectors of the Korean economy as a matter of policy, which financial institutions, including us, may decide to accept. We may incur costs or losses as a result of providing such financial support.

Table of Contents

The Financial Services Commission may impose burdensome measures on us if it deems us or one of our subsidiaries to be financially unsound.

If the Financial Services Commission deems our financial condition or the financial condition of our subsidiaries to be unsound, or if we or our subsidiaries fail to meet applicable regulatory standards, such as minimum capital adequacy and liquidity ratios, the Financial Services Commission may order or recommend, among other things:

- capital increases or reductions;
- stock cancellations or consolidations;
- transfers of business;
- sales of assets;
- closures of branch offices;
- mergers with other financial institutions; and
- suspensions of a part or all of our business operations.

If any of these measures are imposed on us by the Financial Services Commission, they could hurt our business, results of operations and financial condition. In addition, if the Financial Services Commission orders us to partially or completely reduce our capital, you may lose part or all of your investment.

In September 2009, the Financial Services Commission imposed an institutional warning on us and Woori Bank in connection with Woori Bank s losses on collateralized debt obligations and other credit derivatives in recent years. The Financial Services Commission also required Woori Bank to enter into a memorandum of understanding with the Financial Supervisory Service, which was entered into in December 2009 and required Woori Bank to implement specific measures to improve its risk management systems and internal controls (including with respect to its board practices, investment and credit risk management-related processes, compliance monitoring and internal audit practices). In addition, the Financial Services Commission imposed warnings and reprimands on certain of Woori Bank s current and former executive officers, including current and former chief executive officers of Woori Bank. In October 2010, the Financial Services Commission suspended Kyongnam Bank from accepting new specified money trust accounts for three months and imposed reprimands and warnings on 22 executive officers and employees of Kyongnam Bank in connection with certain fraudulent transactions ostensibly undertaken on behalf of Kyongnam Bank by certain employees, as well as ordering the dismissal of three employees who were principally involved in the incident. See Other risks relating to our business Difficult conditions in the global financial markets could adversely affect our results of operations and financial condition and Item 8A. Consolidated Statements and Other Financial Information Legal Proceedings Kyongnam Bank.

The Financial Investment Services and Capital Markets Act may result in increased competition in the Korean financial services industry.

In July 2007, the National Assembly of Korea enacted the Financial Investment Services and Capital Markets Act, a new law intended to enhance the integration of the Korean capital markets and financial investment products industry, which became effective in February 2009. As a result, our subsidiary banks and other banks in Korea face greater competition in the Korean financial services market from financial investment companies and other non-bank financial institutions. For example, securities companies previously were not permitted to accept deposits other than for purposes of securities investment by customers and may not provide secondary services in connection with securities investments such as settlement and remittance relating to such deposits. However, under the Financial Investment Services and Capital Markets Act, financial investment companies, which replaced securities companies, among others, are able to provide such secondary services. Accordingly, our subsidiary banks and other banks in Korea may experience a loss of customer deposits (which in turn may result in a need to seek alternative funding sources and an increase in our subsidiary banks funding costs), as well as a decrease in our subsidiary banks settlement and remittance service fee income, which may outweigh the benefits to our non-banking subsidiaries under the Financial Investment Services and Capital Markets Act.

In addition, we believe it is likely that financial investment companies and other financial industry participants in Korea will seek to take advantage of the greater flexibility provided under the Financial Investment Services and Capital Markets Act to expand their operations in areas that we also plan to develop further, such as investment banking and asset management. As a result, we may face increased competition for customers as well as qualified employees as a result of the new law. The Financial Investment Services and Capital Markets Act is also likely to accelerate the trend toward consolidation and convergence among companies in the Korean financial services industry, which may result in a significant increase in the capital base and geographic reach of some of our competitors in the future. Some of the financial institutions resulting from this consolidation may, by virtue of their increased size and business scope, provide greater competition for us.

Risks relating to Korea

Unfavorable financial and economic developments in Korea may have an adverse effect on us.

We are incorporated in Korea, and substantially all of our operations are located in Korea. As a result, we are subject to political, economic, legal and regulatory risks specific to Korea. The economic indicators in Korea in recent years have shown mixed signs of growth and uncertainty, and future growth of the economy is subject to many factors beyond our control.

In recent years, adverse conditions and volatility in the worldwide financial markets, fluctuations in oil and commodity prices and the general weakness of the U.S. and global economy have contributed to the uncertainty of global economic prospects in general and have adversely affected, and may continue to adversely affect, the Korean economy. See Other risks relating to our business Difficult conditions in the global financial markets could adversely affect our results of operations and financial condition. From the second half of 2008 to the first half of 2010, the value of the Won relative to major foreign currencies in general and the U.S. dollar in particular fluctuated widely. While such fluctuations have generally stabilized in the second half of 2010 and into 2011, there is no guarantee that they will not occur again in the future. See Item 3A. Selected Financial Data Exchange Rates. A depreciation of the Won increases the cost of imported goods and services and the Won revenue needed by Korean companies to service foreign currency-denominated debt. An appreciation of the Won, on the other hand, causes export products of Korean companies to be less competitive by raising their prices in terms of the relevant foreign currency and reduces the Won value of such export sales. Furthermore, as a result of adverse global and Korean economic conditions, there has been significant volatility in the stock prices of Korean companies. The Korea Composite Stock Price Index (known as the KOSPI) declined from 1,897.1 on December 31, 2007 to 938.8 on October 24, 2008. While the KOSPI has largely recovered since late 2008, there is no guarantee that the stock prices of Korean companies will not decline again in the future. Future declines in the KOSPI and large amounts of sales of Korean securities by foreign investors and subsequent repatriation of the proceeds of such sales may adversely affect the value of the Won, the foreign currency reserves held by financial institutions in Korea, and the ability of Korean companies to raise capital. Any future deterioration of the Korean or global economy could adversely affect our business, financial condition and results of operations.

Developments that could hurt Korea s economy in the future include:

- difficulties in the housing and financial sectors in the United States and elsewhere and the resulting adverse effects on the global financial markets;

adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar or Japanese yen exchange rates or revaluation of the Chinese renminbi), interest rates and stock markets;

adverse conditions in the economies of countries that are important export markets for Korea, such as the United States, Japan and China, or in emerging market economies in Asia or elsewhere;

substantial decreases in the market prices of Korean real estate;

increasing delinquencies and credit defaults by small- and medium-sized enterprise and consumer borrowers;

declines in consumer confidence and a slowdown in consumer spending;

difficulties in the financial sector in Korea, including the savings bank sector;

the continued emergence of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to China);

social and labor unrest;

a decrease in tax revenues and a substantial increase in the Korean government s expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that, together, would lead to an increased government budget deficit;

financial problems or lack of progress in the restructuring of *chaebols*, other large troubled companies, their suppliers or the financial sector;

loss of investor confidence arising from corporate accounting irregularities and corporate governance issues at certain *chaebols*;

increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;

the economic impact of any pending or future free trade agreements;

geo-political uncertainty and risk of further attacks by terrorist groups around the world;

natural disasters that have a significant adverse economic or other impact on Korea or its major trading partners, such as the earthquake and tsunami that occurred in the northeast part of Japan in March 2011 and any resulting releases of radiation from damaged nuclear power plants in the area;

the recurrence of severe acute respiratory syndrome, or SARS, or an outbreak of swine or avian flu or foot-and-mouth disease in Asia and other parts of the world;

deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from trade disputes or disagreements in foreign policy;

political uncertainty or increasing strife among or within political parties in Korea;

hostilities or civil unrest involving oil producing countries in the Middle East and Northern Africa and any material disruption in the supply of oil or increase in the price of oil;

an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States; and changes in financial regulations in Korea.

Escalations in tensions with North Korea could have an adverse effect on us and the market price of our ADSs.

Relations between Korea and North Korea have been tense throughout Korea s modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In recent years, there have been heightened security concerns stemming from North Korea s nuclear weapons and long-range missile programs and increased uncertainty regarding North Korea s actions and possible responses from the international community.

In addition to conducting test flights of long-range missiles, North Korea announced in October 2006 that it had successfully conducted a nuclear test, which increased tensions in the region and elicited strong objections worldwide. In response, the United Nations Security Council passed a resolution that prohibits any United Nations member state from conducting transactions with North Korea in connection with any large scale arms and material or technology related to missile development or weapons of mass destruction and from providing luxury goods to North Korea, imposes an asset freeze and travel ban on persons associated with North Korea s weapons program, and calls upon all United Nations member states to take cooperative action, including through inspection of cargo to or from North Korea. In response, North Korea agreed in February 2007 at the six-party talks to shut down and seal the Yongbyon nuclear facility, including the reprocessing facility, and readmit international inspectors to conduct all necessary monitoring and verifications.

In April 2009, North Korea launched a long-range rocket over the Pacific Ocean. Korea, Japan and the United States responded that the launch poses a threat to neighboring nations and that it was in violation of the United Nations Security Council resolution adopted in 2006 against nuclear tests by North Korea, and the United Nations Security Council issued a presidential statement that condemned North Korea for the launch and decided to tighten sanctions against North Korea. Subsequently, North Korea announced that it would permanently pull out of the six party talks and restart its nuclear program, and the International Atomic Energy Agency reported that its inspectors had been ordered to remove surveillance devices and other equipment at the Yongbyon nuclear power plant and to leave North Korea. In May 2009, North Korea announced that it had successfully conducted a second nuclear test and test-fired three short-range surface-to-air missiles. In response, the United Nations Security Council unanimously passed a resolution that condemned North Korea for the nuclear test and decided to expand and tighten sanctions against North Korea. In July 2009, North Korea test-fired several additional ballistic missiles into the sea between Korea and Japan.

In March 2010, a Korean warship was destroyed by an underwater explosion, killing many of the crewmen on board. In May 2010, the Korean government formally accused North Korea of causing the sinking and demanded that North Korea apologize for the act and punish those responsible. The Korean government has also been seeking international condemnation against North Korea for the act. North Korea has threatened retaliation for any attempt to punish it over the incident. In November 2010, North Korea reportedly fired more than one hundred artillery shells that hit Korea s Yeonpyeong Island near the maritime border between Korea and North Korea on the west coast of Korea, killing at least two Korean soldiers and two civilians, wounding many others and setting civilian houses on fire. Korea responded by firing artillery shells back, while putting the military on its highest level of alert in the west coast area. The Korean government condemned North Korea for the act and vowed stern retaliation should there be further provocation.

In addition, there recently has been increased uncertainty with respect to the future of North Korea s political leadership and concern regarding its implications for economic and political stability in the region. In June 2009, U.S. and Korean officials announced that Kim Jong-il, the North Korean ruler who reportedly suffered a stroke in August 2008, designated his third son, Kim Jong-eun, who is reportedly in his twenties, to become his successor. In September 2010, Kim Jong-eun was made a general in the North Korean army, named the vice chairman of the Central Military Commission and appointed to the Central Committee of the Workers Party in a series of measures widely believed to be part of the succession plan. The succession plan, however, remains uncertain. In addition, North Korea s economy faces severe challenges. For example, in November 2009, the North Korean government redenominated its currency at a ratio of 100 to 1 as part of a currency reform undertaken in an attempt to control inflation and reduce income gaps. In tandem with the currency redenomination, the North Korean government banned the use or possession of foreign currency by its residents and closed down privately run markets, which led to severe inflation and food shortages. Such developments may further aggravate social and political tensions within North Korea.

There can be no assurance that the level of tension on the Korean peninsula will not escalate in the future. Any further increase in tensions, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts break down or military hostilities occur, could have a material adverse effect on our operations and the market value of our common stock and ADSs.

Labor unrest in Korea may adversely affect our operations.

Economic difficulties in Korea or increases in corporate reorganizations and bankruptcies could result in layoffs and higher unemployment. Such developments could lead to social unrest and substantially increase government expenditures for unemployment compensation and other costs for social programs. According to statistics from the Korea National Statistical Office, the unemployment rate was 3.2% in 2007 and 2008, but increased to 3.6% in 2009 primarily as a result of adverse economic conditions in Korea and further increased to 3.7% in 2010. Future increases in unemployment and any resulting labor unrest in the future could adversely affect our operations, as well as the operations of many of our customers and their ability to repay their loans, and could adversely affect the financial condition of Korean companies in general, depressing the price of their securities. These developments would likely have an adverse effect on our financial condition and results of operations.

Risks relating to our common stock and ADSs

The market price of our common stock and ADSs could be adversely affected by the ability of the KDIC to sell or otherwise dispose of large blocks of our common stock.

The KDIC currently owns 459,198,609 shares, or 56.97%, of our outstanding common stock. In the future, the KDIC may choose to sell large blocks of our common stock publicly or privately to a strategic or financial investor, including for the purpose of recovering the public funds it injected into our subsidiaries to recapitalize them. For example, in September 2004, the KDIC sold approximately 45 million shares of our common stock, which constituted 5.7% of our outstanding common stock, and in June 2007, the KDIC disposed of approximately 40 million shares of our common stock, which constituted 5.0% of our outstanding common stock. In addition, in November 2009, the KDIC sold approximately 56 million shares of our common stock, which constituted 7.0% of our outstanding common stock. Most recently, in April 2010, the KDIC disposed of approximately 73 million shares of our common stock, which constituted 9.0% of our outstanding common stock.

According to the privatization plans announced by the Korean government, through the Public Funds Oversight Committee of the Financial Services Commission, on May 17, 2011, the KDIC will seek to dispose of up to all of its holdings of our common stock (and a minimum of a 30% equity stake) through a competitive bidding process open to domestic and foreign investors. Our privatization may result in our merger with, or integration into, another financial institution. However, such plans are subject to change depending on market conditions and other factors. Accordingly, we do not know when, how or what percentage of our shares owned by the KDIC will be disposed of, or to whom such shares will be sold, or when, how and with whom we may be merged or integrated. As a result, we cannot predict the impact of any such transactions on us or our stock prices. Any future sales of our common stock or ADSs in the public market or otherwise by the KDIC, or any future merger or integration between us and another financial institution, or the possibility that such transactions may occur, could adversely affect the prevailing market prices of our common stock and ADSs.

Ownership of our common stock is restricted under Korean law.

Under the Financial Holding Company Act, a single stockholder, together with its affiliates, is generally prohibited from owning more than 10.0% of the outstanding shares of voting stock of a bank holding company such as us that controls nationwide banks, with the exception of certain stockholders that are non-financial business group companies, whose applicable limit is 9.0%. The Korean government and the KDIC are exempt from this limit, and investors may also exceed the 10.0% limit upon approval by the Financial Services Commission. To the extent that the total number of shares of our common stock (including those represented by ADSs) that you and your affiliates own together exceeds the applicable limits, you will not be entitled to exercise the voting rights for the excess shares, and the Financial Services Commission may order you to dispose of the excess shares within a period of up to six months. Non-financial business group companies are required to obtain approval from the Financial Services Commission in order to (i) become the largest shareholder of a bank holding company or (ii) acquire 4% or more of the issued and outstanding shares of voting stock of a bank holding company and participate in the management of such company in the manner prescribed in the Enforcement Decree of the Financial Holding Company Act. If non-financial business group companies hold voting stock of a bank holding company in excess of the foregoing limits as a result of unavoidable circumstances, such as sales by other stockholders of their shareholding, such non-financial business group companies are required to obtain approval from the Financial Services Commission to hold the portion of shares that exceeds the limit, dispose of such portion or take measures so that they no longer fall under the definition of non-financial business group companies under the Financial Holding Company Act. Non-compliance with such requirement will prohibit non-financial business group companies from exercising their voting rights of the shares that exceed the limit and prompt the issuance of an order by the Financial Services Commission directing such non-financial business group companies to dispose of their shares that exceed the limit. Failure to comply with such an order would result in an administrative fine of up to 0.03% of the book value of such shares per day until the date of disposal. See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Financial Holding Companies Restrictions on Ownership of a Financial Holding Company.

You will not be able to exercise dissent and appraisal rights unless you have withdrawn the underlying shares of our common stock and become our direct stockholder.

In some limited circumstances, including the transfer of the whole or any significant part of our business and the merger or consolidation of us with another company, dissenting stockholders have the right to require us to purchase their shares under Korean law. However, if you hold our ADSs, you will not be able to exercise such dissent and appraisal rights if the depositary refuses to do so on your behalf. Our deposit agreement does not require the depositary to take any action in respect of exercising dissent and appraisal rights. In such a situation, holders of our ADSs must withdraw the underlying common stock from the ADS facility (and incur charges relating to that withdrawal) and become our direct stockholder prior to the record date of the stockholders meeting at which the relevant transaction is to be approved, in order to exercise dissent and appraisal rights.

You may be limited in your ability to deposit or withdraw common stock.

Under the terms of our deposit agreement, holders of common stock may deposit such stock with the depositary s custodian in Korea and obtain ADSs, and holders of ADSs may surrender ADSs to the depositary and receive common stock. However, to the extent that a deposit of common stock exceeds any limit that we may specify from time to time, that common stock will not be accepted for deposit unless our consent with respect to such deposit has been obtained. We currently have not set any such limit; however, we have the right to do so at any time. Under the terms of the deposit agreement, no consent would be required if the shares of common stock were to be obtained through a dividend, free distribution, rights offering or reclassification of such stock. We have consented, under the terms of the deposit agreement, to any deposit unless the deposit would be prohibited by applicable laws or violate our articles of incorporation. If we choose to impose a limit on deposits in the future, however, we might not consent to the deposit of any additional common stock. In that circumstance, if you surrender ADSs and withdraw common stock, you may not be able to deposit the stock again to obtain ADSs. See Item 9C. Markets Restrictions Applicable to Shares.

You will not have preemptive rights in some circumstances.

The Korean Commercial Code of 1962, as amended, and our articles of incorporation require us, with some exceptions, to offer stockholders the right to subscribe for new shares of our common stock in proportion to their existing shareholding ratio whenever new shares are issued. If we offer any rights to subscribe for additional shares of our common stock or any rights of any other nature, the depositary, after consultation with us, may make the rights available to holders of our ADSs or use commercially feasible efforts to dispose of the rights on behalf of such holders, in a riskless principal capacity, and make the net proceeds available to such holders. The depositary will make rights available to holders of our ADSs only if:

we have requested in a timely manner that those rights be made available to such holders;

the depositary has received the documents that are required to be delivered under the terms of the deposit agreement, which may include confirmation that a registration statement filed by us under the U.S. Securities Act of 1933, as amended, is in effect with respect to those shares or that the offering and sale of those shares is exempt from or is not subject to the registration requirements of the Securities Act; and

the depositary determines, after consulting with us, that the distribution of rights is lawful and commercially feasible.

Holders of our common stock located in the United States may not exercise any rights they receive absent registration or an exemption from the registration requirements under the Securities Act.

We are under no obligation to file any registration statement with the U.S. Securities and Exchange Commission or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings. If a registration statement is required for you to exercise preemptive rights but is not filed by us or is not declared effective, you will not be able to exercise your preemptive rights for additional ADSs and you will suffer dilution of your equity interest in us. If the depositary is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or feasible, it will allow the rights to lapse, in which case you will receive no value for these rights.

Your dividend payments and the amount you may realize upon a sale of your ADSs will be affected by fluctuations in the exchange rate between the U.S. dollar and the Won.

Our common stock is listed on the KRX KOSPI Market and quoted and traded in Won. Cash dividends, if any, in respect of the shares represented by the ADSs will be paid to the depositary in Won and then converted by the depositary into U.S. dollars, subject to certain conditions. Accordingly, fluctuations in the exchange rate between the Won and the U.S. dollar will affect, among other things, the amounts you will receive from the depositary in respect of dividends, the U.S. dollar value of the proceeds that you would receive upon sale in Korea of the shares of our common stock obtained upon surrender of ADSs and the secondary market price of ADSs. Such fluctuations will also affect the U.S. dollar value of dividends and sales proceeds received by holders of our common stock.

The market value of your investment may fluctuate due to the volatility of, and government intervention in, the Korean securities market.

Our common stock is listed on the KRX KOSPI Market, which has a smaller market capitalization and is more volatile than the securities markets in the United States and many European countries. The market value of ADSs may fluctuate in response to the fluctuation of the trading price of shares of our common stock on the KRX KOSPI Market. The KRX KOSPI Market has experienced substantial fluctuations in the prices and volumes of sales of listed securities and the KRX KOSPI Market has prescribed a fixed range in which share prices are permitted to move on a daily basis. The KOSPI declined from 1,897.1 on December 31, 2007 to 938.8 on October 24, 2008. The KOSPI was 2,031.93 on June 17, 2011. There is no guarantee that the stock prices of Korean companies will not decline again in the future. Like other securities markets, including those in developed markets, the Korean securities market has experienced problems including market manipulation, insider trading and settlement failures. The recurrence of these or similar problems could have a material adverse effect on the market price and liquidity of the securities of Korean companies, including our common stock and ADSs, in both the domestic and the international markets.

The Korean government has the potential ability to exert substantial influence over many aspects of the private sector business community, and in the past has exerted that influence from time to time. For example, the Korean government has induced mergers to reduce what it considers excess capacity in a particular industry and has also induced private companies to publicly offer their securities. Similar actions in the future could have the effect of depressing or boosting the Korean securities market, whether or not intended to do so. Accordingly, actions by the government, or the perception that such actions are taking place, may take place or has ceased, may cause sudden movements in the market prices of the securities of Korean companies in the future, which may affect the market price and liquidity of our common stock and ADSs.

Table of Contents

If the Korean government deems that emergency circumstances are likely to occur, it may restrict you and the depositary from converting and remitting dividends and other amounts in U.S. dollars.

If the Korean government deems that certain emergency circumstances, including, but not limited to, severe and sudden changes in domestic or overseas economic circumstances, extreme difficulty in stabilizing the balance of payments or implementing currency, exchange rate and other macroeconomic policies, have occurred or are likely to occur, it may impose certain restrictions provided for under the Foreign Exchange Transaction Law, including the suspension of payments or requiring prior approval from governmental authorities for any transaction. See Item 10D. Exchange Controls General.

Other Risks

You may not be able to enforce a judgment of a foreign court against us.

We are a corporation with limited liability organized under the laws of Korea. Substantially all of our directors and officers and other persons named in this annual report reside in Korea, and all or a significant portion of the assets of our directors and officers and other persons named in this annual report and substantially all of our assets are located in Korea. As a result, it may not be possible for you to effect service of process within the United States, or to enforce against them or us in the United States judgments obtained in United States courts based on the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated on the United States federal securities laws.

Item 4. INFORMATION ON THE COMPANY

Item 4A. *History and Development of the Company*

Overview

Woori Finance Holdings was incorporated as Korea s first financial holding company on March 27, 2001 and commenced commercial operations on April 2, 2001. We were established by the KDIC to consolidate the Korean government s interests in:

- four commercial banks (Hanvit Bank (since renamed Woori Bank), Kyongnam Bank, Kwangju Bank and Peace Bank of Korea (since renamed Woori Credit Card and merged with Woori Bank)),
- one merchant bank (Hanaro Merchant Bank (since renamed Woori Investment Bank and merged with Woori Bank)), and
- a number of other smaller financial institutions.

We were created pursuant to the Financial Holding Company Act, which was enacted in October 2000 and which, together with associated regulations and a related presidential decree, has enabled banks and other financial institutions, including insurance companies, investment trust companies, credit card companies and securities companies, to be organized and managed under the auspices of a single financial holding company.

Our legal and commercial name is Woori Finance Holdings Co., Ltd. Our registered office and corporate headquarters are located at 203 Hoehyon-dong, 1-ga, Chung-gu, Seoul, Korea. Our telephone number is 822-2125-2000. Our website address is *http://www.woorifg.com.*

History

Establishment of Woori Finance Holdings

In response to the financial and economic downturn beginning in late 1997, the Korean government announced and implemented a series of comprehensive policy packages to address structural weaknesses in the Korean economy and the financial sector. As part of these measures, on October 1, 1998, the KDIC purchased 95.0% of the outstanding shares of Hanvit Bank (which was at the time named the Commercial Bank of Korea) and 95.6% of the outstanding shares of Hanil Bank (which was subsequently merged into Hanvit

Bank). These banks had suffered significant losses in 1997 and 1998. The Korean government took pre-emptive measures to ensure the survival of these and other banks as it believed that bank failures would have a substantial negative impact on the Korean economy.

Despite the measures implemented by the government, however, the predecessor operations of substantially all of our subsidiaries recorded significant losses in 1999 and 2000, primarily as a result of high levels of non- performing credits and loan loss provisioning. Based on subsequent audits conducted by the Financial Supervisory Service of a number of Korean commercial and merchant banks, the Financial Services Commission announced in April 2000 that certain financial institutions had a high risk of insolvency and that substantial remedial measures were required.

Commercial Banking Operations. The Korean government, through the Financial Services Commission, decided in December 2000 to write down the capital of each of Hanvit Bank (now Woori Bank), Kyongnam Bank, Kwangju Bank and Peace Bank of Korea (which was renamed Woori Credit Card and eventually merged with Woori Bank) to zero. It accomplished this by having the Financial Services Commission issue a capital reduction order with respect to these banks pursuant to its regulatory authority. Under Korean law, the Financial Services Commission has the power to order a distressed financial institution to effect a capital reduction by requiring it either to cancel the whole or a part of the shares held by certain shareholders with or without consideration or to effect a reverse stock-split with respect to the shares owned by certain shareholders. Although the precise requirements of any particular order will vary on a case by case basis, with respect to these banks, the capital reduction order required them to cancel their outstanding shares without providing consideration to shareholders.

After that order was issued by the Financial Services Commission, it was ratified by the board of directors of each bank. Immediately following that ratification, each bank published a notice in two newspapers in Korea that informed shareholders who dissented as to the capital reduction that the relevant bank would be required to purchase their shares, so long as they made a request in writing no more than ten business days following the publication date. Each bank purchased the shares owned by dissenting shareholders within two months after receiving those requests, in each case at a price negotiated between the bank and its dissenting shareholders. With respect to each of the four banks, the bank and the dissenting shareholders were unable to agree on a purchase price. Accordingly, an accounting expert determined that price. Although the shareholders of each of Hanvit Bank, Kyongnam Bank and Kwangju Bank subsequently requested, pursuant to Korean law, that a court review and adjust the determined price, the court in each case declined to make any such adjustment.

The Korean government also decided to recapitalize these banks by injecting public funds through the KDIC in two parts. The first part of this recapitalization would comprise capital injections of approximately ₩3.6 trillion, in return for new shares of the relevant banks, to eliminate their capital deficits, while the second part would comprise further capital contributions of approximately ₩2.6 trillion, without consideration, to increase their capital adequacy ratios to more than 10%. Accordingly, trading of shares of these four commercial banks was suspended in December 2000, and the capital of each was written down to zero after each bank purchased outstanding shares from the then-existing dissenting minority shareholders. On December 22, 2000, the Korean government and the labor unions of the four commercial banks entered into an agreement under which the labor unions consented to a plan to include their respective banks as subsidiaries of a state-run financial holding company that would have full management rights to oversee the restructuring of those banks.

In December 2000, the KDIC made initial capital injections to Hanvit Bank (₩2,764 billion), Kyongnam Bank (₩259 billion), Kwangju Bank (₩170 billion) and Peace Bank of Korea (₩273 billion), in return for new shares of those banks. The KDIC also agreed to make additional capital contributions, not involving the issuance of new shares, in the future, which were made in September 2001 to Hanvit Bank (₩1,877 billion), Kyongnam Bank (₩94 billion), Kwangju Bank (₩273 billion) and Peace Bank of Korea (₩339 billion). These subsequent capital contributions were made pursuant to a memorandum of understanding entered into among the KDIC and the four commercial banks on

December 30, 2000. The terms of the memorandum of understanding provided that the four banks would subscribe for bonds issued by the KDIC in an aggregate principal amount equal to the capital contribution amount agreed to by the KDIC, and that the KDIC would then pay the subscription price back to the banks as capital contributions. From the perspective of the KDIC, the issuance of the bonds avoided the need to raise additional cash in connection with the capital contributions. From the perspective of the banks, the KDIC bonds qualified as low-risk assets that helped increase their capital adequacy ratios. The KDIC bonds also paid interest at market rates and were liquid instruments that could be readily sold in the market by the banks for cash.

Merchant Banking Operations. On November 3, 2000, the KDIC established Hanaro Merchant Bank (which was renamed Woori Investment Bank) to restructure substantially all of the assets and liabilities of four failed merchant banks (Yeungnam Merchant Banking Corporation, Central Banking Corporation, Korea Merchant Banking Corporation and H&S Investment Bank) that were transferred to it.

Formation of Financial Holding Company. Partly as a response to perceived inefficiencies in the mechanism by which Korean financial institutions were managed and partly as a first step to divesting itself of its stake in these and other recapitalized financial institutions, the Korean government implemented a number of significant initiatives relating to the Korean financial industry. One of these initiatives, the Financial Holding Company Act, together with associated regulations and a related presidential decree, created a means by which banks and other financial institutions, including insurance companies, investment trust companies, credit card companies and securities companies, could be organized and managed under the auspices of a single financial holding company.

In January 2001, Hanvit Bank, Kyongnam Bank, Kwangju Bank, Peace Bank of Korea and Hanaro Merchant Bank agreed in principle to consolidate and become subsidiaries of a new financial holding company. In July 2001, each entity entered into a memorandum of understanding with us, and we entered into a separate memorandum of understanding with the KDIC. These memoranda of understanding along with those entered with between our subsidiaries and the KDIC, which are described in more detail below, established the basis for the relationships among us, our subsidiaries and the KDIC. These memoranda set forth, among other things, financial targets and restructuring objectives that we and our subsidiaries were expected to satisfy in order to create a fully integrated financial services provider and to enable the KDIC to recover the public funds used to recapitalize our subsidiaries. On March 27, 2001, the KDIC transferred all of its shares in each of Hanvit Bank, Kyongnam Bank, Kwangju Bank, Peace Bank of Korea and Hanaro Merchant Bank to our company in exchange for our newly issued shares. Accordingly, we became the sole owner of those subsidiaries. We subsequently listed our shares on the KRX KOSPI Market on June 24, 2002.

Pursuant to the terms of the Financial Holding Company Act, we are subject to certain limitations on our activities that would not be applicable to most other Korean corporations. For example, we:

- may not engage in any business other than managing our subsidiaries;

- must obtain prior approval from, or file a prior report with, the Financial Services Commission before we can acquire control of another company;

- must obtain permission from the Financial Services Commission to liquidate or to merge with another company;

- must inform the Financial Services Commission if there is any change in our officers, directors or largest shareholder; and

- must inform the Financial Services Commission if we cease to control any of our direct or indirect subsidiaries by disposing of shares in those subsidiaries.

See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Financial Holding Companies.

Relationship with the Korean Government

Our relationship with the Korean government is governed by a number of agreements, including in particular the agreements discussed below. In addition, the Korean government, through the KDIC, is our largest shareholder and accordingly has the ability to require us to take a number of actions beyond those specifically covered by these agreements. See Item 3D. Risk Factors Risks relating to government control and Risks relating to government regulation and policy.

Labor-Government Agreement. Under the December 2000 agreement between our subsidiaries labor unions and the Korean government, we control the management strategies of our subsidiaries and have the ability to dispose of overlapping business lines. Pursuant to this agreement, any downsizing that may be required in connection with the reorganization of our subsidiaries operations should be implemented based on separate agreements concluded between us and our subsidiaries labor unions. In July 2002, we reached an agreement with the labor unions of Kyongnam Bank and Kwangju Bank pursuant to which we agreed to maintain the two banks as separate entities, while integrating the operating standards (including risk management operations) and information technology systems of our commercial banking subsidiaries.

Memoranda of Understanding between our Subsidiaries and the KDIC. In December 2000, in connection with the capital contributions made by the KDIC into each of Hanvit Bank, Kyongnam Bank, Kwangju Bank, Peace Bank of Korea and Hanaro Merchant Bank, these subsidiaries entered into separate memoranda of understanding with the KDIC that included business normalization plans. The plans were substantially identical with respect to each bank, other than with respect to specific financial targets, and primarily dealt with each subsidiary s obligation to implement a two-year business normalization plan covering 2001 and 2002. To the extent that any subsidiary fails to implement its business normalization plan or to meet financial targets, the KDIC has the right to impose sanctions on that subsidiary s directors or employees, or to require the subsidiary to take certain actions. In addition, each subsidiary is required to take all actions necessary to enable us to return to the KDIC any public funds injected into them, so long as that action does not cause a material adverse effect on the normalization of business operations as contemplated by the memorandum of understanding.

Each subsidiary prepared a two-year business normalization plan that was approved by the KDIC. Each plan included recapitalization goals and deadlines, econometric models, plans to dispose of non-performing loans, cost reduction initiatives, future management and business strategies and other restructuring plans. Each plan also set forth six financial targets for each quarter of 2001 and 2002 that the applicable subsidiary was required to meet.

In addition, the directors of each subsidiary executed a letter of undertaking, pursuant to which they assumed responsibility for the relevant subsidiary s performance in executing these obligations.

Under each memorandum of understanding, the KDIC could exercise its discretion in determining whether to take punitive measures against any subsidiary that failed to meet any financial targets. The subsidiaries generally met their targets, other than Peace Bank of Korea, which failed to meet five of its six financial targets as of June 30, 2001. We decided to merge Peace Bank of Korea s commercial banking business into Hanvit Bank and to transform Peace Bank of Korea into our credit card subsidiary, Woori Credit Card. See Reorganization and Integration Plan. In March 2002, Woori Credit Card entered into a memorandum of understanding with the KDIC that included a business normalization plan. This replaced the earlier memorandum of understanding entered into by Peace Bank of Korea and the KDIC in December 2000. The business normalization plan was substantially similar to the business normalization plan agreed to by Peace Bank of Korea.

Woori Investment Bank (formerly known as Hanaro Merchant Bank) also failed to meet three of its six financial targets as of December 31, 2002. In August 2003, we merged Woori Investment Bank with Woori Bank.

The subsidiaries (with the exception of Woori Investment Bank and Woori Credit Card) entered into a new two-year business normalization plan with new restructuring measures and financial targets with the KDIC in January 2003. In May 2003, Woori Credit Card entered into a similar business normalization plan with the KDIC. Woori Credit Card failed to meet three of its five financial targets as of June 30 and September 30, 2003 and failed to meet four of its five financial targets as of December 31, 2003. As a result of these failures, the KDIC imposed penalties on Woori Credit Card, including the termination of certain members of its senior management and the reduction of the compensation of certain others. In December 2003, our board of directors resolved to merge Woori Credit Card with Woori Bank, which merger was completed in March 2004. Kwangju Bank and Kyongnam Bank also failed to meet their respective return on assets target as of December 31, 2003, although they met such target as of March 31, 2004. Due to its merger with Woori Credit Card, Woori Bank also failed to meet its return on assets target and operating profit per employee target as of June 30, 2004. We negotiated with the KDIC to adjust some of the financial targets applicable to us and our subsidiaries under our memoranda of understanding and, as a result, each of Woori Bank, Kyongnam Bank and Kwangju Bank met its financial targets as of December 31, 2004.

Our subsidiaries entered into a new two-year business normalization plan with new restructuring measures and financial targets with the KDIC on April 2005. In addition to the new restructuring measures and financial targets, the plan primarily dealt with ways to reduce labor cost and increase employees productivity and efficiency in our subsidiaries. Each of Woori Bank, Kyongnam Bank and Kwangju Bank met its financial targets under the plan. Each of Woori Bank, Kyongnam Bank and Kwangju Bank entered into a new two-year business normalization plan with the KDIC in April 2007. As a result of deteriorating economic and financial market conditions in Korea and globally, Woori Bank failed to meet its return on assets target, its expense-to-revenue ratio target and its operating income per employee target as of December 31, 2008. In September 2009, the KDIC imposed an institutional warning on Woori Bank, as well as reprimands and warnings on 11 current and former executive officers of Woori Bank (including its current and former chief executive officers), in connection with Woori Bank s failure to meet such financial targets, including as a result of losses incurred on collateralized debt obligations and other credit derivatives.

Our subsidiaries entered into a new two-year business normalization plan with the KDIC in March 2009. In February and October 2010 and February 2011, the KDIC imposed institutional warnings on Woori Bank in connection with its failure to meet its financial targets with respect to operating income per employee as of September 30, 2009 and return on assets and non-performing loan ratio as of June 30 and September 30, 2010, respectively. In October 2010, KDIC imposed an institutional warning on Kyongnam Bank, as well as reprimands and warnings on 10 current and former executive officers of Kyongnam Bank, in connection with certain fraudulent transactions ostensibly undertaken on behalf of Kyongnam Bank by certain employees and their potential impact on Kyongnam Bank. See Item 8A. Consolidated Statements and Other Financial Information Legal Proceedings Kyongnam Bank. In April 2011, the KDIC imposed another institutional warning on Woori Bank, as well as a warning on the former chief executive officer of Woori Bank, in connection with Woori Bank s failure to meet its financial targets with respect to its return on assets and non-performing loan ratio as of December 31, 2010. Each of Woori Bank, Kyongnam Bank and Kwangju Bank entered into a new one-year business normalization plan with new restructuring measures and financial targets with the KDIC in March 2011. See Recent Developments with the KDIC.

Memorandum of Understanding with the KDIC. In July 2001, we entered into a memorandum of understanding with the KDIC, which included financial targets and a business plan. Under this memorandum, we are required to take all actions necessary (including making dividend payments and share buybacks and cancellations) to return the public funds injected into us by the KDIC, but only to the extent that these actions would not cause a material adverse effect on the contemplated normalization of our operations. To the extent that we fail to perform our obligations, the KDIC is entitled to impose sanctions on our directors and employees, ranging from warnings and wage reductions to suspension or termination of employment. The KDIC can also order us to take remedial measures against those subsidiaries with whom we have entered into separate memoranda of understanding. See Memoranda of Understanding with our Subsidiaries.

In addition, our directors executed a letter of undertaking, pursuant to which they assumed responsibility for our performance of these obligations.

The business plan included in the memorandum of understanding, which we prepared and which the KDIC approved, set forth the basis on which we were to manage the normalization and integration of our subsidiaries operations and to return the public funds that were injected into them. The business plan also set financial targets for our capital ratio, return on total assets, expense-to-revenue ratio, operating income per employee, non-performing loan ratio and holding company expense ratio. We were required to meet these financial targets on a semi-annual basis. The memorandum of understanding will terminate once the KDIC loses its status as our largest shareholder.

We failed to meet three of the financial targets as of June 30, 2004, which were return on total assets, expense to revenue ratio, and operating income per employee. The KDIC notified us that we could not improve fringe benefits for our employees (including salaries), and ordered us to devise and report to the KDIC a plan to meet those three financial targets. We negotiated with the KDIC to adjust some of the financial targets applicable to us and our subsidiaries under our memoranda of understanding and, as a result, we met our financial targets as of December 31, 2004.

Pursuant to the terms of this memorandum of understanding, we entered into a new two-year business normalization plan with new restructuring measures and financial targets with the KDIC in April 2005. In addition to the new restructuring measures and financial targets, the plan primarily dealt with ways to increase labor efficiency and to set up a comprehensive financial network for increased synergy among the group members and strengthening our incentive-based management system. We met all of our financial targets under the plan. We entered into a new two-year business normalization plan with the KDIC in April 2007. As a result of deteriorating economic and financial market conditions in Korea and globally, we failed to meet our return on assets target, our expense-to-revenue ratio target and our operating income per employee target as of December 31, 2008. In September 2009, the KDIC imposed an institutional warning on us in connection with our failure to meet such financial targets. We entered into another business normalization plan with the KDIC in March 2009. In March 2010, three of the financial targets for 2010 under such business normalization plan, which were the expense-to-revenue ratio, operating income per employee and holding company expense ratio, were adjusted by the KDIC. In April 2011, the KDIC imposed another institutional warning on us in connection with our failure to meet our financial targets with respect to our return on assets and non-performing loan ratio as of December 31, 2010. In March 2011, we entered into a new one-year business normalization plan with new restructuring measures and financial targets with the KDIC. See Recent Developments with the KDIC.

Memoranda of Understanding with Our Subsidiaries. In July 2001, we entered into separate memoranda of understanding with each of Hanvit Bank, Kyongnam Bank, Kwangju Bank, Peace Bank of Korea and Hanaro Merchant Bank, each of which included financial targets and a business initiative plan. The plans are substantially identical with respect to each subsidiary, other than with respect to specific financial targets, and each plan is primarily intended to define the respective roles of us and each of our subsidiaries within the context of the financial group as a whole, including our rights and our obligations with respect to each subsidiary. These include each subsidiary s obligations to implement its business initiative plan and to meet the financial targets set forth in the respective memorandum of understanding on a quarterly basis, and certain other matters that we may require from time to time. Each business initiative plan sets forth initiatives related to each subsidiary s operational integration. For example, Hanvit Bank s initial business initiative plan included:

- cooperating with us to develop an integrated management and support system for us to oversee the operations of our subsidiaries;
- disposing of redundant branches and certain subsidiaries;
- adopting U.S. GAAP accounting; and
- cooperating with us to consolidate our risk management operations and information technology systems, establish an information technology subsidiary, consolidate our credit card business, dispose of non-performing assets and establish our asset management subsidiary.

Subsequent business initiative plans have required Woori Bank to continue these activities and undertake new initiatives.

Under the terms of each memorandum of understanding, our role within the group includes supervising the implementation of overall management policies and strategies, determining business targets for each subsidiary in order to meet our respective business targets, consulting with each subsidiary with respect to its

Table of Contents

business plans, budgets, dividend policies and capital increases, evaluating the management of each subsidiary and determining management compensation. The role of each subsidiary includes executing the business targets we set, consulting with us with respect to important management decisions, developing a restructuring execution plan and cooperating with respect to paying consulting fees incurred in connection with developing business strategies.

If we determine that a subsidiary has failed to perform its obligations under its memorandum of understanding, we have the right to impose sanctions on its directors or employees, or to take other remedial measures. Each memorandum of understanding also provides that it will terminate if the subsidiary loses its status as our subsidiary under the Financial Holding Company Act. The memorandum of understanding would not, however, terminate simply if the KDIC were to lose its status as our largest shareholder.

The specified financial targets for 2011 that are to be met by Woori Bank, Kyongnam Bank and Kwangju Bank are identical to those imposed by the KDIC on those subsidiaries.

Recent Developments with the KDIC. In March 2011, we and Woori Bank, Kyongnam Bank and Kwangju Bank each entered into a new one-year business normalization plan with the KDIC that included new restructuring measures and financial targets. In addition, the plan primarily dealt with ways to increase labor efficiency, strengthen our risk management system, improve our asset quality and improve our profitability through increased synergy among the group members. The other terms of the previously agreed memoranda of understanding remain unchanged.

Our one-year business normalization plan sets forth six financial targets for fiscal year 2011 that we are required to meet on an IFRS basis, with semi-annual targets being set internally by us in accordance with the year-end targets. Our IFRS targets for fiscal year 2011 are set forth in the following table:

	As of or for the six months ending June 30, 2011	**As of or for the year ending December 31, 2011**
Capital adequacy ratio(1)	10.0%	10.0%
Return on total assets(2)	0.22	0.39
Expense-to-revenue ratio(3)	56.6	50.4
Operating income per employee (Won millions)(4)	₩ 280	₩ 310
Non-performing loan ratio(5)	2.3%	1.5%
Holding company expense ratio(6)	0.9	0.6

(1) For a description of how the capital adequacy ratio is calculated, see Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Financial Holding Companies Capital Adequacy.

(2) Represents the ratio of net income to total assets.

(3) Represents the ratio of general and administrative expenses to adjusted operating income. Adjusted operating income represents operating income (i) before subtracting loan loss provisions and general and administrative expenses and (ii) after subtracting (a) gain (loss) on valuation and disposal of equity investment securities and (b) income from Won-denominated loans with respect to the amount of such loans that exceeds the amount of Won-denominated deposits.

(4) Represents the ratio of adjusted operating income to total number of employees.

(5) Represents the ratio of total credits classified as substandard or below to total credits, in each case, net of provisions.

(6) Represents the ratio of the holding company s expenses to adjusted operating income of its subsidiaries.

Each of Woori Bank, Kyongnam Bank and Kwangju Bank also submitted similar one-year business normalization plans that contain annual and quarterly financial targets each subsidiary is required to meet. We expect that we and these subsidiaries will be required to enter into new business normalization plans with the KDIC every year, in accordance with a recent shift in the term of such plans from two years to one year, so long as the KDIC remains our largest shareholder.

Reorganization and Integration Plan

Following our establishment and our acquisition of our subsidiaries, we developed a reorganization and integration plan designed to reorganize the corporate structure of some of our subsidiaries and integrate our

Table of Contents

operations under a single management structure. As part of this plan, and after receiving approval from the Financial Services Commission for each of these measures:

From December 2001 through February 2002, we restructured Peace Bank of Korea by:

splitting off its commercial banking operations and merging them into Woori Bank;

changing the name of Peace Bank of Korea to Woori Credit Card; and

transferring the credit card operations of Woori Bank to Woori Credit Card. In connection with this transfer, Woori Credit Card acquired all of the existing credit card accounts of Woori Bank but none of the outstanding receivables with respect to such accounts, which remained with Woori Bank.

In March 2002, we made Woori Investment Trust Management a direct subsidiary by acquiring all of its outstanding capital stock from Woori Bank.

In July 2002, we made Woori Securities a direct subsidiary by acquiring a majority of its outstanding capital stock from Woori Bank.

In March 2003, we transferred the credit card operations of Kwangju Bank to Woori Credit Card.

In August 2003, we merged Woori Investment Bank with Woori Bank by exchanging Woori Investment Bank s shares with shares of Woori Bank.

In addition, as part of our integration efforts under the plan:

In 2002, we standardized the logo of certain of our subsidiaries, including Woori Bank, Woori Securities and Woori Investment Trust Management.

In 2002, Woori Bank streamlined its appropriation procedures for goods and services, and we have implemented these procedures on a group-wide level to reduce costs.

As part of our overall reorganization and integration plan, we completed our business process re-engineering project in November 2004, aimed at enhancing our marketing capabilities, reducing expenses and improving our warning and monitoring system for our credit portfolio. As a result of our implementation of this project, we have been awarded various patents and other intellectual property rights in connection with the project s implementation and structure.

Furthermore,

In March 2004, we merged Woori Credit Card with Woori Bank. In connection with this merger, Woori Credit Card spun off and transferred to Kwangju Bank all of the existing credit card accounts (but none of the outstanding receivables with respect to such accounts) that Woori Credit Card had previously acquired from Kwangju Bank.

In June 2004, we acquired the 39.7% interest in Woori Securities that we did not own, and delisted it from the KRX KOSPI Market in July 2004.

In October and December 2004, we acquired an aggregate 27.3% voting interest in LGIS. In March 2005, we merged Woori Securities into LGIS and renamed the surviving entity Woori Investment & Securities, which became an equity method investee.

In May 2005, we acquired a 90.0% interest in LGITM, from Woori Investment & Securities and merged Woori Investment Trust Management into LGITM. We renamed the surviving entity Woori Asset Management, which remains a consolidated subsidiary. In July and September 2005, Woori Asset Management reacquired the remaining 10.0% interest from its minority shareholders. In May 2006, we transferred 30.0% of our interest in Woori Asset Management to Credit Suisse. Following this transfer, we renamed the entity Woori Credit Suisse Asset Management. In October 2009, we reacquired Credit Suisse s 30.0% ownership interest in Woori Credit Suisse Asset Management and renamed the entity Woori Asset Management.

In October 2005, we established Woori Private Equity as a consolidated subsidiary.

Table of Contents

In September 2007, we acquired a 51.4% interest in Hanmi Capital, which became a consolidated subsidiary, and renamed the entity Woori Financial.

In April 2008, we acquired a 51.0% interest in LIG Life Insurance. In connection with this acquisition, we entered into a joint venture agreement with Aviva International Holdings Limited. Aviva International Holdings Limited and we collectively hold a 98.9% interest in LIG Life Insurance, which was subsequently renamed Woori Aviva Life Insurance. We account for Woori Aviva Life Insurance as an equity method investee under U.S. GAAP.

In March 2011, we acquired certain assets and assumed certain liabilities of Samhwa Mutual Savings Bank through our wholly-owned consolidated subsidiary, Woori FG Savings Bank Co., Ltd., which was established in connection with such transaction.

In addition, we have implemented a group-wide, standardized risk management system (except with respect to operational risk), including the standardization of the credit risk management systems of our subsidiaries which was completed in 2007. With respect to credit risk management systems, we completed implementing standardized credit risk management systems based on Woori Bank s system in all of our banking subsidiaries in 2007. With respect to operational risk management systems, we completed implementation of various aspects of the operational risk management system (not including the business risk management system) at Kyongnam Bank, Kwangju Bank and Woori Finance Information System (which changed its name to Woori FIS in May 2011) in 2006, completed the implementation of such aspects of the operational risk management system at Woori Investment & Securities in 2008, and also implemented an advanced measurement approach for operational risk at Woori Bank in June 2009.

Item 4B. ***Business Overview***

Business

We are Korea s first financial holding company, and our operations include one of the largest commercial banks in Korea, in terms of total assets (including loans). Our subsidiaries collectively engage in a broad range of businesses, including commercial banking, credit cards, capital markets activities, international banking, asset management and bancassurance. We provide a wide range of products and services to our customers, which mainly comprise individuals and small-and medium-sized enterprises, as well as some of Korea s largest corporations. As of December 31, 2010, we had consolidated total assets of ₩272.9 trillion, consolidated total deposits of ₩186.3 trillion and consolidated total equity of ₩14.3 trillion.

We were established as a financial holding company in March 2001, to consolidate the Korean government s interest in a number of distressed financial institutions in the wake of the financial crisis in Korea in the late 1990s. Since our establishment, we have succeeded in restructuring our operations by: securing a solid capital base for our banking subsidiaries; improving the quality of our exposure to and our relationships in the large corporate sector; refocusing our lending activities on individual and small- and medium-sized enterprise customers to take advantage of our network of approximately 1,195 branches nationwide; expanding our activities in the areas of credit cards, full service brokerage, asset management and bancassurance for our over 20 million retail customers; modernizing and strengthening our credit risk review and management capabilities; working to integrate and cross-sell our products and services; and striving to create a customer- and service-oriented culture that measures and rewards performance.

The following chart provides an overview of our structure, including our significant subsidiaries and our ownership of such subsidiaries as of the date of this annual report:

(1) Woori Investment & Securities is accounted for as an equity method investee under U.S. GAAP.

(2) Woori Aviva Life Insurance, in which we acquired a 51.0% interest in April 2008 and in respect of which we entered into a joint venture agreement with Aviva International Holdings Limited, is accounted for as an equity method investee under U.S. GAAP. We currently hold a 51.6% interest in Woori Aviva Life Insurance.

(3) In March 2011, we acquired certain assets and assumed certain liabilities of Samhwa Mutual Savings Bank through our wholly owned subsidiary Woori FG Savings Bank, which was established in connection with such transaction.

As one of the leading financial services groups in Korea, we believe our core competitive strengths include the following:

Financial holding company structure. We believe our financial holding company structure gives us a competitive advantage over commercial banks and unaffiliated financial services providers by:

- allowing us to offer a more extensive range of financial products and services;
- enabling us to share customer information, which is not permitted outside a financial holding company structure, thereby enhancing our risk management and cross-selling capabilities;
- enhancing our ability to reduce costs in areas such as back-office processing and procurement; and
- enabling us to raise and manage capital on a centralized basis.

Strong and long standing relationships with corporate customers. Historically the operations of Woori Bank, our largest subsidiary, concentrated on large corporate customers. As a result, we believe that we have strong relationships with many of Korea s leading corporate groups, and we are the main creditor bank to 15 of the 37 largest Korean corporate borrowers. Further enhancing our corporate loan portfolio is our ability to lend to small- and medium-sized enterprise customers. As of December 31, 2010, we had approximately 257,000 small- and medium-sized enterprise borrowers.

Large and loyal retail customer base. With respect to our consumer banking operations, we have one of the largest deposit bases of any Korean commercial bank, and over 20 million retail customers, representing about half of the Korean adult population. Of these customers, more than half are active customers, meaning that they have an account with us with a positive balance or have transacted business with us at least once during the last six months.

Extensive distribution and marketing network. We serve our customers primarily through one of the largest banking networks in Korea, comprising approximately 1,195 branches and 8,644 ATMs and cash dispensers. Through Woori Bank, we also operate 13 dedicated corporate banking centers and approximately 96 general managers for our large corporate customers and approximately 1,578 relationship managers stationed at 689 branches for our small- and medium-sized enterprise customers. In addition, we have Internet and mobile banking platforms to enhance customer convenience, reduce service delivery costs and allow our branch staff to focus on marketing and sales.

Strong capital base. As of December 31, 2010, our consolidated equity totaled ₩14.3 trillion, and the combined capital adequacy ratio of our banking subsidiaries was 12.5%. Our management team at the holding company carefully coordinates the capital and dividend plans of each of our subsidiaries and for the consolidated group to ensure that we optimize our capital position. We believe our strong capital base and coordinated capital management enable us to support growth of our core businesses and to pursue franchise-enhancing initiatives such as selective investments and acquisitions.

Strong and experienced management team. Our management team comprises both experienced managers from our subsidiaries and their predecessor companies as well as leading experienced financial industry professionals who have been recruited from outside our group to complement our team. In June 2008, Pal Seung Lee, a former chief executive officer of Woori Securities, assumed the role of our chairman and chief executive officer, which we believe has enhanced the quality of our management team and our corporate governance. We also believe that the extensive experience of many members of our management team in the financial sector will help us to continue to strengthen our operations.

Strategy

Our goal is to become a dynamic, leading full-service provider of financial services and products to corporate and consumer customers in Korea, and we will measure our success based on our ability to increase our profitability and shareholder value. We intend to capitalize on our strong market and financial position to further strengthen our capabilities, customer penetration, efficiency and profitability. The key elements of our strategy are to:

Further improve our asset quality and strengthen our risk management practices. We were one of the earliest and most aggressive banks in Korea to actively reduce non-performing loans through charge-offs and sales to third parties. Since 2002, we have taken various measures, including entering into joint venture arrangements with several financial institutions, to facilitate the disposal of our substandard or below loans. As a result of these and other initiatives, our ratio of non-performing loans to total loans decreased from 6.8% as of December 31, 2001 to 3.0% as of December 31, 2010.

One of our highest priorities is to maintain our strong asset quality and enhance our risk management practices on an ongoing basis. We created a centralized group-wide risk management organization, installed a comprehensive warning and monitoring system, adopted uniform loan loss provisioning policies across all subsidiaries and implemented an advanced credit evaluation system called CREPIA at Woori Bank. Kyongnam Bank and Kwangju Bank currently use standardized credit evaluation systems based on the CREPIA system. In connection with the implementation of Basel II in Korea in January 2008, we completed upgrades to our credit risk management systems in 2007, including credit evaluation models, collateral management systems and non-performing credit management systems, as well as the implementation of a credit risk measurement engine to quantify our credit risk exposures. Furthermore, following the global financial crisis, we undertook a group-wide review of our credit risk management procedures with outside consultants in 2009, as well as undertaking further group-wide reviews of our risk management infrastructure and systems in 2009 and 2010, in order to develop and implement various measures to further standardize and improve our risk management procedures and systems.

In addition, we use a value at risk, or VaR, monitoring system for managing market risk. We intend to vigorously maintain a manageable risk profile and balance that risk profile with adequate returns. We believe that our continuous focus on upgrading our risk management systems and practices will enable us to maintain our strong asset quality, improve our financial performance and enhance our competitiveness.

Enhance customer profitability through optimization of channel usage, products and services for each customer segment. Our extensive distribution network and wide range of quality products and services has enabled us to serve our customers effectively. However, we intend to further enhance value proposition to our customers by differentiating products and delivery channels based on the distinct needs of different customer segments.

Retail customers. We have segmented our retail customers into four groups: high net worth; mass affluent; middle class; and mass market. We believe we are relatively competitive in our core customer base, which includes mass affluent and middle class customers, and we serve these customers via our team of financial planners in our branches who sell customized higher margin services and products, such as investment advice, mutual funds, insurance, personal loans and securities brokerage services. For our mass market customers, we offer simple, easy-to-understand and relatively more standardized products such as basic deposit and lending products, including mortgage loans, and we encourage the use of alternative distribution channels such as the Internet, phone banking and ATMs by our mass market customers such that we can serve them in a cost efficient manner. We serve our high net worth individuals via branches and dedicated private banking centers staffed with experienced private bankers who offer sophisticated tailored financial services.

Corporate customers. We continuously and vigorously review our portfolio of large corporate and small- and medium-sized enterprise customers to refine our database of core accounts and industries in terms of profitability potential. We seek to expand our relationship beyond a pure lending relationship by promoting our foreign exchange, factoring, trade finance and investment banking services to our core small- and medium-sized enterprise customers and cross-selling our investment banking services, derivatives and other risk hedging products, as well as employee retirement products to our core large corporate customers.

Diversify our revenue base with a view to reducing our exposure to interest rate cycles and increasing profitability. Currently, in line with the Korean banking industry, we derive a substantial majority of our revenues from our loan and other credit products. To reduce our traditional reliance on lending as a source of revenue and to increase our profitability, we have been seeking to further diversify our earnings base, in particular by focusing on fee-based services, such as foreign exchange, trade finance and derivatives products, investment banking and advisory investment trust services for our corporate customers and asset management and mutual funds, investment trust products and beneficiary certificates, life and non-life insurance products and securities brokerage services for our retail customers.

In addition, we intend to continue to enter into business alliances with other leading financial service providers so that we can offer a full range of best of class products and services to our targeted customers. We actively evaluate alliances and joint venture opportunities when they arise in order to diversify our revenue stream and provide our customers with a range of sophisticated and tailored products that will complement our existing products and services. We also intend to carefully consider potential acquisitions or other strategic investments that fit within our overall strategy. When considering acquisitions, we will focus on opportunities that (1) supplement the range of products and services we offer and strengthen our existing customer base; (2) enable us to maintain our standard for asset quality and profitability; and (3) provide us with a reasonable return on our investment.

Enhance operational efficiencies and synergies. We have been seeking to improve our operational efficiency and synergies and reduce our expenses by integrating our businesses, unifying our business procedures, eliminating duplication, centralizing processes and procurement, implementing continuous automation and migrating to low cost distribution channels. We have standardized the risk management operations of Kyongnam Bank and Kwangju Bank with those of Woori Bank, with various upgrades to standardize the credit risk management and operational risk management systems of Kyongnam Bank and Kwangju Bank being completed in 2007. In 2009, we established a centralized information technology center which enables our subsidiaries to access group-wide information technology resources and networks.

We believe that the continuing integration of our accounting, information technology and other back-office systems will allow us to further eliminate redundant functions and equipment and reducing our long-term expense. In addition, we are continuing our efforts to reduce procurement costs by coordinating and combining procurement activities among our subsidiaries. We believe the completion of the above integration, centralization and procurement projects together with our effort to encourage migration of our mass market customers to low-cost alternative channels will reduce our costs and enhance our operating efficiencies. We are also continuing our efforts to maximize synergies among our subsidiaries, including through increased cross-selling and marketing of a broad range of financial products and services through our financial products department stores located in Seoul.

Strengthen the performance of our management. We are also taking steps to concentrate the personnel management and performance-monitoring functions with respect to our subsidiaries at the holding company level. We believe such enhanced coordination and management will, in turn, improve our overall long-term operating performance by promoting: (1) more efficient deployment of human resources, based on prioritized strategic and operational objectives of the group as a whole; (2) more effective allocation of capital and management of liquidity at our holding company and subsidiaries; (3) greater flexibility to implement coordinated and timely operational changes in response to new market developments or changes in market conditions; and (4) the development of a uniform corporate culture, founded on the Woori corporate identity.

Corporate Banking

We provide commercial banking services to large corporate customers (including government-owned enterprises) and small-and medium-sized enterprises in Korea. Currently, our corporate banking operations consist mainly of lending to and taking deposits from our corporate customers. We also provide ancillary services on a fee basis, such as inter-account transfers, transfers of funds from branches and agencies of a company to its headquarters and transfers of funds from a company s customer accounts to the company s main account. We provide our corporate banking services predominantly through Woori Bank, although Kyongnam Bank and Kwangju Bank provide similar services to small- and medium-sized enterprises in their respective geographical regions.

The following table sets forth the balances and percentages of our total lending and total deposits represented by our large corporate and small- and medium-sized enterprise customer loans and deposits, respectively, and the number of such customers as of the dates indicated:

	As of December 31,					
	2008		2009		2010	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(in billions of Won, except percentages)					
Loans:						
Small- and medium-sized enterprise	₩ 78,807	41.8%	₩ 82,601	44.0%	₩ 81,613	42.7%
Large corporate	30,325	16.1	25,461	13.6	27,471	14.4
Others[(1)]	14,892	7.9	13,310	7.1	13,904	7.3
Total	₩ 124,024	65.8%	₩ 121,372	64.7%	₩ 122,988	64.4%
Deposits:						
Small- and medium-sized enterprise	₩ 24,387	14.5%	₩ 26,151	14.7%	₩ 28,824	15.5%
Large corporate	34,476	20.5	60,295	34.0	62,267	33.4
Total	₩ 58,863	35.0%	₩ 86,446	48.7%	₩ 91,091	48.9%
Number of borrowers:						
Small- and medium-sized enterprise	220,509		257,159		257,143	
Large corporate	1,771		1,510		2,447	

(1) Includes loans to governmental agencies, foreign loans and other corporate loans.

Corporate loans we provide consist principally of the following:

- *working capital loans*, which are loans used for general working capital purposes, typically with a maturity of one year or less, including notes discounted and trade finance; and

- *facilities loans*, which are loans to finance the purchase of materials, equipment and facilities, typically with a maturity of three years or more.

On the deposit-taking side, we currently offer our corporate customers several types of corporate deposit products. These products can be divided into two general categories: demand deposits that have no restrictions on deposits or withdrawals, but which offer a relatively low interest rate; and time deposits from which withdrawals are restricted for a period of time, but offer higher interest rates. We also offer installment deposits, certificates of deposit and repurchase instruments. We offer varying interest rates on our deposit products depending upon the rate of return on our income-earning assets, average funding costs and interest rates offered by other nationwide commercial banks.

Small- and Medium-Sized Enterprise Banking

We use the term small- and medium-sized enterprises as defined in the Small and Medium Industry Basic Act of Korea and related regulations. Under the Small and Medium Industry Basic Act of Korea, the general criteria used to define small- and medium-sized enterprises is the number of full-time employees (less than 300), paid-in capital (not more than ₩8 billion) or sales revenues (not more than ₩30 billion), depending on the industry, but in each case the number of full-time employees must be fewer than 1,000, and the total amount of assets must be less than ₩500 billion. The small- and medium-sized enterprise segment of the corporate banking market has grown significantly in recent years, including as a result of government measures to encourage lending to these enterprises. As of December 31, 2010, 33.4% of our small- and medium-sized enterprise loans were extended to borrowers in the manufacturing industry, 15.1% were extended to borrowers in the retail and wholesale industry and 8.6% were extended to borrowers in the hotel and transportation industry.

We service our small- and medium-sized enterprise customers primarily through Woori Bank s network of branches and small- and medium-sized enterprise relationship managers, as well as through the branches and headquarters of Kyongnam Bank and Kwangju Bank. As of December 31, 2010, Woori Bank had stationed one or more relationship managers at 689 branches, of which 352 were located in the Seoul metropolitan area. The relationship managers specialize in servicing the banking needs of small- and medium-sized enterprise customers and concentrate their marketing efforts on developing new customers in this segment. As of December 31, 2010, Woori Bank had a total of 1,578 small- and medium-sized enterprise relationship managers stationed at its branches.

In addition to increasing our dedicated staffing and branches, our strategy for this banking segment is to identify promising industry sectors and to develop and market products and services targeted towards customers in these sectors. We have also developed in-house industry specialists who can help us identify leading small- and medium-sized enterprises in, and develop products and marketing strategies for, these targeted industries. In addition, we operate customer loyalty programs at Woori Bank for our most profitable small- and medium-sized enterprise customers and provide them with benefits and services such as preferential rates, free seminars and workshops and complementary invitations to cultural events.

Industry-wide delinquency ratios for Won-denominated loans to small- and medium-sized enterprises increased through most of 2009 and further increased in 2010. The delinquency ratio for small- and medium-sized enterprises is calculated as the ratio of (1) the outstanding balance of such loans in respect of which either principal or interest payments are over due by one month or more to (2) the aggregate outstanding balance of such loans. Our delinquency ratio for such loans denominated in Won on a Korean GAAP basis decreased from 1.4% as of December 31, 2008 to 0.9% as of December 31, 2009 but increased to 1.3% as of December 31, 2010. Our delinquency ratio may further increase in 2011 as a result of, among other things, adverse economic conditions in Korea and globally. In addition, in light of the deteriorating financial condition and liquidity position of small- and medium-sized enterprises in Korea, the Korean government has in recent years introduced measures intended to encourage Korean banks to provide financial support to small- and medium-sized enterprise borrowers. See Item 3D. Risk Factors Other risks relating to our business Difficult conditions in the global financial markets could adversely affect our liquidity and performance and Item 3D. Risk Factors Risks relating to our corporate credit portfolio The largest portion of our exposure is to small- and medium-sized enterprises, and financial difficulties experienced by companies in this segment may result in a deterioration of our asset quality and have an adverse impact on us.

Lending Activities. We provide both working capital loans and facilities loans to our small- and medium-sized enterprise customers. As of December 31, 2010, working capital loans and facilities loans accounted for 66.4% and

24.8%, respectively, of our total small- and medium-sized enterprise loans. As of December 31, 2010, we had approximately 257,000 small- and medium-sized enterprise borrowers.

As of December 31, 2010, secured loans and loans guaranteed by a third party accounted for 61.4% and 15.1%, respectively, of our small- and medium-sized enterprise loans. As of December 31, 2010, approximately 58.5% of the secured loans were secured by real estate and 15.3% were secured by deposits. Working capital loans generally have a maturity of one year, but may be extended on an annual basis for an aggregate term of three to five years if periodic payments are made. Facilities loans have a maximum maturity of ten years.

When evaluating the extension of working capital loans and facilities loans, we review the creditworthiness and capability to generate cash of the small- and medium-sized enterprise customer. Furthermore, we take corporate guarantees and credit guarantee letters from other financial institutions and use deposits that the borrower has with us or securities pledged to us as collateral. We receive fees in relation to credit evaluation, collateral appraisal and other services provided in connection with a loan extension.

The value of any collateral is defined using a formula that takes into account the appraised value of the property, any prior liens or other claims against the property and an adjustment factor based on a number of considerations including, with respect to property, the value of any nearby property sold in a court-supervised auction during the previous five years. We generally revalue any collateral on a periodic basis (every year for real estate (with apartments being revalued every month, subject to the availability of certain specified market value information), every year for equipment, every month for unlisted stocks and deposits and every week for stocks listed on a major Korean stock exchange) or if a trigger event occurs with respect to the loan in question.

Pricing. We establish the pricing for our small- and medium-sized enterprise loan products based principally on transaction risk, our cost of funding and market considerations. At Woori Bank, lending rates are generally determined using our automated CREPIA system. At Kyongnam Bank and Kwangju Bank, we began to determine lending rates using similar credit evaluation systems from January 2008. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Credit Risk Management Credit Evaluation and Approval. We measure transaction risk using factors such as the credit rating assigned to a particular borrower and the value and type of collateral. Our system also takes into account cost factors such as the current market interest rate, opportunity cost and cost of capital, as well as a spread calculated to achieve a target rate of return. Depending on the price and other terms set by competing banks for similar borrowers, we may reduce the interest rate we charge to compete more effectively with other banks. Loan officers have limited discretion in deciding what interest rates to offer, and significant variations require review at higher levels. As of December 31, 2010, approximately 71.9% of our small- and medium-sized enterprise loans had interest rates that varied with reference to current market interest rates.

Large Corporate Banking

Our large corporate customers consist of companies that are not small- and medium-size enterprises as defined in the Small and Medium Industry Basic Act of Korea and related regulations, and typically include companies that have assets of ₩10 billion or more and are therefore subject to external audit under the External Audit Act of Korea. As a result of our history and development, particularly the history of Woori Bank, we remain the main creditor bank to many of Korea s largest corporate borrowers.

In terms of our outstanding loan balance, as of December 31, 2010, 51.2% of our large corporate loans were extended to borrowers in the manufacturing industry, 11.3% were extended to borrowers in the construction industry and 11.2% were extended to borrowers in the finance and insurance industry.

We service our large corporate customers primarily through Woori Bank s network of dedicated corporate banking centers and general managers. Woori Bank operates 13 dedicated corporate banking centers, 12 of which are located in the Seoul metropolitan area. Each center is staffed with several general managers and headed by a senior general manager. Depending on the center, each such manager is responsible for large corporate customers that either are affiliates of a particular *chaebol* or operate in a particular industry or region. As of December 31, 2010, Woori Bank had a total of 96 general managers who focus on marketing to and managing the accounts of large corporate customers.

Our strategy for the large corporate banking segment is to develop new products and cross-sell our existing products and services to our core base of large corporate customers. In particular, we continue to focus on marketing fee-based products and services such as foreign exchange and trade finance services, derivatives and other risk hedging products, investment banking services and advisory services. We have also been reviewing the credit and risk profiles of our existing customers as well as those of our competitors, with a view to identifying a target group of high-quality customers on whom we can concentrate our marketing efforts. In addition, we are seeking to continue to increase the *chaebol*-, region- and industry-based specialization of the managers at our dedicated corporate banking centers, including through the operation of a knowledge management database that allows greater sharing of marketing techniques and skills.

Lending Activities. We provide both working capital loans and facilities loans to our large corporate customers. As of December 31, 2010, working capital loans and facilities loans accounted for 46.9% and 14.4%, respectively, of our total large corporate loans.

Loans to large corporate customers may be secured by real estate or deposits or be unsecured. As of December 31, 2010, secured loans and loans guaranteed by a third party accounted for 22.2% and 6.2%, respectively, of our large corporate loans. Since a relatively low percentage of our large corporate loan portfolio is secured by collateral, we may be required to establish larger allowances for loan losses with respect to any such loans that become non-performing or impaired. See Assets and Liabilities Asset Quality of Loans Loan Loss Provisioning Policy. As of December 31, 2010, approximately 54.6% of the secured loans were secured by real estate and approximately 5.8% were secured by deposits. Working capital loans generally have a maturity of one year but may be extended on an annual basis for an aggregate term of three to five years. Facilities loans have a maximum maturity of ten years.

We evaluate creditworthiness and collateral for our loans to large corporate customers in essentially the same way as we do for loans to small- and medium-sized enterprise customers. See Corporate Banking Small- and Medium-Sized Enterprise Banking Lending Activities.

Pricing. We determine the pricing of our loans to large corporate customers in the same way that we determine the pricing of our loans to small- and medium-sized enterprise customers. See Corporate Banking Small- and Medium-Sized Enterprise Banking Pricing. As of December 31, 2010, approximately 52.6% of these loans had interest rates that varied with reference to current market interest rates.

Consumer Banking

We provide retail banking services to consumers in Korea. Our consumer banking operations consist mainly of lending to and taking deposits from our retail customers. We also provide ancillary services on a fee basis, such as wire transfers. While we have historically attracted and held large amounts of consumer deposits through our extensive branch network, our substantial consumer lending growth occurred principally in recent years, in line with the increase in the overall level of consumer debt in Korea. We provide our consumer banking services primarily through Woori Bank, although we service a significant portion of our regional retail banking customers through Kyongnam Bank and Kwangju Bank. See Branch Network and Other Distribution Channels.

Woori Bank classifies its consumer banking customers based on their individual net worth and contribution to our consumer banking operations into four groups: high net worth; mass affluent; middle class; and mass market. We differentiate our products, services and service delivery channels with respect to these segments and target our marketing and cross-selling efforts based on this segmentation. With respect to the high net worth and mass affluent segments, we have established private banking operations to better service customers in these segments. See Private Banking Operations. With respect to the middle class segment, we intend to use our branch-level sales staff to maximize the overall volume of products and services we provide. With respect to the mass market segment, we have focused on increasing our operating efficiency by encouraging customers to migrate to low-cost alternative service delivery channels, such as the Internet, call centers, mobile banking and ATMs. Kyongnam Bank and Kwangju Bank have segmented their customers into similar groups.

Kyongnam Bank and Kwangju Bank, both regional banks established in their respective regions in 1970 and 1968, are using region-focused strategies to attract customers, market products and create more intimate customer relationships, thereby differentiating themselves from nationwide banks in the same market. Kyongnam Bank is attempting to increase priority customer transaction volume by actively increasing its customer service and management and differentiating services for these customers. Kwangju Bank operates a customer management system that uses diverse strategies to market differentiated products and services to priority customers.

Lending Activities

We offer a variety of consumer loan products to households and individuals. We differentiate our product offerings based on a number of factors, including the customer s age group, the purpose for which the loan is used, collateral requirements and maturity. The following table sets forth the balances and percentage of our total lending represented by our consumer loans as of the dates indicated:

	As of December 31,					
	2008		2009		2010	
	Amount	% of Total Loans	Amount	% of Total Loans	Amount	% of Total Loans
	(in billions of Won, except percentage)					
General purpose household loans	₩ 30,211	15.9%	₩ 30,802	16.4%	₩ 30,759	16.0%
Mortgage and home equity loans	30,101	16.0	31,246	16.6	32,942	17.2
Total	₩ 60,312	31.9%	₩ 62,048	33.0%	₩ 63,701	33.2%

Our consumer loans consist of:

general purpose household loans, which are loans made to customers for any purpose (other than mortgage and home equity loans), and include overdraft loans, which are loans extended to customers to cover insufficient funds when they withdraw funds from their demand deposit accounts with us in excess of the amount in such accounts up to a limit established by us; and

mortgage loans, which are loans made to customers to finance home purchases, construction, improvements or rentals, and *home equity loans*, which are loans made to customers secured by their homes to ensure loan repayment.

For secured loans, including mortgage and home equity loans, we generally lend up to 60% of the collateral value (except in areas of high speculation designated by the government where we generally limit our lending to 40% to 60% of the appraised value of collateral) minus the value of any lien or other security interest that is prior to our security interest. In calculating the collateral value for real estate, we generally use the appraisal value of the collateral as determined using our automated CREPIA system and similar systems used by Kyongnam Bank and Kwangju Bank. We generally revalue collateral on a periodic basis. As of December 31, 2010, the revaluation period was every year for real estate (with apartments being revalued every month, subject to the availability of certain specified market value information), every year for equipment, every month for deposits and every week for stocks listed on a major

Korean stock exchange.

A borrower s eligibility for general purpose household loans is primarily determined by such borrower s creditworthiness. In reviewing a potential borrower s loan application, we also consider the suitability of the borrower s proposed use of funds, as well as the borrower s ability to provide a first-priority mortgage. A borrower s eligibility for a home equity loan is primarily determined by such borrower s creditworthiness (including as determined by our internal credit scoring protocols) and the value of the collateral property, as well as any third party guarantees of the borrowed amounts.

We also offer a variety of collective housing loans, including loans to purchase property or finance the construction of housing units, loans to contractors to be used for working capital purposes, and loans to educational institutions and non-profit entities to finance the construction of dormitories. Collective housing loans subject us to the risk that the housing units will not be sold. As a result, we review the probability of the sale of the housing unit when evaluating the extension of a loan. We also review the borrower s creditworthiness and the suitability of the borrower s proposed use of funds. Furthermore, we take a lien on the land on which the housing unit is to be constructed as collateral. If the collateral is not sufficient to cover the loan, we also take a guarantee from the Housing Finance Credit Guarantee Fund as security.

General Purpose Household Loans

Our general purpose household loans may be secured by real estate (other than homes), deposits or securities. As of December 31, 2010, approximately ₩19,034 billion, or 62.2% of our general purpose household loans were unsecured, although some of these loans were guaranteed by a third party. Overdraft loans are primarily unsecured and typically have a maturity between one and three years, and the amount of such loans has been steadily declining. As of December 31, 2010, this amount was approximately ₩3 billion.

Pricing. The interest rates on our general purpose household loans are either a periodic floating rate (which is based on a base rate determined for three-month, six-month or twelve-month periods derived internally, which reflects our internal cost of funding, further adjusted to account for the borrower s credit score and our opportunity cost) or a fixed rate that reflects those same costs and expenses, but taking into account interest rate risks. In February 2010, we began using the Cost of Fund Index (or COFIX) benchmark rate, as announced by the Korea Federation of Banks, as the base rate for our general purpose household loans with periodic floating rates in place of the benchmark certificate of deposit rate that we had traditionally used for such purpose.

Our interest rates also incorporate a margin based on, among other things, the type of collateral (if any), priority with respect to any security, our target loan-to-value ratio and loan duration. We also can adjust the applicable rate based on current or expected profit contribution of the customer. At Woori Bank, lending rates are generally determined by our automated CREPIA system, and we began to determine lending rates at Kyongnam Bank and Kwangju Bank using similar credit evaluation systems from January 2008. The applicable interest rate is determined at the time of the loan. We also charge a termination fee in the event a borrower repays the loan prior to maturity. As of December 31, 2010, approximately 92.6% of our general purpose household loans had floating interest rates.

Mortgage and Home Equity Lending

We provide customers with a number of mortgage and home equity loan products that have flexible features, including terms, repayment schedules, amounts and eligibility for loans. The maximum term of our mortgage and home equity loans is typically 35 years for Woori Bank and Kwangju Bank and 30 years for Kyongnam Bank. Most of our mortgage and home equity loans have an interest-only payment period of five years or less. With respect to these loans, we determine the eligibility of borrowers based on the borrower s personal information, transaction history and credit history using Woori Bank s CREPIA system and similar systems used by Kyongnam Bank and Kwangju Bank. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Credit Risk Management Credit Evaluation and Approval. The eligibility of a borrower that is participating in a housing lottery will depend on proof that it has paid a deposit or can obtain a guarantee from a Korean government-related housing fund. We receive fee income related to the origination of loans, including fees relating to loan processing and collateral evaluation.

As of December 31, 2010, approximately 89.6% of our mortgage and home equity loans were secured by residential or other property, 3.1% of our mortgage and home equity loans were guaranteed by Korean government-related housing funds and 3.3% of our mortgage and home equity loans, contrary to general practices in the United States, were unsecured (although the use of proceeds from mortgage and home equity loans is restricted for the purpose of financing home purchases and some of these loans were guaranteed by a third party). One reason that a portion of our mortgage and home equity loans are unsecured is that we, along with other Korean banks, provide advance loans to borrowers for the down payment of new housing (particularly apartments) that is in the process of being built. Once construction is completed, which may take several years, these mortgage and home equity loans become secured by the new housing purchased by these borrowers. As of December 31, 2010, we had issued unsecured construction loans relating to housing where construction was not completed in the amount of ₩1,077 billion. For the year ended December 31, 2010, the average initial loan-to-value ratio of our mortgage and home equity loans was approximately 48.3%, compared to 47.4% for the year ended December 31, 2009.

Pricing. The interest rates for our mortgage and home equity loans are determined on essentially the same basis as our general purpose household loans, except that for mortgage and home equity loans we place significantly greater weight on the value of any collateral that is being provided to secure the loan. The base rate we use in determining the interest rate for our mortgage and home equity loans is identical to the base rate we use to determine pricing for our general purpose household loans. As of December 31, 2010, approximately 96.5% of our outstanding mortgage and home equity loans had floating interest rates.

Private Banking Operations

In 2002, we launched our private banking operations within Woori Bank, Kyongnam Bank and Kwangju Bank. These operations currently aim to service our high net worth and mass affluent retail customers who individually maintain a deposit balance of at least ₩50 million with us. As of December 31, 2010, we had over 123,800 customers who qualified for private banking services, representing 0.6% of our total retail customer base. Of our total retail customer deposits of ₩69,810 billion as of December 31, 2010, high net worth and mass affluent customers accounted for 46.0%.

Through our private bankers, we provide financial and real estate advisory services to our high net worth and mass affluent customers. We also market differentiated investment and banking products and services to these segments, including beneficiary certificates, overseas mutual fund products, specialized bank accounts and credit cards. In addition, we have developed a customer loyalty program for our private banking customers that provides preferential rate and fee benefits and awards. We have also segmented our private banking operations by introducing exclusive private client services for high net worth customers who individually maintain a deposit balance of at least ₩100 million in the case of Woori Bank and ₩50 million in the case of Kyongnam Bank and Kwangju Bank. We believe that our private banking operations will allow us to increase our revenues from our existing high net worth and mass affluent customers, as well as attract new customers in these segments.

Woori Bank has 350 branches that offer private banking services. These branches are staffed by 356 private bankers and almost all of the branches are located in metropolitan areas, including Seoul. Kyongnam Bank and Kwangju Bank operate one and two dedicated private banking centers, respectively. Both banks also offer private banking services through a select number of branches. As of December 31, 2010, 36 private bankers were dispersed over 35 Kyongnam Bank branches and 14 private bankers were dispersed over 14 Kwangju Bank branches that provided private banking services.

We operate four financial products department stores in Seoul, which function as regular branches and through which we offer and market a variety of financial products and services, including credit cards, foreign currency products, bonds, stocks and insurance policies. As of December 31, 2010, these department stores collectively employed two specialists in the areas of tax, real estate and asset management. They are also dedicated to offering comprehensive wealth management consulting services for high net worth customers. In addition, Woori Bank operates an advisory center in Seoul for its private banking clients, which employs 17 specialists advising on matters of law, tax, real estate, risk assessment and investments.

Deposit-Taking Activities

As of December 31, 2010, we were one of the largest deposit holders on a combined basis (not adjusted for overlap) among Korean banks, in large part due to our nation-wide branch network. The balance of our deposits from retail customers was ₩57,512 billion, ₩64,367 billion and ₩69,810 billion as of December 31, 2008, 2009 and 2010, respectively, which constituted 34.2%, 36.2% and 37.5%, respectively, of the balance of our total deposits.

Table of Contents

We offer diversified deposit products that target different customers with different needs and characteristics. These deposit products fall into five general categories:

time deposits, which generally require a customer to maintain a deposit for a fixed term during which interest accrues at a fixed or floating rate. Early withdrawals require penalty payments. The term for time deposits typically ranges from one month to five years;

demand deposits, which either do not accrue interest or accrue interest at a lower rate than time, installment or savings deposits. The customer may deposit and withdraw funds at any time and, if the deposits are interest-bearing, they accrue interest at a fixed or variable rate depending on the period and/or amount of deposit;

savings deposits, which allow the customer to deposit and withdraw funds at any time and accrue interest at a fixed rate set by us depending upon the period and amount of deposit;

installment deposits, which generally require the customer to make periodic deposits of a fixed amount over a fixed term during which interest accrues at a fixed rate. Early withdrawals require penalty payment. The term for installment deposits range from six months to ten years; and

certificates of deposit, the maturities of which range from 30 days to five years, with a required minimum deposit of ₩5 million. Interest rates on certificates of deposit vary with the length of deposit and prevailing market rates. Certificates of deposit may be sold at face value or at a discount with the face amount payable at maturity.

The following table sets forth the percentage of our total retail and corporate deposits represented by each deposit product category as of December 31, 2010:

Time Deposits	Demand Deposits	Savings Deposits	Installment Deposits	Certificates of Deposit
63.69%	22.20 %	12.25 %	0.08 %	1.78 %

We offer varying interest rates on our deposit products depending on market interest rates as reflected in average funding costs, the rate of return on our interest-earning assets and the interest rates offered by other commercial banks. Generally, the interest payable is the highest on installment deposits and decreases with certificate of deposit accounts and time deposits and savings deposit accounts receiving relatively less interest, and demand deposits accruing little or no interest.

We also offer deposits in foreign currencies and various specialized deposits products, including:

Apartment application time deposits, which are special purpose time deposit accounts providing the holder with a preferential right to subscribe for new private apartment units under the Housing Act. This law sets forth various measures supporting the purchase of houses and the supply of such houses by construction companies. These products accrue interest at a fixed rate for one year, and at an adjustable rate after one year. Deposit amounts per account range from ₩2 million to ₩15 million depending on the size and location of the dwelling unit. These deposit products target high and middle income households.

Apartment application installment savings deposits, which are monthly installment savings programs providing the holder with a preferential right to subscribe for new private apartment units under the Housing Act. These deposits require monthly installments of ₩50,000 to ₩500,000, have maturities of between three and five years and accrue interest at fixed or variable rates depending on the term.

Apartment application savings accounts deposits, which are monthly installment savings programs providing the holder with a preferential right to subscribe for new national housing units constructed under the Housing Act or mid-sized, privately constructed national housing units. These deposits are available only to heads of household who do not own a home. These deposits require monthly installments of ₩20,000 to ₩100,000, terminate when the holder is selected as a subscriber for a housing unit and accrue interest at fixed rates.

Table of Contents

Apartment application comprehensive deposits, which are monthly installment comprehensive savings programs providing the holder with a preferential right to subscribe for new national housing units constructed under the Housing Act or privately constructed housing units. These deposits require monthly installments of ₩20,000 to ₩500,000, terminate when the holder is selected as a subscriber for a housing unit and accrue interest at fixed rates depending on the term. These deposit products target all segments of the population.

The Monetary Policy Committee of the Bank of Korea imposes a reserve requirement on Won currency deposits of commercial banks based generally on the type of deposit instrument. The reserve requirement is currently up to 7%. See Supervision and Regulation Principal Regulations Applicable to Banks Liquidity. Ongoing regulatory reforms have removed all controls on lending rates and deposit rates (except for the prohibition on interest payments on current account deposits).

The Depositor Protection Act provides for a deposit insurance system where the KDIC guarantees to depositors the repayment of their eligible bank deposits. The deposit insurance system insures up to a total of ₩50 million per depositor per bank. See Supervision and Regulation Principal Regulations Applicable to Banks Deposit Insurance System. We pay a quarterly premium of 0.02% of our average deposits and a quarterly special contribution of 0.025% of our average deposits, in each case for the relevant quarter. For the year ended December 31, 2010, our banking subsidiaries paid an aggregate of ₩217 billion of such premiums and contributions.

Branch Network and Other Distribution Channels

Our commercial banking subsidiaries had a total of 1,195 branches in Korea as of December 31, 2010, which on a combined basis was one of the most extensive networks of branches among Korean commercial banks. Recently, demand for mutual funds and other asset management products as well as bancassurance products have been rising. These products require extensive sales force and customer interaction to sell, further emphasizing the need for an extensive branch network. As a result, an extensive branch network is important to attracting and maintaining retail customers, as they generally conduct most of their transactions through bank branches. We believe that our extensive branch network in Korea helps us to maintain our retail customer base, which in turn provides us with a stable and relatively low cost funding source.

The following table presents the geographical distribution of our branch network in Korea as of December 31, 2010:

	Woori Bank		**Kyongnam Bank**		**Kwangju Bank**		**Total**	
	Number	**% of Total**	**Number**	**% of Total**	**Number**	**% of Total**	**Number**	**% of Total**
Area								
Seoul	444	49.1%	3	2.0%	5	3.5%	452	37.8%
Six largest cities (other than Seoul)	156	17.2	48	32.2	90	63.8	294	24.6
Other	305	33.7	98	65.8	46	32.6	449	37.6
Total	905	100.0%	149	100.0%	141	100.0%	1,195	100.0%

Our Woori Bank branches are concentrated in the Seoul metropolitan area, while our Kyongnam Bank and Kwangju Bank branches are located mostly in the southeastern and southwestern regions of Korea, respectively, providing extensive overall nationwide coverage.

Table of Contents

In order to maximize access to our products and services, we have established an extensive network of ATMs and cash dispensers, which are located in branches as well as unmanned outlets. The following table presents the number of ATMs and cash dispensers we had as of December 31, 2010:

	ATMs	Cash Dispensers
Woori Bank	5,251	1,591
Kyongnam Bank	580	448
Kwangju Bank	374	400
Total	6,205	2,439

We also actively promote the use of alternative service delivery channels in order to provide convenient service to customers. We also benefit from customers increasing use of these outlets, as they allow us to maximize the marketing and sales functions at the branch level, reduce employee costs and improve profitability. The following tables set forth information, for the periods indicated, relating to the number of transactions and the fee revenue of our alternative service delivery channels with respect to Woori Bank, Kyongnam Bank and Kwangju Bank.

Woori Bank

	For the year ended December 31, 2008		2009		2010	
ATMs(1):						
Number of transactions (millions)		444		447		429
Fee income (billions of Won)	₩	48	₩	46	₩	46
Telephone banking:						
Number of users		5,650,470		5,903,273		6,103,894
Number of transactions (millions)		123		159		166
Fee income (billions of Won)	₩	5	₩	4	₩	4
Internet banking:						
Number of users		7,746,439		8,880,331		9,408,592
Number of transactions (millions)		2,804		3,368		3,945
Fee income (billions of Won)	₩	86	₩	104	₩	107

Kyongnam Bank

	For the year ended December 31, 2008		2009		2010	
ATMs(1):						
Number of transactions (millions)		73		73		70
Fee income (billions of Won)	₩	8	₩	8	₩	8
Telephone banking:						

Number of users	847,634	885,757	911,379
Number of transactions (millions)	23	26	27
Fee income (billions of Won)	₩ 1	₩ 1	₩ 1
Internet banking:			
Number of users	589,745	694,506	806,635
Number of transactions (millions)	88	116	137
Fee income (billions of Won)	₩ 1	₩ 1	₩ 1

Kwangju Bank

	For the year ended December 31, 2008	2009	2010
ATMs[1]:			
Number of transactions (millions)	92	93	92
Fee income (billions of Won)	₩ 7	₩ 6	₩ 6
Telephone banking:			
Number of users	619,657	653,798	683,170
Number of transactions (millions)	17	17	26
Fee income (billions of Won)	₩ 1	₩ 1	₩ 1
Internet banking:			
Number of users	617,335	666,540	714,426
Number of transactions (millions)	115	128	142
Fee income (billions of Won)	₩ 1	₩ 1	₩ 1

(1) Includes cash dispensers.

Most of our electronic banking transactions do not generate fee income as many of those transactions are free of charge, such as balance enquiries, consultations with customer representatives or transfers of money with our banking subsidiaries. This is particularly true for telephone banking services, where a majority of the transactions are balance inquiries or consultations with customer representatives, although other services such as money transfers are also available.

Our automated telephone banking systems offer a variety of services, including inter-account fund transfers, balance and transaction inquiries and customer service enquiries. We operate three call centers, consisting of one call center operated by each of Woori Bank, Kyongnam Bank and Kwangju Bank, that handle calls from customers, engage in telemarketing and assist in our collection efforts.

Our Internet banking services include balance and transaction inquiries, money transfers, loan applications, bill payment and foreign exchange transactions. We seek to maintain and increase our Internet banking customer base by focusing largely on our younger customers and those that are able to access the Internet easily (such as office workers) as well as by developing additional Internet-based financial services and products. We also develop new products to target different types of customers with respect to our Internet banking services, and have developed a service that enables private banking customers to access their accounts on a website that provides specialized investment advice. We also offer escrow services and identification authentication services, such as electronic fingerprinting, for Internet transactions.

We also provide mobile banking services to our customers, which is available to all our Internet-registered users. These services allow our customers to complete selected banking transactions through major Korean telecommunications networks using their cellular phones or other mobile devices. In April 2010, our banking subsidiaries launched new smart banking services which enable users of so-called smart phones to access a broad range of banking and credit card services through their mobile phones. Our electronic bill presentation and payment system provides our customers with the ability to pay taxes, maintenance fees and other public fees electronically.

We also offer our Win-CMS service to corporate customers of Woori Bank, which provides an integrated electronic cash management system and in-house banking platform for such customers.

Credit Cards

We offer credit card products and services to consumers and corporate customers in Korea. In March 2004, we merged our credit card subsidiary, Woori Credit Card, with Woori Bank. Prior to the merger, we operated our credit card business principally through Woori Credit Card, to which we transferred the credit card operations of Woori Bank in February 2002 and the credit card operations of Kwangju Bank in March

Table of Contents

2003. As of December 31, 2010, Woori Bank s market share based on transaction volume was approximately 7.3%, which ranked Woori Bank as the sixth largest credit card issuer in Korea, according to BC Research, which is a quarterly report issued by BC Card.

Our credit card operations benefit from our ownership of a 29.6% equity stake in BC Card, which is co-owned by a private equity fund and nine other Korean financial institutions and operates the largest merchant payment network in Korea as measured by transaction volume. This ownership stake allows us to outsource production and delivery of new credit cards, the preparation of monthly statements, management of merchants and other ancillary services to BC Card for our Woori Bank credit card and Kyongnam Bank BC Card operations. In February 2011, we entered into an agreement with KT Corporation, one of Korea s largest telecom companies, to sell a 20% equity stake in BC Card. The completion of this transaction is subject to a number of conditions, including receipt of all governmental approvals.

Products and Services

We currently have the following principal brands of credit cards outstanding:

a Woori brand previously offered by Woori Credit Card and currently offered by Woori Bank;

a BC Card brand offered by Kyongnam Bank;

a BC Card brand previously offered by Woori Bank; and

a Visa brand offered by Kwangju Bank.

We issue Visa brand cards under a non-exclusive license agreement with Visa International Service Association and also issue MasterCard and JCB brand cards under a non-exclusive, co-branding agreement with BC Card.

We offer a number of different services to holders of our credit cards. Generally, these services include:

credit purchase services, which allow cardholders to purchase merchandise or services on credit and repay such credit on a lump-sum or installment basis;

cash advance services from ATMs and bank branches; and

credit card loans, which are loans that cardholders can obtain based on streamlined application procedures.

Unlike in the United States and many other countries, where most credit cards are revolving cards that allow outstanding balances to be rolled over from month to month so long as a required minimum percentage is repaid, cardholders in Korea are generally required to pay for their non-installment purchases as well as cash advances within approximately 18 to 58 days of purchase or advance, depending on their payment cycle.

Table of Contents

The following tables set forth certain data relating to our credit card operations as of the dates or for the period indicated:

	As of or for the year ended December 31,								
	2008			2009			2010		
	Woori Card(1)	Kyongnam Bank BC Card	Kwangju Bank Visa Card	Woori Card(1)	Kyongnam Bank BC Card	Kwangju Bank Visa Card	Woori Card(1)	Kyongnam Bank BC Card	Kw… B… V… C…
	(in billions of Won, unless indicated otherwise)								
f credit card									
t year end)									
s of holders)									
ccounts	9,035	845	706	9,888	946	764	10,707	986	
accounts	188	46	42	198	50	51	342	54	
	9,222	891	748	10,086	996	815	11,049	1,040	
io(2)	59.93%	49.20%	58.32%	57.09%	48.29%	56.07%	57.00%	46.96%	
d interest									
nt and cash									
nterest	₩ 292	₩ 18	₩ 5	₩ 322	₩ 18	₩ 4	₩ 276	₩ 16	₩
embership									
	9	1		9	1		10	1	
fees	536	35	36	567	39	40	618	42	
s	121	6	2	130	5	2	123	5	
	₩ 958	₩ 60	₩ 43	₩ 1,028	₩ 63	₩ 46	₩ 1,027	₩ 64	₩
lumes									
urchase	₩ 20,705	₩ 1,418	₩ 1,229	₩ 22,496	₩ 1,588	₩ 1,394	₩ 25,697	₩ 1,785	₩
nt purchase	4,721	384	265	4,590	416	246	4,892	435	
nce	6,596	247	189	6,509	234	169	6,084	212	
	697	18		371	5		568	7	
	₩ 32,709	₩ 2,067	₩ 1,683	₩ 33,966	₩ 2,243	₩ 1,809	₩ 37,241	₩ 2,439	₩
ng balances									
nd)									
urchase	₩ 1,579	₩ 159	₩ 85	₩ 1,633	₩ 141	₩ 98	₩ 1,827	₩ 138	₩
nt purchase	908	67	41	931	86	36	969	86	
nce	933	35	20	830	30	15	790	28	
	459	10		295	5		358	5	
	₩ 3,879	₩ 271	₩ 146	₩ 3,689	₩ 262	₩ 149	₩ 3,944	₩ 257	₩

outstanding									
urchase	₩ 508	₩ 51	₩ 27	₩ 620	₩ 54	₩ 37	₩ 607	₩ 46	₩
nt purchase	292	22	13	353	32	14	322	29	
ance	300	11	6	315	11	6	263	9	
	148	3		112	2		119	2	
	₩ 1,248	₩ 87	₩ 47	₩ 1,400	₩ 99	₩ 57	₩ 1,311	₩ 86	₩
ncy ratios(3)									
1 month	4.93	0.82	2.54	2.97	0.54	1.71	2.46	0.43	
onth to									
	1.69	0.78	1.26	1.27	0.66	0.60	1.20	0.67	
onths to									
	1.14	0.4	1.01	1.18	0.78	0.30	1.14	0.59	
onths	0.09	0.08	0.36	0.10	0.19	0.15	0.12	0.41	
	7.85%	2.08%	5.17%	5.52%	2.17%	2.76%	4.92%	2.10%	
orming loan									
	1.36%	0.66%	1.85%	1.30%	1.18%	0.64%	1.16%	1.26%	
ffs (gross)	₩ 105	₩ 5	₩ 3	₩ 193	₩ 4	₩ 6	₩ 131	₩ 5	₩
s	58	2		57	0	2	61	3	
e-offs	₩ 47	₩ 3	₩ 3	₩ 136	₩ 4	₩ 4	₩ 70	₩ 2	₩
rge-off									
	8.38%	5.51%	6.96%	13.79%	4.15%	10.15%	9.07%	5.58%	
e-off ratio(6)	3.73%	2.90%	6.22%	9.74%	4.02%	6.69%	4.38%	2.62%	

63

(1) Consists of credit cards issued by Woori Credit Card, Woori Bank and BC Cards and Visa Cards issued through the BC Card consortium.

(2) Represents the ratio of accounts used at least once within the last 12 months to total accounts as of the end of the relevant year.

(3) Our delinquency ratios may not fully reflect all delinquent amounts relating to our outstanding balances since a certain portion of delinquent credit card balances (defined as balances one day or more past due) were restructured into loans and were not treated as being delinquent at the time of conversion or for a period of time thereafter. Including all restructured loans, outstanding balances overdue by 30 days or more accounted for 2.4% of our credit card receivables as of December 31, 2010.

(4) Represents the ratio of balances that are more than three months overdue to total outstanding balances as of the end of the relevant year. These ratios do not include the following amounts of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary as of December 31, 2008, 2009 and 2010:

	As of December 31,		
	2008	2009	2010
	(in billions of Won)		
Restructured loans	₩ 19	₩ 35	₩ 34

(5) Represents the ratio of gross charge-offs for the year to average outstanding balances for the year. Under U.S. GAAP, our charge-off policy is to charge off balances which are more than six months past due (including previously delinquent credit card balances restructured into loans that are more than six months overdue from the point at which the relevant balances were so restructured), except for those balances with a reasonable probability of recovery.

(6) Represents the ratio of net charge-offs for the year to average outstanding balances for the year.

We offer a diverse range of credit card products within our various brands. Factors that determine which type of card a particular cardholder may receive include net worth, age, location, income level and the particular programs or services that may be associated with a particular card. Targeted products that we offer include:

- cards that offer additional benefits, such as frequent flyer miles and award program points that can be redeemed for services, products or cash;
- gold cards, platinum cards and other preferential members   cards that have higher credit limits and provide additional services;
- corporate and affinity cards that are issued to employees or members of particular companies or organizations; and
- revolving credit cards and cards that offer travel services and insurance.

In recent years, credit card issuers in Korea have agreed with selected cardholders to restructure their delinquent credit card account balances as loans that have more gradual repayment terms, in order to retain fundamentally sound customers who are experiencing temporary financial difficulties and to increase the likelihood of eventual recovery on those balances. In line with industry practice, we have restructured a portion of our delinquent credit card account balances as loans commencing in 2002. The general qualifications to restructure delinquent credit card balances as loans are that the delinquent amount be more than one month overdue and in excess of ₩1 million. The terms of the restructured loans usually require the payment of approximately 10% to 20% of the outstanding balance as a down payment and that they be guaranteed by a third party and carry higher interest rates than prevailing market rates. These loans are usually required to be repaid by the borrower in installments over terms ranging from three months to 60 months. As of December 31, 2010, the total amount of our restructured loans was ₩34 billion (which also included revolving loans and installment loans). Because restructured loans are not initially recorded as being delinquent, our delinquency ratios do not fully reflect all delinquent amounts relating to our outstanding credit card balances.

Payments and Charges

Revenues from our credit card operations consist principally of cash advance charges, merchant fees, interest income from credit card loans, interest on late and deferred payments, and annual membership fees paid by cardholders.

Each cardholder is allocated an aggregate credit limit in respect of all cards issued under his or her account and each month. We advise each cardholder of the credit limit relating to the cards in his or her monthly billing statement. Credit limits in respect of card loans are established separately. We conduct ongoing monitoring of all cardholders and accounts, and may reduce the credit limit or cancel an existing cardholder s card based on current economic conditions, receipt of new negative credit data from third party sources or the cardholder s score under the credit risk management systems we use to monitor their behavior, even if the cardholder continues to make timely payments in respect of his or her cards. We consider an account delinquent if the payment due is not received on the first monthly payment date on which such payment was due, and late fees are immediately applied. Late fee charges and computation of the delinquency period are based on each outstanding unpaid transaction or installment, as applicable. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Credit Risk Management Credit Review and Monitoring.

Payments on amounts outstanding on our credit cards must be made (at the cardholder s election at the time of purchase) either in full on each monthly payment date, in the case of lump-sum purchases, or in equal monthly installments over a fixed term from two months to 24 months, in the case of installment purchases. Cardholders may prepay installment purchases at any time without penalty. Payment for cash advances must be made on a lump sum basis. Payments for card loans must be made on an equal principal installment basis over a fixed term from three months up to a maximum of 36 months, up to a maximum loan amount of ₩20 million.

No interest is charged on lump-sum purchases that are paid in full by the monthly payment date. For installment purchases, we charge a fixed rate of interest on the outstanding balance of the transaction amount, based on the installment period selected at the time of purchase. For a new cardholder, we currently apply an interest rate between approximately 10.9% and 19.5% per annum as determined by the cardholder s application system score. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Credit Risk Management Credit Evaluation and Approval Credit Card Approval Process and Credit Review and Monitoring Credit Card Review and Monitoring.

For cash advances, finance charges start accruing immediately following the cash withdrawal. We currently charge a periodic finance charge on the outstanding balance of cash advance of approximately 7.8% to 28.8% per annum. The periodic finance charge assessed on such balances is calculated by multiplying the daily installment balances for each day during the billing cycle by the applicable periodic finance charge rate, and aggregating the results for each day in the billing period. In addition to finance charges, cardholders using cash advance networks operated by companies that are not financial institutions (such as Hannet and NICE) are charged a minimum commission of ₩600 and a maximum of ₩1,900 or 0.2% of the withdrawal amount per withdrawal.

We also generally charge a basic annual membership fee of ₩1,000 to ₩15,000 for regular cards, ₩5,000 to ₩15,000 for gold cards and ₩10,000 to ₩120,000 for platinum cards. The determination of the annual fee is based on various factors including the type of card, and whether affiliation options are selected by the cardholder. For certain cards, such as the Woori Card (which can only be used in Korea and is not affiliated with Visa or MasterCard), Woori Christian Card and Hyundai Home Shopping Woori Card, we will waive membership fees if customers charge above a certain amount.

Commencing in July 2006, we outsourced the management of merchants to BC Card. We charge merchant fees to merchants for processing transactions. Merchant fees vary depending on the type of merchant and the total transaction amounts generated by the merchant. As of December 31, 2010, we charged merchants an average of 2.11% of their respective total transaction amounts, in the case of Woori Bank, and 2.02% and 2.17%, respectively, in the case of Kyongnam Bank and Kwangju Bank. In addition to merchant fees, we receive nominal interchange fees for international card transactions.

Capital Markets Activities

We engage in capital markets activities for our own account and for our customers. Our capital markets activities include securities investment and trading, derivatives trading, asset securitization services, investment banking and securities brokerage.

In September 2004, our board approved a plan to buy a significant voting interest in LG Investment & Securities Co., or LGIS, which had been previously held by LG Card, in order to expand our brokerage and investment banking businesses. The plan provided for our purchase of approximately 26 million shares of LGIS for approximately ₩298 billion, or approximately ₩11,500 per share. This purchase was completed in December 2004 and was part of the financial rescue package for LG Card. Prior to such purchase, in October 2004, we purchased seven million shares of LGIS in the Korean stock market for approximately ₩55 billion. As a result, as of December 31, 2004, we owned a 27.3% voting interest in LGIS, which became an equity method investee.

In January 2005, the board of Woori Securities, a wholly-owned subsidiary, approved a plan to reduce its capital by 42.5% prior to its merger with LGIS. Pursuant to the capital write-down plan, Woori Securities cancelled 14 million of its outstanding shares for ₩11,000 per share. As a result, Woori Securities total shares outstanding amounted to approximately 20 million shares immediately after the capital write-down.

In March 2005, we merged Woori Securities into LGIS, and received 0.654 LGIS share for one Woori Securities share. We also renamed the surviving entity Woori Investment & Securities, which became an equity method investee and, as of the date of the merger, had a capital base of ₩786 billion, 151 branches within Korea and in other countries and approximately 2,500 employees. The merger was approved by the shareholders of each of Woori Securities and LGIS in extraordinary meetings of shareholders of the respective companies in March 2005. We currently own a 35.0% voting interest in Woori Investment & Securities. As of December 31, 2010, Woori Investment & Securities had consolidated total assets of ₩17,488 billion, consolidated total liabilities of ₩14,704 billion and consolidated total shareholders equity of ₩2,784 billion, on a Korean GAAP basis. For the year ended December 31, 2010, Woori Investment & Securities generated consolidated revenues of ₩4,050 billion and consolidated net income of ₩226 billion, on a Korean GAAP basis.

Securities Investment and Trading

Through Woori Bank and Woori Investment & Securities (which is an equity method investee and whose operations are therefore not included in the figures presented below) and, to a lesser extent, Kyongnam Bank and Kwangju Bank, we invest in and trade securities for our own account, in order to maintain adequate sources of liquidity and to generate interest and dividend income and capital gains. As of December 31, 2010, our investment portfolio, which consists of held-to-maturity securities and available-for-sale securities, and our trading portfolio had a combined total book value of ₩48,342 billion and represented 17.7% of our total assets.

Our trading and investment portfolios consist primarily of Korean treasury securities and debt securities issued by Korean government agencies, including the KDIC, local governments or government-invested enterprises, and debt securities issued by financial institutions. As of December 31, 2010, we held debt securities with a total book value of ₩45,741 billion, of which:

- held-to-maturity debt securities accounted for ₩19,905 billion, or 43.6%;
- available-for-sale debt securities accounted for ₩16,738 billion, or 36.6%; and
- trading debt securities accounted for ₩9,098 billion, or 19.8%.

Of these amounts, as of December 31, 2010, debt securities issued by the Korean government and government agencies amounted to ₩12,115 billion, or 60.9%, of our held-to-maturity debt securities, ₩6,670 billion, or 39.8%, of our available-for-sale debt securities, and ₩3,288 billion, or 36.1%, of our trading debt securities.

From time to time, we also purchase and sell equity securities for our securities portfolios. Our equity securities consist primarily of equities listed on the KRX KOSPI Market or the KRX KOSDAQ Market. As of December 31, 2010:

- equity securities in our available-for-sale portfolio had a book value of ₩675 billion, or 3.5%, of our available-for-sale portfolio; and equity securities in our trading portfolio had a book value of ₩262 billion, or 2.8%, of our trading portfolio.

Funds that are not used for lending activities are used for investment and liquidity management purposes, including investment and trading in securities. See Assets and Liabilities Securities Investment Portfolio.

The following tables show, as of the dates indicated, the gross unrealized gains and losses within our investment securities portfolio and the amortized cost and fair value of the portfolio by type of investment security:

	As of December 31, 2008			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
	(in billions of Won)			
Available-for-sale securities:				
Debt securities				
Korean Treasury securities and government agencies	₩ 8,736	₩ 195	₩	₩ 8,931
Corporate	5,783	129	(73)	5,839
Financial institutions	3,905	81	(17)	3,969
Asset backed securities	2,084	4	(1)	2,087
Foreign governments	70			70
Subtotal	₩ 20,578	₩ 409	₩ (91)	₩ 20,896
Equity securities	598	427	(38)	987
Beneficiary certificates(1)	1,504	30	(13)	1,521
Total available-for-sale securities	₩ 22,680	₩ 866	₩ (142)	₩ 23,404
Held-to-maturity securities:				
Debt securities				
Korean Treasury securities and government agencies	₩ 6,977	₩ 145	₩ (2)	₩ 7,120
Corporate	119		(3)	116
Financial institutions	2,335	14	(8)	2,341
Asset backed securities	81			81
Foreign governments	100			100
Total held-to-maturity securities	₩ 9,612	₩ 159	₩ (13)	₩ 9,758

Table of Contents

	As of December 31, 2009							
	Amortized Cost		Gross Unrealized Gain		Gross Unrealized Loss		Fair Value	
	(in billions of Won)							
Available-for-sale securities:								
Debt securities								
Korean Treasury securities and government agencies	₩	4,361	₩	13	₩	(26)	₩	4,348
Corporate		6,789		245		(74)		6,960
Financial institutions		2,261		15		(11)		2,265
Asset backed securities		766		80		(8)		838
Foreign governments		74						74
Subtotal		14,251		353		(119)		14,485
Equity securities		130		245		(7)		368
Beneficiary certificates[(1)]		1,181		50		(25)		1,206
Total available-for-sale securities	₩	15,562	₩	648	₩	(151)	₩	16,059
Held-to-maturity securities:								
Debt securities								
Korean Treasury securities and government agencies	₩	11,502	₩	50	₩	(32)	₩	11,520
Corporate		1,358		14		(3)		1,369
Financial institutions		2,503		15		(2)		2,516
Asset backed securities		491		5				496
Foreign governments		120						120
Total held-to-maturity securities	₩	15,974	₩	84	₩	(37)	₩	16,021

	As of December 31, 2010							
	Amortized Cost		Gross Unrealized Gain		Gross Unrealized Loss		Fair Value	
	(in billions of Won)							
Available-for-sale securities:								
Debt securities								
Korean Treasury securities and government agencies	₩	6,619	₩	52	₩	(1)	₩	6,670
Corporate		6,084		252		(94)		6,242
Financial institutions		2,938		50		(2)		2,986
Asset backed securities		814		4		(3)		815
Foreign governments		25						25
Subtotal		16,480		358		(100)		16,738
Equity securities		532		160		(17)		675
Beneficiary certificates(1)		1,495		114		(2)		1,607
Total available-for-sale securities	₩	18,507	₩	632	₩	(119)	₩	19,020
Held-to-maturity securities:								
Debt securities								
Korean Treasury securities and government agencies	₩	12,115	₩	174	₩	(1)	₩	12,288
Corporate		4,415		54		(10)		4,459
Financial institutions		1,791		23		(1)		1,813
Asset backed securities		1,468		14				1,482
Foreign governments		116						116
Total held-to-maturity securities	₩	19,905	₩	265	₩	(12)	₩	20,158

(1) Beneficiary certificates are instruments that are issued by and represent an ownership interest in an investment trust. Investment trusts, which operate like mutual funds in the United States, are managed by investment trust management companies and invest in portfolios of securities and/or other financial instruments, such as certificates of deposit. See Asset Management Investment Trust Management. Beneficiary certificates give the holder beneficial rights to both the relevant investment trust and the trust property in which the investment trust has invested.

For a discussion of our risk management policies with respect to our securities trading activities, see Item 11. Quantitative and Qualitative Disclosures about Market Risk Market Risk Management Market Risk Management for Trading Activities.

Derivatives Trading

We offer derivatives products and engage in derivatives trading, mostly for our corporate customers, primarily through Woori Bank and Woori Investment & Securities (which is an equity method investee and whose operations are therefore not included in the figures presented below). Our trading volume was ₩210,012 billion in 2008,

₩221,956 billion in 2009 and ₩281,250 billion in 2010, respectively. Our aggregate net trading revenue (loss) from derivatives and foreign exchange spot contracts for the years ended December 31, 2008, 2009 and 2010 was ₩(445) billion, ₩268 billion and ₩425 billion, respectively.

We provide and trade a number of derivatives products principally through sales or brokerage accounts for our customers, including:

- interest rate swaps, options and futures, relating principally to Won interest rate risks;
- index futures and options, relating to stock market fluctuations;
- cross currency swaps, relating to foreign exchange risks, largely for Won against U.S. dollars;

foreign exchange forwards, swaps, options and futures, relating to foreign exchange risks;

commodity derivatives, which we began providing through Woori Bank in 2007 to customers that wish to hedge their commodities exposure; and

credit derivatives, which we provide to financial institutions that wish to hedge existing credit exposures or take on credit exposure to generate revenue.

The derivatives trading activities of our regional banking subsidiaries, Kyongnam Bank and Kwangju Bank, consist primarily of trading of foreign exchange forwards and other foreign exchange-related derivatives.

Our derivatives operations focus on addressing the needs of our corporate clients to hedge their risk exposure and on hedging our risk exposure resulting from such client contracts. We also engage in derivatives trading activities to hedge the interest rate and foreign currency risk exposure that arises from our own assets and liability positions. Most of these hedging-purpose derivatives contracts, however, do not qualify for hedge accounting under U.S. GAAP and are consequently treated as trading derivatives and the changes in value are reflected in our income statements for the relevant periods. In addition, we engage in proprietary trading of derivatives and arbitrage through Woori Investment & Securities, such as index options and futures within our regulated open position limits, for the purpose of generating capital gains.

The following shows the estimated fair value of derivatives and foreign exchange spot contracts we held or had issued for trading purposes as of the dates indicated:

	As of December 31,					
	2008		2009		2010	
	Estimated Fair Value of Assets	Estimated Fair Value of Liabilities	Estimated Fair Value of Assets	Estimated Fair Value of Liabilities	Estimated Fair Value of Assets	Estimated Fair Value of Liabilities
	(in billions of Won)					
Foreign exchange spot contracts	₩ 3	₩ 4	₩ 1	₩ 3	₩ 2	₩ 2
Foreign exchange derivatives	8,430	7,895	2,799	2,153	2,218	1,551
Interest rate derivatives	2,016	2,049	1,240	1,287	1,360	1,407
Equity derivatives	50	401	54	454	77	352
Credit derivatives[(1)]		484		192		
Commodity derivatives	346	330	39	42	25	25
Other derivatives	124	123				
Total	₩ 10,969	₩ 11,286	₩ 4,133	₩ 4,131	₩ 3,682	₩ 3,337

(1) In connection with our credit derivatives outstanding, we accept credit exposure with respect to foreign currency-denominated corporate debt instruments held by counterparties by guaranteeing payments under such instruments, subject to our overall credit limits with respect to the applicable issuers.

In August 2006, Woori Bank entered into an agreement with Macquarie Bank, an Australian investment bank, pursuant to which Macquarie Bank provides operational support and cooperation to Woori Bank in the area of commodity derivatives trading, in connection with Woori Bank s plans to develop its commodities derivatives business. The agreement is expected to terminate in accordance with its terms in August 2011.

For a discussion of our risk management policies with respect to our derivatives trading activities, see Item 11. Quantitative and Qualitative Disclosures about Market Risk Market Risk Management Market Risk Management for Trading Activities.

Asset Securitization Services

We are active in the Korean asset-backed securities market. Through Woori Bank and Woori Investment & Securities, we participate in asset securitization transactions in Korea by acting as arranger, trustee or liquidity provider. In 2010, we were involved in asset securitization transactions with an initial aggregate issue amount of ₩5,186 billion and generated total fee income under Korean GAAP of approximately ₩60 billion in connection with such transactions. The securities issued in asset securitization transactions are sold mainly to institutional investors buying through Korean securities firms.

Investment Banking

We engage in investment banking activities in Korea through Woori Bank and Woori Investment & Securities. Through Woori Investment & Securities, we underwrite equity and debt securities offerings in the Korean capital markets, either as lead manager or a member of an underwriting syndicate and provide mergers and acquisitions and financial advisory services. In 2010, Woori Investment & Securities generated investment banking revenue under Korean GAAP of approximately ₩53 billion, consisting primarily of underwriting fee income from securities offerings. In addition, through Woori Bank, we provide project finance and financial advisory services, in the area of social overhead capital projects such as highway, port, power and water and sewage projects, as well as structured finance, leveraged buy-out financing, equity and venture financing and mergers and acquisitions advisory services. In 2010, Woori Bank generated investment banking revenue of approximately ₩197 billion from gains on investment in foreign bonds and equity securities and fees from advisory and other services. Through Woori Investment Asia Pte., which was added as a wholly-owned subsidiary of Woori Investment & Securities in September 2007, we also engage in investment banking activities in Southeast Asia.

We believe that significant opportunities exist for us to leverage our existing base of large corporate and small- and medium-sized banking customers to cross-sell investment banking services. We intend to expand our investment banking operations to take advantage of these opportunities, with a view to increasing our fee income and further diversifying our revenue base.

Securities Brokerage

We provide securities brokerage services through Woori Investment & Securities. Our activities include brokerage services relating to stocks, futures, options and debt instruments (such as commercial paper). As of December 31, 2010, Woori Investment & Securities had 124 branches. We also provide securities brokerage services through the Internet and through our home trading system software platforms. In 2010, Woori Investment & Securities generated fee income under Korean GAAP of approximately ₩375 billion through its securities brokerage activities.

International Banking

Primarily through Woori Bank, we engage in various international banking activities, including foreign exchange services and dealing, import and export-related services, offshore lending, syndicated loans and foreign currency securities investment. These services are provided primarily to our domestic customers and overseas subsidiaries and affiliates of Korean corporations. We also raise foreign currency funding through our international banking operations. In addition, we provide commercial banking services to retail and corporate customers in select overseas markets.

The table below sets forth certain information regarding our foreign currency assets and borrowings:

	As of December 31,		
	2008	**2009**	**2010**
		(in millions of US$)	
Total foreign currency assets	US $ 21,252	US $ 19,080	US $ 19,618
Foreign currency borrowings			

Call money		2,318		1,071		1,085
Long-term borrowings		5,670		7,048		6,995
Short-term borrowings		7,733		5,763		6,247
Total foreign currency borrowings	US $	15,721	US $	13,882	US $	14,327

The table below sets forth the overseas subsidiaries and branches of Woori Bank currently in operation as of December 31, 2010.

Business Unit[(1)]	Location
Subsidiaries	
Woori America Bank	United States
P.T. Bank Woori Indonesia	Indonesia
Woori Global Markets Asia Limited	China (Hong Kong)
Woori Bank (China) Limited	China
Zao Woori Bank	Russia
Branches, Agencies and Representative Offices	
London Branch	United Kingdom
Tokyo Branch	Japan
Singapore Branch	Singapore
Hong Kong Branch	China (Hong Kong)
Shanghai Branch	China
Bahrain Branch	Bahrain
Dhaka Branch	Bangladesh
Hanoi Branch	Vietnam
Ho Chi Minh City Branch	Vietnam
Gaeseong Industrial Complex Branch	North Korea
New York Agency	United States
Los Angeles Branch	United States
New Delhi Representative Office	India
Kuala Lumpur Representative Office	Malaysia
Dubai Representative Office	United Arab Emirates
Sao Paulo Representative Office	Brazil

(1) Does not include subsidiaries and branches in liquidation or dissolution.

In addition, Woori America Bank currently operates 18 branches in New York, New Jersey, Maryland, Virginia, Pennsylvania and California and provides retail and corporate banking services targeted towards the Korean-American community. Woori America Bank had total assets of US$1,035 million as of December 31, 2010 and net loss of US$80 million in 2010.

The principal activities of the overseas branches and subsidiaries of Woori Bank are providing trade financing and local currency funding for Korean companies and Korean nationals operating in overseas markets as well as servicing local customers and providing foreign exchange services in conjunction with our headquarters. On a limited basis, such overseas branches and subsidiaries of Woori Bank also engage in the investment and trading of securities of foreign issuers.

In November 2007, Woori Bank established a local subsidiary in China, Woori Bank (China) Limited, which currently has branches (including one sub-branch) in Beijing, Shanghai, Shenzhen, Suzhou and Tianjin. Woori Bank also established a local subsidiary in Russia, Zao Woori Bank, in January 2008. In addition, we have in recent years entered into various memoranda of understanding and strategic alliances with local banks in overseas markets, including China and Vietnam, in order to pursue business cooperation activities in such markets such as joint marketing efforts and information exchange.

Asset Management

In May 2005, we purchased a 90.0% direct ownership interest in LGITM from LGIS, at a purchase price of ₩73 billion. We subsequently merged Woori Investment Trust Management, our wholly-owned asset management subsidiary, into LGITM and renamed the surviving entity Woori Asset Management, which remains a consolidated subsidiary. In July and September 2005, Woori Asset Management reacquired the remaining 10.0% interest from its minority shareholders. In May 2006, we transferred 30.0% of our interest in Woori Asset Management to Credit Suisse. Following this transfer, we renamed the entity Woori Credit Suisse Asset Management. In October 2009, we reacquired Credit Suisse s 30.0% ownership interest in Woori Credit Suisse Asset Management and renamed the entity Woori Asset Management.

Trust Management Services

Money Trusts. Through Woori Bank, Kyongnam Bank and Kwangju Bank, we offer money trust products to our customers and manage the funds they invest in money trusts. The money trusts we manage are generally trusts with a fixed life that allow investors to share in the investment performance of the trust in proportion to the amount of their investment in the trust. We currently offer the following types of money trust products:

retirement trusts, which invest funds received from corporations or organizations and manage these funds until they are withdrawn to pay retirement funds to a corporation s officers or employees or an organization s members;

pension trusts, which invest funds received until pension benefits are due to be disbursed to a pension beneficiary; and

specified money trusts, which invest cash received as trust property at the direction of the trustors and, once the trust matures, disburse the principal and any gains to the trust beneficiaries.

We also offer other types of money trusts that have a variety of differing characteristics with respect to, for example, maturities and tax treatment.

Under Korean law, the assets of our money trusts are segregated from our assets and are not available to satisfy the claims of our creditors. We are, however, permitted to maintain deposits of surplus funds generated by trust assets. Except for specified money trusts, we have investment discretion over all money trusts, which are pooled and managed jointly for each type of trust. Specified money trusts are established on behalf of individual customers, typically corporations, which direct our investment of trust assets.

We receive fees for our trust management services that are generally based upon a percentage, ranging between 0.02% and 2%, of the net asset value of the assets under management.

We also receive penalty payments when customers terminate their trust deposit prior to the original contract maturity. Money trust management is currently the largest source of our fee income. Fees that we received for our trust management services (including those fees related to property trust management services, described below, but excluding those fees relating to guaranteed trusts, which are eliminated in consolidation), net of expenses, amounted to ₩34 billion in 2008, ₩28 billion in 2009 and ₩26 billion in 2010.

For some of the money trusts we manage, we have guaranteed the principal amount of an investor s investment as well as a fixed rate of interest. We no longer offer new money trust products where we guarantee both the principal amount and a fixed rate of interest. We continue to offer pension-type money trusts that provide a guarantee of the principal amount of an investor s investment.

The following table shows the balances of our money trusts by type as of the dates indicated as determined in accordance with Korean GAAP. Under U.S. GAAP, we do not consolidate performance trusts on

which we do not guarantee principal or interest, due to the fact that the assets invested are not our assets but customer assets and that our customers bear the risk of loss:

	As of December 31,		
	2008	2009	2010
	(in billions of Won)		
Principal and interest guaranteed trusts	₩ 1	₩ 1	₩ 1
Principal guaranteed trusts	1,953	1,907	1,750
Performance trusts	12,920	8,125	8,635
Total	₩ 14,874	₩ 10,033	₩ 10,386

The trust assets we manage consist principally of investment securities and loans made from the trusts. The investment securities consist of government-related debt securities, corporate debt securities, including bonds and commercial paper, equity securities and other securities. As of December 31, 2010, under Korean GAAP, our money trusts had invested in securities with an aggregate book value of ₩3,497 billion, which accounted for approximately 33.7% of our money trust assets. Debt securities accounted for ₩2,675 billion of this amount.

Our money trusts also invest, to a lesser extent, in equity securities, including beneficiary certificates issued by investment trust management companies. As of December 31, 2010, equity securities held by our money trusts amounted to ₩373 billion on a Korean GAAP basis, which accounted for approximately 3.6% of our money trust assets. Of this amount, ₩344 billion was from specified money trusts and the remaining ₩29 billion was from money trusts over which we had investment discretion.

Loans made by our money trusts are similar in type to the loans made by our banking operations. As of December 31, 2010, under Korean GAAP, our money trusts had made loans in the aggregate principal amount of ₩274 billion (excluding loans to our banking operations of ₩1,845 billion), which accounted for approximately 2.6% of our money trust assets.

If the income from a money trust for which we provide a guarantee is less than the amount of the payments we have guaranteed, we will need to pay the amount of the shortfall with funds from special reserves maintained in our trust accounts, followed by basic fees from that money trust and funds from our banking operations. We net any payments we make as a result of these shortfalls against any gains we receive from other money trusts. No material payments of any such shortfall amounts were made in 2010.

Under the Financial Investment Services and Capital Markets Act, which became effective in February 2009, a bank with a trust business license (such as Woori Bank, Kyongnam Bank and Kwangju Bank) is permitted to offer both specified money trust account products and unspecified money trust account products. Previously, banks were not permitted to offer unspecified money trust account products pursuant to the Indirect Investment Asset Management Act, which is no longer in effect following the effectiveness of the Financial Investment Services and Capital Markets Act.

Property Trusts. Through Woori Bank, Kyongnam Bank and Kwangju Bank, we also offer property trust management services, where we manage non-cash assets in return for a fee. Non-cash assets include mostly receivables (including those securing asset-backed securities), real property and securities, but can also include movable property such as artwork. Under these arrangements, we render escrow or custodial services for the property in question and collect fees in return.

In 2010, our property trust fees generally ranged from 0.05% to 1.0% of total assets under management, depending on the type of trust account product. As of December 31, 2010, the balance of our property trusts totaled ₩14,795 billion.

The property trusts also are not consolidated within our U.S. GAAP financial statements.

Investment Trust Management

Through Woori Asset Management, we offer investment trust products to our customers and manage the assets invested by them in investment trusts. The investment trust products we offer generally take the form of beneficiary certificates evidencing an ownership interest in a particular investment trust. We currently offer various different types of investment trust products, including:

equity funds, where equity securities or equity-linked securities consist of 60% or more of their assets;

fixed income funds, where fixed income securities consist of 60% or more of their assets;

hybrid funds, the assets of which include both fixed income and equity securities with no minimum requirement to hold either type of security;

money market funds, which invest mostly in short-term financial products, such as call loans, commercial paper, certificates of deposit and short-term treasury notes and corporate bonds; and

alternative investment funds, which invest in derivatives, real estate, commodities, special assets, funds of funds and other assets.

The investment trusts we manage are generally trusts with no fixed term that allow investors to share in the investment performance of the trust in proportion to the amount of their investment in the trust. We have investment discretion over all investment trusts. Investment trusts calculate the value of their assets each day, and any change in the overall valuation of their assets will be reflected in the price of their beneficiary certificates. To the extent such a trust does have a maturity date, at that time the trust will disburse principal and any return on investment based on the price of their beneficiary certificates. In addition to investment trust products, we provide our institutional clients with various investment advisory and discretionary asset investment services.

The following table shows the balances of our investment trusts by type as of the dates indicated as determined in accordance with Korean GAAP. Under U.S. GAAP, we do not consolidate investment trusts due to the fact that the assets invested are not our assets but customer assets:

	As of December 31,		
	2008	**2009**	**2010**
	(in billions of Won)		
Equity funds	₩ 3,684	₩ 2,532	₩ 1,888
Bond funds	1,122	1,687	2,116
Hybrid funds	627	608	476
Money market funds	4,957	5,735	5,355
Alternative investment funds	2,255	2,702	3,484
Total	₩ 12,645	₩ 13,264	₩ 13,319

We receive fees for our investment trust management services consisting of management fees in connection with establishing, operating and managing the investment trust, asset management fees and related advisory fees. These fees are calculated by multiplying the daily net asset value of the trust by a percentage provided in the trust documentation. Fees accrue on a daily basis and are paid out as expenses periodically.

Fees from our investment trust management services amounted to ₩35 billion in 2008, ₩28 billion in 2009 and ₩26 billion in 2010.

Although our current customer base consists mainly of institutional investors, we have been seeking to market our investment trust products to retail customers through our consumer banking network. We believe that significant opportunities exist for us to leverage our existing base of consumer banking customers to cross-sell our investment trust products. We intend to focus on the development of new products tailored to particular customer segments and the enhancement of sales and distribution capabilities through each of our marketing channels to meet our customers needs.

Table of Contents

Trustee and Custodian Services Relating to Securities Investment Trusts

Through Woori Bank, we act as a trustee for approximately 1,289 securities investment trusts, mutual funds and other investment funds. We receive a fee for acting as a trustee and generally perform the following functions:

- receiving payments made in respect of such securities;
- executing trades in respect of such securities on behalf of the investment fund, based on instructions from the relevant investment fund management company; and
- in certain cases, authenticating beneficiary certificates issued by investment trust management companies and handling settlements in respect of such beneficiary certificates.

For the year ended December 31, 2010, our fee income from such services was ₩10 billion.

Other Businesses

Merchant Banking

We engage in merchant banking operations through Woori Bank. The merchant banking services we currently offer include principally the following:

- commercial paper discounting, which entails purchasing at a discount notes that are issued, endorsed or guaranteed by companies to supply them with short-term working capital;
- factoring financing, which entails purchasing at a discount trade receivables held by companies to supply them with capital;
- payment guarantees, which entail issuing guarantees in respect of notes in return for fees; and
- cash management account (CMA) services, which offer accounts into which the accountholder may freely deposit or withdraw funds and for which returns from an investment portfolio purchased with such deposited funds are distributed as interest.

In recent years, we have focused our merchant banking operations on providing short-term funds to public institutions and financially sound corporations in order to improve our asset quality and increase our income and profitability.

Management of National Housing Fund

In November 2002, we were selected to manage the operations of the National Housing Fund, together with two other financial institutions. In April 2008, we were selected to be the lead manager of the National Housing Fund. The National Housing Fund provides financial support to low-income households in Korea by providing mortgage financing and construction loans for projects to build small- and medium-sized housing. As of December 31, 2010, outstanding housing loans from the National Housing Fund amounted to approximately ₩71 trillion, of which we originated approximately ₩32 trillion.

The activities of the National Housing Fund are funded primarily by the issuance of national housing bonds, which must be purchased by persons and legal entities wishing to make real estate-related registrations and filings, and by subscription savings deposits held at the National Housing Fund.

In return for managing the operations of the National Housing Fund we receive a monthly fee. This fee consists of a fund raising fee, a loan origination fee and a management fee. The fund raising fee is based on the number of National Housing Fund subscription savings deposit accounts opened and the level of activity for existing accounts and the number of National Housing Fund bonds issued or redeemed. The loan origination fee is based on the number of new National Housing Fund loans and the number of National Housing Fund mortgage loans to contractors constructing housing units that are assumed by the individual buyers of housing units and the level of activity for existing loans during each month. The management fee is based on the monthly average of the number of outstanding accounts and the monthly average of the number of overdue loans owed to the National Housing Fund. We received total fees of approximately ₩58 billion for managing the National Housing Fund in 2010.

Bancassurance

The term bancassurance refers to the marketing and sale by commercial banks of insurance products manufactured within a group of affiliated companies or by third-party insurance companies. Through Woori Bank, Kyongnam Bank and Kwangju Bank, we market a wide range of bancassurance products. In 2010, we generated fee income of approximately ₩109 billion through the marketing of bancassurance products. We believe that we will be able to continue to develop an important new source of fee-based revenues by expanding our offering of these products. Woori Bank has entered into bancassurance marketing arrangements with 24 insurance companies, including Samsung Life Insurance, Samsung Fire and Marine Insurance, Korea Life Insurance, Hyundai Fire and Marine Insurance and American International Assurance, and plans to enter into additional insurance product marketing arrangements with other leading insurance companies whose names and reputation are likely to be familiar to our customer base. Woori Bank has also entered into bancassurance marketing arrangements with Woori Aviva Life Insurance, in which we acquired a 51.0% interest in April 2008 and currently hold a 51.6% interest.

Private Equity

In October 2005, we established Woori Private Equity Co., Ltd. with the aim of strengthening our principal investment operations. Woori Private Equity seeks to make long-term and strategic investments in buyout target companies, as well as actively involving itself in their management. This would involve identifying potential investees suffering from inefficient management and effecting financial restructuring and strategic reorientation in those investees so as to enhance their enterprise value. We expect Woori Private Equity s operations to continue to provide us with greater investment opportunities and a new source of business for other related segments, especially corporate banking. In July 2006, Woori Private Equity established Woori Private Equity Fund, the size of which is approximately ₩344 billion, as a limited partnership in which Woori Private Equity serves as a general partner. In December 2009, Woori Private Equity established Woori Blackstone Korea Opportunity Private Equity Fund I, the size of which is approximately ₩606 billion, as a limited partnership in which Woori Private Equity serves as a general partner.

Consumer Finance

We provide consumer finance services through Woori Financial Co., Ltd. We acquired a 51.4% stake in Woori Financial (formerly known as Hanmi Capital Co., Ltd.) in September 2007 and further acquired an additional 2.4% stake in September 2009 following our exercise of certain call options. We currently hold a 52.5% equity interest in Woori Financial. Woori Financial provides leases and loans for various products, including automobiles, heavy machineries and medical equipments, as well as microlending services. We expect Woori Financial to continue to expand our customer base by providing a variety of non-banking financial services to retail customers as well as synergies through coordinated business operations with our other subsidiaries, including Woori Bank.

Life Insurance

We provide life insurance products and services through Woori Aviva Life Insurance. We acquired a 51.0% stake in Woori Aviva Life Insurance (formerly known as LIG Life Insurance) in April 2008. In connection with this acquisition, we entered into a joint venture agreement with Aviva International Holdings Limited. In September 2010, we acquired an additional 0.6% stake in Woori Aviva Life Insurance following our subscription for common shares newly issued by Woori Aviva Life Insurance. Aviva International Holdings Limited and we collectively hold a 98.9% interest in Woori Aviva Life Insurance, which we account for as an equity method investee under U.S. GAAP. Woori

Aviva Life Insurance provides a variety of individual and group life insurance products, including health insurance, whole life insurance, savings-type insurance and pension insurance. Woori Aviva Life Insurance seeks to become a leading life insurance company in Korea by combining our extensive distribution and marketing network and large customer base with the life insurance industry expertise and experience provided by Aviva plc, and we expect that Woori Aviva Life Insurance will allow us to further our strategy of diversifying our non-banking revenue base to cover a full range of financial services and products as a comprehensive financial services provider.

Competition

We compete with other financial institutions in Korea, including principally nationwide and regional Korean commercial banks and branches of foreign banks operating in Korea. In addition, in particular segments such as credit cards, asset management, securities brokerage and bancassurance, our subsidiaries compete with specialized financial institutions focusing on such segments. Some of these specialized financial institutions are significantly larger in terms of asset size and customer base and have greater financial resources than our subsidiaries.

Competition in the Korean financial market has been and is likely to remain intense. In particular, in the area of our core banking operations, most Korean banks have been focusing on retail customers and small- and medium-sized enterprises in recent years, although they have begun to increase their exposure to large corporate borrowers, and have been focusing on developing fee income businesses, including bancassurance, as increasingly important sources of revenue. In the area of credit cards, Korean banks and credit card companies have in the past engaged in aggressive marketing activities and made significant investments, contributing to some extent to the lower profitability and asset quality problems previously experienced with respect to credit card receivables.

In addition, we believe regulatory reforms, including the Financial Investment Services and Capital Markets Act, which became effective in February 2009, and the general modernization of business practices in Korea will lead to increased competition among financial institutions in Korea. We also believe that foreign financial institutions, many of which have greater experience and resources than we do, will seek to compete with us in providing financial products and services either by themselves or in partnership with existing Korean financial institutions. Furthermore, a number of significant mergers and acquisitions in the industry have taken place in Korea over the past decade, including the acquisition of Koram Bank by an affiliate of Citibank in 2004, the acquisition of Korea First Bank by Standard Chartered Bank in April 2005, Chohung Bank s merger with Shinhan Bank in April 2006 and Hana Financial Group s agreement in November 2010 to acquire a controlling interest in Korea Exchange Bank from the Lone Star funds. We expect that consolidation in the financial industry will continue. In particular, the Korean government has announced that it plans to privatize the Korea Development Bank. Other financial institutions may seek to acquire or merge with such or other entities, and the financial institutions resulting from this consolidation may, by virtue of their increased size and business scope, provide significantly greater competition for us. See Item 3D. Risk Factors Risks relating to competition.

Assets and Liabilities

The tables below and accompanying discussions provide selected financial highlights regarding our assets and liabilities on a consolidated basis.

Loan Portfolio

As of December 31, 2010, the balance of our total loan portfolio was ₩191,185 billion, a 1.9% increase from ₩187,617 billion as of December 31, 2009. As of December 31, 2010, 87.8% of our total loans were Won-denominated loans and 12.2% of our total loans were denominated in other currencies. Of the ₩23,367 billion of foreign currency-denominated loans as of that date, approximately 32.8% represented foreign loans provided by Woori Bank to offshore entities and individuals. Woori Bank makes foreign loans primarily through its overseas branches to affiliates of large Korean manufacturing companies for trade financing and working capital.

Except where we specify otherwise, all loan amounts stated below are before deduction of allowance for loan losses.

Loan Types

The following table presents loans by type as of the dates indicated. Totals include past due amounts:

	As of December 31,					
	2006	2007	2008	2009	2010	2010
	(in billions of Won)					(%)
Domestic:						
Corporate:						
Commercial and industrial	₩ 58,766	₩ 76,050	₩ 93,931	₩ 96,484	₩ 96,461	50.5%
Lease financing	35	272	425	578	778	0.4
Trade financing	8,027	8,754	12,201	10,321	11,332	5.9
Other commercial	5,263	6,496	8,266	6,602	7,039	3.7
Total corporate	72,091	91,572	114,823	113,985	115,610	60.5
Consumer:						
General purpose household[1]	51,637	56,176	56,911	58,127	57,251	29.9
Mortgage	4,068	3,248	3,275	3,807	6,298	3.3
Total consumer	55,705	59,424	60,186	61,934	63,549	33.2
Credit cards	2,405	3,325	4,294	4,098	4,354	2.3
Total domestic	130,201	154,321	179,303	180,017	183,513	96.0
Foreign:						
Corporate:						
Commercial and industrial	₩ 3,341	₩ 5,327	₩ 9,015	₩ 7,393	₩ 7,380	3.8
Trade financing	112	138	185	92	140	0.1
Total corporate	3,453	5,465	9,200	7,485	7,520	3.9
Consumer	86	99	129	115	152	0.1
Total foreign	3,539	5,564	9,329	7,600	7,672	4.0
Total gross loans	133,740	159,885	188,632	187,617	191,185	100.0%
Less: Unearned income	(5)	(17)	(51)	(98)	(142)	
Total loans	₩ 133,735	₩ 159,868	₩ 188,581	₩ 187,519	₩ 191,043	

(1) Includes home equity loans.

Loan Concentrations

Each of our banking subsidiaries limits its total exposure to any single borrower as required by Korean regulations and pursuant to its internal policies. Woori Bank determines this limit based on the borrower s credit rating provided by the bank s CREPIA system, and Kyongnam Bank and Kwangju Bank each determines its respective limit using the borrower s credit rating under its own standardized credit evaluation system based on the CREPIA system. Each of our banking subsidiaries may adjust its respective limit if such limit would otherwise exceed the limit imposed by Korean regulations. See Supervision and Regulation Principal Regulations Applicable to Banks Financial Exposure to any Individual Customer and Major Shareholder.

Table of Contents

20 Largest Exposures by Borrower

As of December 31, 2010, our exposures to our 20 largest borrowers or issuers totaled ₩38,629 billion and accounted for 14.7% of our total exposures. The following table sets forth our total exposures to those borrowers or issuers as of that date:

	Loans							
Company (Credit Rating)[1]	**Won currency**	**Foreign currency**	**Equity securities**	**Debt securities**	**Guarantees and acceptances**	**Total exposures**	**Collateral**	**Amounts classified as substandard or below[2]**
				(in billions of Won)				
Government[3]	₩	₩	₩	₩ 11,274	₩	₩ 11,274	₩	₩
The Bank of Korea[3]				10,799		10,799		
STX Offshore & Shipbuilding Co.,Ltd. (A-)	97	88			1,555	1,740	393	
Sung-Dong Ship Marin Co., Ltd. (BBB-)	316				1,182	1,498	809	
Samsung Electronics Co,.Ltd. (AAA)	21	1,326	31		1	1,379		
SH Corporation (AAA)	21			1,245		1,266		
Hyundai Heavy Industries Co., LTD. (AA+)	43	55	3	10	1,086	1,197		
Samsung Heavy Industries Co.,Ltd. (AA-)	12	68	1		905	986		
Hyundai Steel Company. (AA)	475	208	2	211	90	986		
SLS Shipbuilding Co., Ltd.[3]	291				681	972	907	217
Samsung Card Co., Ltd. (AA+)	480			301	3	784		
Kumho Industrial Co., Ltd. (CCC)	437		103	135	60	735	284	460
Samsung Engineering Co., Ltd. (A)	453		1		241	695	125	
SPP Shipbuilding Co., Ltd.[3]	5	16			666	687	221	
Hyundai Samho Heavy Industries Co., LTD. (A)	13	32		10	628	683		
Daewoo International Corporation (AA-)		317			359	676		
Hyosung Corpotation (A+)	175	269			179	623	76	
Kookmin Bank (AAA)		34		579		613		
Seoul Metropolitan Government[3]	530			10		540		
LG Chemical (AA+)	15	423			58	496		
Total	₩ 3,384	₩ 2,836	₩ 141	₩ 24,574	₩ 7,694	₩ 38,629	₩ 2,815	₩ 677

(1) Credit ratings from one of the following domestic credit rating agencies in Korea as of December 31, 2010: Korea Information Service Inc., National Information & Credit Evaluation, Inc., or Korea Ratings.

(2) Classification is based on the Financial Services Commission s asset classification criteria.

(3) Credit ratings unavailable.

As of December 31, 2010, 14 of these top 20 borrowers or issuers were companies belonging to the 30 largest *chaebols* in Korea. See Item 3D. Risk Factors Risks relating to our corporate credit portfolio We have exposure to the largest Korean commercial conglomerates, known as *chaebols*, and, as a result, recent and any future financial difficulties of *chaebols* may have an adverse impact on us.

Table of Contents

Exposure to Chaebols

As of December 31, 2010, 13.6% of our total exposure was to the 30 largest *chaebols* in Korea. The following table shows, as of December 31, 2010, our total exposures to the ten *chaebol* groups to which we have the largest exposure:

Chaebol	Loans: Won currency	Loans: Foreign currency	Equity securities	Debt securities	Guarantees and acceptances	Total exposures	Collateral	Amount classified as precautionary or below(1)	Amounts classified as substandard or below(1)
				(in billions of Won)					
Samsung	₩ 1,318	₩ 1,696	₩ 55	₩ 327	₩ 1,297	₩ 4,693	₩ 127	₩	₩
Hyundai Heavy Industries	454	318		20	2,270	3,062	53		
STX	513	413	1	7	1,943	2,877	478	50	
Hyundai Motors	1,213	950	6	95	325	2,589	170	7	
Kumho Asiana	1,161	730	107	181	210	2,389	595	477	466
POSCO	324	394	425	23	627	1,793	3		
Hanhwa	1,198	371	17	10	76	1,672	212		
Sungdong Industrial	575				1,031	1,606	948	982	
LG	467	785	3	69	230	1,554	7		
Doosan	505	640	10	31	365	1,551	134		
Total	₩ 7,728	₩ 6,297	₩ 624	₩ 763	₩ 8,374	₩ 23,786	₩ 2,727	₩ 1,516	₩ 466

(1) Classification is based on the Financial Services Commission s asset classification criteria.

Loan Concentration by Industry

The following table shows, as of December 31, 2010, the aggregate balance of our domestic and foreign corporate loans by industry concentration and as a percentage of our total corporate lending**:**

	Aggregate corporate loan balance (in billions of Won)	Percentage of total corporate loan balance
Industry		
Manufacturing	₩ 44,515	36.2%
Retail and wholesale	14,952	12.2

Construction		10,948	8.9
Hotel, leisure or transportation		9,702	7.8
Financial and insurance		6,244	5.1
Government and government agencies		839	0.7
Other		35,788	29.1
Total	₩	122,988	100.0%

Table of Contents

Loan Concentration by Size of Loans

The following tables show, as of December 31, 2010, the aggregate balances of our loans by outstanding loan amount:

Corporate

	Aggregate loan balance (in billions of Won)	Percentage of total loan balance
Commercial and industrial loans		
Up to ₩100 million	₩ 8,082	4.2%
Over ₩100 million to ₩1 billion	33,708	17.5
Over ₩1 billion to ₩10 billion	24,248	12.7
Over ₩10 billion to ₩50 billion	18,063	9.5
Over ₩50 billion to ₩100 billion	6,814	3.6
Over ₩100 billion	5,546	2.9
Sub-total	96,461	50.4
Lease financing loans		
Up to ₩100 million	329	0.2
Over ₩100 million to ₩1 billion	195	0.1
Over ₩1 billion to ₩10 billion	95	0.0
Over ₩10 billion to ₩50 billion	17	0.0
Over ₩50 billion to ₩100 billion		
Over ₩100 billion		
Sub-total	636	0.3
Trade financing loans		
Up to ₩100 million	1,359	0.7
Over ₩100 million to ₩1 billion	3,935	2.0
Over ₩1 billion to ₩10 billion	3,510	1.8
Over ₩10 billion to ₩50 billion	2,017	1.1
Over ₩50 billion to ₩100 billion	380	0.2
Over ₩100 billion	131	0.1
Sub-total	11,332	5.9
Other commercial loans		
Up to ₩100 million	1,520	0.8
Over ₩100 million to ₩1 billion	1,652	0.9
Over ₩1 billion to ₩10 billion	1,628	0.9
Over ₩10 billion to ₩50 billion	1,249	0.6
Over ₩50 billion to ₩100 billion	569	0.3
Over ₩100 billion	421	0.2
Sub-total	7,039	3.7

82

Table of Contents

	Aggregate loan balance (in billions of Won)	Percentage of total loan balance
Foreign commercial and industrial loans		
Up to ₩100 million	97	0.0
Over ₩100 million to ₩1 billion	657	0.3
Over ₩1 billion to ₩10 billion	2,461	1.4
Over ₩10 billion to ₩50 billion	2,580	1.4
Over ₩50 billion to ₩100 billion	944	0.5
Over ₩100 billion	641	0.3
Sub-total	7,380	3.9
Foreign trade financing loans		
Up to ₩100 million	21	0.0
Over ₩100 million to ₩1 billion	16	0.0
Over ₩1 billion to ₩10 billion	78	0.0
Over ₩10 billion to ₩50 billion	25	0.0
Over ₩50 billion to ₩100 billion		
Over ₩100 billion		
Sub-total	140	0.1

Consumer

	Aggregate loan balance (in billions of Won)	Percentage of total loan balance
General purpose household loans[(1)]		
Up to ₩10 million	3,788	2.0
Over ₩10 million to ₩50 million	15,393	8.1
Over ₩50 million to ₩100 million	11,580	6.0
Over ₩100 million to ₩500 million	22,924	12.1
Over ₩500 million to ₩1 billion	2,224	1.1
Over ₩1 billion	1,342	0.7
Sub-total	57,251	30.0
Mortgage loans		
Up to ₩10 million	76	0.0
Over ₩10 million to ₩50 million	1,560	0.8
Over ₩50 million to ₩100 million	1,908	1.1
Over ₩100 million to ₩500 million	2,564	1.3

Over ₩500 million to ₩1 billion	149	0.1
Over ₩1 billion	41	0.0
Sub-total	6,298	3.3
Credit cards		
Up to ₩10 million	3,483	1.9
Over ₩10 million to ₩50 million	624	0.3
Over ₩50 million to ₩100 million	52	0.0
Over ₩100 million	195	0.1
Sub-total	4,354	2.3

Table of Contents

	Aggregate loan balance (in billions of Won)	Percentage of total loan balance
Foreign consumer loans		
Up to ₩10 million	2	0.0
Over ₩10 million to ₩50 million	3	0.0
Over ₩50 million to ₩100 million	4	0.0
Over ₩100 million to ₩500 million	34	0.0
Over ₩500 million to ₩1 billion	29	0.0
Over ₩1 billion	80	0.0
Sub-total	152	0.1
Total	₩ 191,043	100.0%

(1) Includes home equity loans.

Maturity Analysis

The following table sets out, as of December 31, 2010, the scheduled maturities (time remaining until maturity) of our loan portfolio. The amounts disclosed are before deduction of allowance for loan losses:

	1 year or less	Over 1 year but not more than 5 years	Over 5 years	Total
		(in billions of Won)		
Domestic				
Corporate				
Commercial and industrial	₩ 66,624	₩ 22,508	₩ 7,329	₩ 96,461
Lease financing	1	635		636
Trade financing	11,275	57		11,332
Other commercial	3,813	2,134	1,092	7,039
Total corporate	81,713	25,334	8,421	115,468
Consumer				
General purpose household(1)	25,181	10,875	21,195	57,251
Mortgage	1,623	2,272	2,403	6,298
Credit cards	3,928	425	1	4,354

Total consumer	30,732	13,572	23,599	67,903
Total domestic	112,445	38,906	32,020	183,371

84

Table of Contents

	1 year or less	Over 1 year but not more than 5 years	Over 5 years	Total
	(in billions of Won)			
Foreign				
Corporate				
Commercial and industrial	4,407	1,817	1,156	7,380
Lease financing				
Trade financing	140			140
Other commercial				
Total corporate	4,547	1,817	1,156	7,520
Consumer:				
Other consumer	18	52	82	152
Total foreign	4,565	1,869	1,238	7,672
Total loans	₩ 117,010	₩ 40,775	₩ 33,258	₩ 191,043

(1) Includes home equity loans.

A significant portion of our loans with maturities of one year is renewed annually. We typically roll over our working capital loans and consumer loans (other than those payable in installments) after we conduct our normal loan review in accordance with our loan review procedures. Under our internal guidelines, we may generally extend working capital loans on an annual basis for an aggregate term of five years. Those guidelines also allow us to generally extend consumer loans for another term on an annual basis for an aggregate term of up to five years.

Interest Rates

The following table shows, as of December 31, 2010, the total amount of our loans due after one year, that have fixed interest rates and variable or adjustable interest rates:

	Domestic	Foreign	Total
	(in billions of Won)		
Fixed rate(1)	₩ 11,168	₩ 87	₩ 11,255
Variable or adjustable rates(2)	59,759	3,019	62,778
Total loans	₩ 70,927	₩ 3,106	₩ 74,033

(1) Fixed rate loans are loans for which the interest rate is fixed for the entire term.
(2) Variable or adjustable rate loans are loans for which the interest rate is not fixed for the entire term.

For additional information regarding our management of interest rate risk, see Item 11. Quantitative and Qualitative Disclosures about Market Risk Market Risk Management Asset and Liability Management.

Asset Quality of Loans

Loan Classifications

The Financial Services Commission generally requires Korean financial institutions to analyze and classify their assets by quality into one of five categories for reporting purposes. In making these classifications, we take into account a number of factors, including the financial position, profitability and transaction history of the borrower, and the value of any collateral or guarantee taken as security for the extension of credit. This classification method, and our related provisioning policy, is intended to fully reflect the borrower s capacity to repay.

Table of Contents

The following is a summary of the asset classification criteria we apply for corporate and consumer loans, based on the asset classification guidelines of the Financial Services Commission. Credit card receivables are subject to classification based on the number of days past due, as required by the Financial Services Commission. We also apply different criteria for other types of credits such as loans to the Korean government or to government-related or controlled entities, certain bills of exchange and certain receivables.

Asset Classification	Characteristics
Normal	Credits extended to customers that, based on our consideration of their business, financial position and future cash flows, do not raise concerns regarding their ability to repay the credits.
Precautionary	Credits extended to customers that: based on our consideration of their business, financial position and future cash flows, show potential risks with respect to their ability to repay the credits, although showing no immediate default risk; or are in arrears for one month or more but less than three months.
Substandard	Either: credits extended to customers that, based on our consideration of their business, financial position and future cash flows, are judged to have incurred considerable default risks as their ability to repay has deteriorated; or the portion that we expect to collect of total loans (1) extended to customers that have been in arrears for three months or more, (2) extended to customers that have incurred serious default risks due to the occurrence of, among other things, final refusal to pay their debt instruments, entry into liquidation or bankruptcy proceedings, or closure of their businesses, or (3) extended to customers who have outstanding loans that are classified as doubtful or estimated loss.
Doubtful	Credits exceeding the amount we expect to collect of total credits to customers that: based on our consideration of their business, financial position and future cash flows, have incurred serious default risks due to noticeable deterioration in their ability to repay; or have been in arrears for three months or more but less than twelve months.
Estimated Loss	Credits exceeding the amount we expect to collect of total credits to customers that:

based on our consideration of their business, financial position and future cash flows, are judged to have to be accounted as a loss as the inability to repay became certain due to serious deterioration in their ability to repay;

have been in arrears for twelve months or more; or

have incurred serious risks of default in repayment due to the occurrence of, among other things, final refusal to pay their debt instruments, liquidation or bankruptcy proceedings or closure of their business.

Table of Contents

Loan Loss Provisioning Policy

We maintain our allowance for loan losses at a level that we believe is sufficient to absorb estimated probable losses inherent in our loan portfolio. We base our allowance for loan losses on our continuing review and evaluation of the loan portfolio, and it represents our best estimate of probable losses that we have incurred as of the balance sheet date. We evaluate the risk characteristics of the loan portfolio and consider factors such as past loss experience and the financial condition of the borrower to determine the level of the allowance. We charge the allowance for loan losses against income in the form of a provision for loan losses. Adjustments to the allowance due to changes in measurement of impaired loans are recognized through the provision for loan losses. Loan losses, net of recoveries, are charged directly to the allowance.

We consider a commercial loan impaired when, after consideration of current information and events, it is probable that we will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the loan. We consider the following types of loans to be impaired:

loans classified as substandard or below according to the Financial Services Commission s asset classification guidelines;

loans that are 30 days or more past due;

loans to companies that have received a warning from the Korean Federation of Banks indicating that companies have exhibited difficulties in making timely payments of principal and interest; and

loans that are troubled debt restructurings as defined under U.S. GAAP.

Once we have identified a loan as impaired, we generally measure the value of the loan based on the present value of expected future cash flows discounted at the loan s effective interest rate or, as a practical expedient, at the loan s observable market price or the fair value of the collateral if the loan is collateral dependent. If the measured value is less than the book value of the loan, we establish a specific allowance for the amount deemed uncollectible. Where the entire impaired loan or a portion of the impaired loan is secured by collateral or a guarantee, we consider the fair value of the collateral or the guarantee payment in establishing the level of the allowance. Alternatively, for impaired loans that are considered collateral dependent, we determine the amount of impairment by reference to the fair value of the collateral. In addition, for certain foreign corporate loans that are considered impaired, we determine the fair value by reference to observable market prices, when available.

We also establish allowances for losses for corporate loans that have not been individually identified as impaired, consumer loans and credit card balances. These allowances are based on the level of our expected loss, which is the product of default probability and loss severity. We establish the expected loss related to corporate loans that we do not deem to be impaired based on historical loss experience, which depends on the internal credit rating of the borrower, characteristics of the lending product and relevant collateral. We establish the expected loss related to consumer loans and credit card balances based on historical loss experience generally for a period of one year, which depends on delinquency and collateral.

In connection with the restructuring of delinquent credit card balances into loans, we do not make any adjustments to our historical loss experience as we incorporate historical loss experience based on the initial date on which the balances became overdue. We separately calculate historical loss experience for both the period from the time when the balances became overdue up to the date when the balances are restructured and after the balances have been restructured as loans.

For leases, we establish allowances using the same method we use to establish allowances for losses for corporate loans.

For credit-related commitments, we establish allowances using the same method we use to establish allowances for our loans.

The actual amount of credit losses we incur may differ from our loss estimates as a result of changing economic conditions, changes in industry or geographic concentrations, or other factors. We monitor the differences between our estimated and actual incurred credit losses, and we undertake detailed periodic

Table of Contents

assessments of both individual loans and credit portfolios, the models we use to estimate incurred credit losses in those portfolios and the adequacy of our overall allowances.

Non-Accrual Loans and Past Due Accruing Loans

Except as discussed below, we generally cease to accrue interest on a loan and classify that loan as non-accruing when principal or interest payments become one day past due. Any unpaid interest previously accrued on these loans is reversed from income, and thereafter we recognize interest only to the extent we receive payments. In applying payments on delinquent loans, we first apply payments to the delinquent interest outstanding, then to non-delinquent interest, and then to the outstanding loan balance until the loan is paid in full. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current.

Foregone interest is the interest due on non-accrual loans that we have not accrued in our books. If we had not foregone interest on our non-accrual loans, we would have recorded gross interest income of ₩292 billion, ₩254 billion and ₩309 billion for 2008, 2009 and 2010, respectively, on loans accounted for on a non-accrual basis throughout the year, or since origination for loans held for part of the year. The actual amount of interest income on those loans included in our net income for 2008, 2009 and 2010 was ₩175 billion and ₩136 billion and ₩133 billion, respectively.

The category accruing but past due one day includes loans that are still accruing interest but on which principal or interest payments are contractually past due one day or more. We continue to accrue interest on loans that are fully secured by deposits or on which there are financial guarantees from the Korean government, the KDIC or certain financial institutions. The following table shows, as of the dates indicated, certain information relating to our non-accrual and past due loans.

As of December 31,											
2006		2007			2008			2009			
Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total	Domest
(in billions of Won)											
₩ 6	₩ 1,007	₩ 1,147	₩ 4	₩ 1,151	₩ 2,011	₩ 1	₩ 2,012	₩ 2,298	₩ 42	₩ 2,340	₩ 2,9
	1,560	1,685	1	1,686	2,166		2,166	1,263		1,263	1,1
6	2,567	2,832	5	2,837	4,177	1	4,178	3,561	42	3,603	4,0

0	23	177		177	28		28	98	11	109	10
0	29	41		41	47		47	26		26	2
	52	218		218	75		75	124	11	135	13
₩ 6	₩ 2,619	₩ 3,050	₩ 5	₩ 3,055	₩ 4,252	₩ 1	₩ 4,253	₩ 3,685	₩ 53	₩ 3,738	₩ 4,19

(1) Includes credit card balances of ₩60 billion, ₩199 billion, ₩290 billion, ₩105 billion and ₩70 billion as of December 31, 2006, 2007, 2008, 2009 and 2010, respectively.

(2) Includes accruing loans that are contractually past due 90 days or more in the amount of ₩4 billion, ₩2 billion, ₩2 billion and ₩24 billion, as of December 31, 2007, 2008, 2009 and 2010, respectively.

Table of Contents

Loan Aging Schedule

The following table shows our loan aging schedule (excluding accrued interest) as of the dates indicated. In line with industry practice, we have restructured a portion of our delinquent credit card balances as loans.

of December 31,	Normal Amount	%	1-3 months Amount past due	%	3-6 months Amount past due	%	More than 6 months Amount past due	%	Total Amount	%
	(in billions of Won, except percentages)									
06	₩ 132,603	99.1%	₩ 229	0.2%	₩ 263	0.2%	₩ 640	0.5%	₩ 133,735	100.0
07	157,985	98.8	1,255	0.8	278	0.2	350	0.2	159,868	100.0
08	185,055	98.1	2,584	1.4	456	0.2	485	0.3	188,581	100.0
09	185,250	98.8	1,375	0.7	324	0.2	570	0.3	187,519	100.0
10	188,053	98.4	1,555	0.8	864	0.5	571	0.3	191,043	100.0

Credit Exposures to Companies in Workout, Restructuring or Rehabilitation

Workout is a voluntary procedure through which we, together with the borrower and other creditors, restructure a borrower s credit terms. Previously, workouts were regulated under the Corporate Restructuring Promotion Act, which was enacted in 2007 and expired on December 31, 2010. In April 2011, the National Assembly of Korea adopted a new Corporate Restructuring Promotion Act, or the New Corporate Restructuring Promotion Act, which became effective on May 19, 2011. Workouts that had been initiated under the Corporate Restructuring Promotion Act are also governed by the New Corporate Restructuring Promotion Act effective from May 19, 2011. Under the New Corporate Restructuring Promotion Act, which is similar to the Corporate Restructuring Promotion Act, all creditor financial institutions of a financially troubled borrower are required to participate in a creditors committee which is authorized to prohibit such creditor financial institutions from exercising their rights against the borrower, commencing workout procedures or approving a reorganization plan prepared by the borrower. Any decision of the creditors committee requires the approval of creditor financial institutions holding interests as creditor in 75% or more of the total debt outstanding of a borrower. An additional approval of creditor financial institutions holding interests as creditor in 75% or more of the secured debt is required with respect to the borrower s debt restructuring. Once approved, any decision made by the creditors committee is binding on all the creditor financial institutions of the borrower. Creditor financial institutions that voted against commencement of workout, debt restructuring or granting of new credit have the right to request the creditor financial institutions that voted in favor of such matters to purchase their claims at a mutually agreed price. In the event that the parties are not able to agree on the terms of purchase, a coordination committee consisting of experts would determine the terms. The creditor financial institutions that oppose a decision made by the coordination committee may request a court to change such decision. The New Corporate Restructuring Promotion Act is scheduled to expire on December 31, 2013.

Korean law also provides for corporate rehabilitation proceedings, which are court-supervised procedures to rehabilitate an insolvent company. Under these procedures, a restructuring plan is adopted at a meeting of interested parties, including creditors of the company. That restructuring plan is subject to court approval.

A portion of our loans to and debt securities of corporate customers are currently in workout, restructuring or rehabilitation. As of December 31, 2010, ₩2,189 billion, or 0.9%, of our total loans and debt securities were in workout, restructuring or rehabilitation. This included ₩1,379 billion of loans to and debt securities of large corporate borrowers in workout, restructuring or rehabilitation and ₩811 billion of loans to and debt securities of small- and medium-sized enterprises in workout, restructuring or rehabilitation, which represented 0.6% and 0.3% of our total loans and debt securities, respectively. Currently, a specialized unit in each of our banking subsidiaries manages their workout, restructured and rehabilitated loans. At Woori Bank, for example, the Corporate Restructuring Division manages its workout, restructured and rehabilitated loans. Upon approval of a workout, restructuring or rehabilitation plan, a credit exposure is initially classified as precautionary or lower and thereafter cannot be classified higher than precautionary with limited exceptions. If a corporate borrower is in workout, restructuring or rehabilitation, we take the status of the borrower into

Table of Contents

account in valuing our loans to and collateral from that borrower for purposes of establishing our allowances for loan losses.

The following table shows, as of December 31, 2010, our ten largest exposures that were in workout, restructuring or rehabilitation:

	Loans				Guarantees				Amounts Classified as	
	Won	Foreign	Equity	Debt	and	Credit	Total		Substandard or	
npany (Credit Rating)[1]	Currency	Currency	Securities	Securities	Acceptances	Derivatives	Exposures	Collateral[2]	Below[3]	Allow
					(in billions of Won)					
Shipbuilding Co., Ltd.[4]	₩ 291	₩	₩	₩	₩ 681	₩	₩ 972	₩ 907	₩ 217	₩ 1
nho Industrial Co., Ltd. C).	437		103	135	60		735	284	460	
D Co., Ltd.[4]	195						195		195	1
cksan Engineering & struction Co.,Ltd. (BBB-)	166				5		171	45	171	1
Century Shipbuilding Ltd.[4]	33	2	2		119		156	34	150	1
Construction Co.,Ltd.[4]	112						112	72	41	
ndai Cement Co., ltd.[4]	81						81		81	
ech Co.,Ltd. (CCC)	23	11	42				76			
Industry[4]	56						56		56	
m Emerald Oceanview ited Company (CCC).	50						50		50	
l	₩ 1,444	₩ 13	₩ 147	₩ 135	₩ 865	₩	₩ 2,604	₩ 1,342	₩ 1,421	₩ 5

(1) Credit rating as of December 31, 2010, from one of the following Korean credit agencies: Korea Information Service Inc., National Information & Credit Evaluation, Inc. or Korea Ratings.

(2) The value of collateral is appraised based on future cash flow and observable market price.

(3) Classification is based on the Financial Services Commission s asset classification criteria.

(4) Credit rating unavailable.

Troubled Debt Restructurings

The following table presents, as of the dates indicated, our loans that are troubled debt restructurings as defined under U.S. GAAP. These loans consist principally of corporate loans that are accruing interest at rates lower than the original contractual terms as a result of a variation of terms upon restructuring.

As of December 31,

	2006			2007			2008			2009			2010	
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreig
	(in billions of Won)													
al e ch ed d														
gs	₩ 251		₩ 251	₩ 329		₩ 329	₩ 483		₩ 483	₩ 1,518		₩ 1,518	₩ 2,791	

For 2010, interest income that we would have recorded under the original contract terms of restructured loans amounted to ₩97 billion, of which we reflected ₩52 billion as interest income for 2010.

Potential Problem Loans

As of December 31, 2010, we had ₩6,722 billion of corporate loans that were current as to payment of principal and interest but where we had serious doubt as to the borrower s ability to comply with repayment terms in the near future. These amounts were classified as impaired and therefore included in our calculation of specific loan loss allowance under U.S. GAAP. Potential problem loans are precautionary loans that we determine, through our internal loan review process, require close management and increased provisioning due to the borrower s financial condition, our forecast for the industry in which it operates or as a result of other developments relating to its business.

Other Problematic Interest-Earning Assets

We have in the past received certain other interest-earning assets in connection with troubled debt restructurings that, if they were loans, would be required to be disclosed as part of the non-accrual, past due or restructuring or potential problem loan disclosures provided above. However, as of December 31, 2010, we had no such assets.

Non-Performing Loans

Non-performing loans are defined as those loans that are classified as substandard or below based on the Financial Services Commission s asset classification criteria. See Loan Classifications above. The following table shows, as of the dates indicated, certain details of our total non-performing loan portfolio:

	As of December 31,				
	2006	2007	2008	2009	2010
	(in billions of Won, except percentages)				
Total non-performing loans	₩ 1,354(1)	₩ 1,121(2)	₩ 2,088(3)	₩ 2,489(4)	₩ 5,855(5)
As a percentage of total loans	1.0%	0.7%	1.1%	1.3%	3.1%

(1) Excludes ₩15 billion of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary.

(2) Excludes ₩5 billion of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary.

(3) Excludes ₩14 billion of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary.

(4) Excludes ₩20 billion of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary.

(5) Excludes ₩17 billion of previously delinquent credit card balances restructured into loans that were classified as normal or precautionary.

The above amounts do not include loans classified as substandard or below that we or any of our predecessor entities sold to KAMCO or to special purpose companies established as a result of our joint ventures with several financial institutions. See Sales of Non-Performing Loans Joint Ventures.

We have also issued securities backed by non-performing loans and other assets. Some of these transactions involved transfers of loans through securitizations where control of the loans has not been surrendered and, therefore, are not treated as sale transactions. Instead, the assets remain on our balance sheet with the securitization proceeds treated as secured borrowings. These securities are included in the table above. See Funding Secured Borrowings.

Table of Contents

The following table sets forth, as of the dates indicated, our total non-performing loans by type of loan:

	As of December 31,									
	2006		2007		2008		2009		2010	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in billions of Won, except percentages)									
estic										
orate										
mercial and strial	₩ 783	57.9%	₩ 788	70.3%	₩ 1,592	76.2%	₩ 1,819	73.1%	₩ 5,199	88
e financing			4	0.4	9	0.4	11	0.4	4	0
e financing	102	7.5	45	4.0	112	5.4	112	4.5	231	3
r commercial	65	4.8	4	0.4	7	0.3	152	6.1	14	0
. corporate	950	70.2	841	75.1	1,720	82.4	2,094	84.1	5,448	93
umer										
eral purpose ehold[1]	308	22.7	241	21.5	285	13.6	257	10.3	291	5
gage	54	4.0			12	0.6	10	0.4	6	0
. consumer	362	26.7	241	21.5	297	14.2	267	10.7	297	5
it cards	33	2.4	36	3.2	57	2.7	52	2.1	51	0
. domestic	1,345	99.3	1,118	99.7	2,074	99.3	2,413	96.9	5,796	99
ign										
orate										
mercial and strial	8	0.6	3	0.3	14	0.7	76	3.1	59	1
e financing										0
e financing	1	0.1								0
r commercial										0
. corporate	9	0.7	3	0.3	14	0.7	76	3.1	59	1
umer										0
. foreign	9	0.7	3	0.3	14	0.7	76	3.1	59	1
. performing s	₩ 1,354	100.0%	₩ 1,121	100.0%	₩ 2,088	100.0%	₩ 2,489	100.0%	₩ 5,855	100

(1) Includes home equity loans.

Table of Contents

Top 20 Non-Performing Loans. As of December 31, 2010, our 20 largest non-performing loans accounted for 51.8% of our total non-performing loan portfolio. The following table shows, as of that date, certain information regarding those loans:

	Gross principal outstanding	Allowance for loan losses	Collateral[1]	Industry
	(in billions of Won)			
Borrower A	₩ 460	₩ 90	₩ 429	Construction
Borrower B	357	179	44	Other
Borrower C	305	56	119	Construction
Borrower D	209	98	825	Manufacturing
Borrower E	195	98		Construction
Borrower F	193	38		Construction
Borrower G	178	36		Other
Borrower H	100	20	64	Other
Borrower I	100	20		Other
Borrower J	100	40		Financial and Insurance
Borrower K	90	44		Construction
Borrower L	90	19		Other
Borrower M	90	18		Construction
Borrower N	86	17		Other
Borrower O	85	29		Construction
Borrower P	84	11		Manufacturing
Borrower Q	84	17		Manufacturing
Borrower R	79	39		Construction
Borrower S	75	75		Construction
Borrower T	75	37		Hotel and Transportation
Total	₩ 3,035	₩ 981	₩ 1,481	

(1) The value of collateral is appraised based on future cash flow and observable market price.

Non-Performing Loan Strategy

One of our goals is to improve our asset quality, in part by reducing our non-performing loans. We completed in 2007 the standardization of the credit risk management systems of our subsidiaries to reduce our risks relating to future non-performing loans. Our credit rating systems are designed to prevent our subsidiaries from extending new loans to high-risk borrowers as determined by their credit rating. Our credit monitoring systems are designed to bring any sudden increase in a borrower s credit risk to the attention of our subsidiaries, which then closely monitor such loans. See Item 11. Quantitative and Qualitative Disclosures about Market Risk Credit Risk Management.

Each of our subsidiaries has one or more units that are responsible for managing non-performing loans. At Woori Bank, for example, the Credit Management and Collection Department and the Corporate Restructuring Department generally oversee the process for resolving non-performing loans transferred to them by other Woori Bank business units. We believe that by centralizing the management of our non-performing loans within each subsidiary, we can become more effective in dealing with the issues relating to these loans by pooling institutional knowledge and creating a more specialized workforce.

When a loan becomes non-performing, the units at our banking subsidiaries that are responsible for monitoring non-performing loans will begin a due diligence review of the borrower s assets, send a notice demanding payment or stating that we will take legal action, and prepare for legal action. At the same time, we initiate our non-performing loan management process, which begins with:

identifying loans subject to a proposed sale by assessing the estimated losses from such sale based on the estimated recovery value of collateral, if any, for such non-performing loans;

identifying loans subject to charge-off based on the estimated recovery value of collateral, if any, for such non-performing loans and the estimated rate of recovery of unsecured loans; and

on a limited basis, identifying corporate loans subject to normalization efforts based on the cash-flow situation of the borrower.

Once we have confirmed the details of a non-performing loan, we make efforts to recover amounts owed to us. Methods for resolving non-performing loans include the following:

commencing collection proceedings;

commencing legal actions to seize collateral;

writing off these amounts, transferring them to specific subsidiaries in charge of collections and authorizing those subsidiaries to recover what they can with respect to these amounts or to sell these loans to third parties; and

with respect to large corporations, commencing or participating in voluntary workouts or restructurings mandated by Korean courts.

In addition to making efforts to collect on our non-performing loans, we also undertake measures to reduce the overall level of our non-performing loans. These measures include:

selling our non-performing loans to special purpose companies established in connection with our joint ventures with several financial institutions; and

selling our non-performing loans to third parties, including KAMCO.

See Sales of Non-Performing Loans. We generally expect to suffer a partial loss on loans that we sell or securitize, to the extent such sales and securitizations are recognized as such under U.S. GAAP.

Foreclosure and Collateral. We generally foreclose on mortgages or exercise our security interests in respect of other collateral if a collateralized obligation becomes overdue for more than three months. At that time, we will petition a court to foreclose on collateral and to sell that collateral through a court-supervised auction. Under Korean law, that petition must be filed with a court that has jurisdiction over the mortgaged property, and must be filed together with a copy of the mortgage agreement and an extract of the court registry regarding the subject property. The court will then issue an order to commence the foreclosure auction, which will be registered in the court registry of the subject property. If no bidder bids at least the minimum amount set by the court on the first auction date, the court will set another date for a subsequent auction approximately one month later. Each time a new auction date is set, the minimum auction price will be lowered by approximately 20%. Unlike laws relating to foreclosure in the United States, Korean law does not provide for non-judicial foreclosure. During 2008, 2009 and 2010, we foreclosed on collateral we obtained with respect to loan balances representing approximately 0.2%, 0.2% and 0.2% respectively, of our average interest-bearing loan balances in each of those periods.

Korean financial institutions, including us, maintain general policies to assess a potential customer s eligibility for loans based on that entity s credit quality, rather than requiring a particular level of collateral, especially in the case of large corporate borrowers. As a result, the ratio of our collateral to non-performing corporate loans is relatively low when compared with our total exposures. For secured consumer loans, however, we generally impose limits on loan amounts based on the collateral we receive. See Consumer Banking Lending Activities.

We reflect this collateral level when we estimate the future cash flow for our loans, which we calculate using a discounted cash flow method. With respect to loans to borrowers that we do not believe will be going concerns in the future, the lower collateral ratio has a direct effect on cash flow estimates and results in a higher level of allowances. With respect to loans to borrowers that we expect to be going concerns, the lower collateral ratio has an effect on cash flow estimates but we also consider other factors, including future operating income and future asset disposals and restructuring, in determining allowance levels. Accordingly, for these latter borrowers, the effect of lower collateral levels on allowances is mitigated by other characteristics of the borrower, and that lower collateral level will not necessarily result in a higher level of allowances.

Sales of Non-Performing Loans

The overall asset quality of our loan portfolio is affected by sales of non-performing loans. These sales have been made primarily to KAMCO and to special purpose companies established as a result of joint ventures with several financial institutions.

The following table sets forth Korean GAAP information regarding our sales of loans for the periods indicated:

	Year ended December 31,								
	2008			2009			2010		
Purchaser	**Principal Amount Sold**	**Sale Price**	**Gain (loss)**	**Principal Amount Sold**	**Sale Price**	**Gain (loss)**	**Principal Amount Sold**	**Sale Price**	**Gain (loss)**
	(in billions of Won)								
KAMCO	₩ 260	₩ 195	₩ (56)	₩ 44	₩ 34	₩ (3)	₩ 346	₩ 187	₩ 2
Joint venture special purpose companies	189	158		853	641	(4)	635	564	12
Others	73	74	1				1,305	1,218	1
Total	₩ 522	₩ 427	₩ (55)	₩ 897	₩ 675	₩ (7)	₩ 2,286	₩ 1,969	₩ 15

Korea Asset Management Corporation. In December 1997, in response to difficulties faced by Korean financial institutions as a result of the severe economic downturn in Korea, the Korean government authorized KAMCO to purchase from those institutions certain assets (which were primarily classified as substandard or below) at discounted prices. From 1997 through December 31, 2010, we and our predecessor entities sold an aggregate of ₩9,771 billion of substandard or below loans to KAMCO. In addition, in March 2009, the Korea government announced its plans to provide support to financial institutions and companies in the project finance industry by purchasing, through KAMCO, up to ₩4.7 trillion of project finance loans designated by the Financial Supervisory Service as endangered.

Pursuant to the terms of certain of these sales, KAMCO can require us to repurchase substandard or below loans we have sold to it in the event that:

- the underlying documentation of the loan is incomplete;
- there is a flaw in the perfection of any security interest underlying the loan; or
- certain litigation regarding the loan is pending.

In addition, we may be required to repurchase any loan relating to a borrower that has applied to a court for reorganization or that is the subject of reorganization proceedings at the time the loan was sold to KAMCO if a court rejects the application for reorganization, disapproves the reorganization plan or fails to approve the reorganization plan within two years of the sale. We may also be required to repurchase a loan if a court determines that the borrower cannot meet the terms of the repayment schedule developed in the reorganization proceeding. The ability of KAMCO to exercise its right to require us to repurchase loans sold is without limit. As of December 31, 2010, we did not have any loans subject to these repurchase rights.

Joint Ventures. In February 2006, Woori F&I entered into a joint venture arrangement with CRT9 Yugen Kaisha, a subsidiary of Shinsei Bank, to dispose of our substandard or below loans, and a special purpose company was established to purchase such loans from us and to securitize such loans through the issuance of

Table of Contents

asset-backed securities. In connection with such arrangement, Woori F&I transferred 49% of its 100% interest in Woori CA Asset Management to CRT9 Yugen Kaisha. Woori CA Asset Management was subsequently renamed Woori SB Asset Management and manages the substandard or below loans purchased from us by the special purpose company and receives asset management fees from the special purpose company, as well as a performance fee based on a percentage of asset resolutions. In December 2009, Woori F&I repurchased the 49% interest in Woori SB Asset Management held by CRT9 Yugen Kaisha and renamed it Woori AMC Co., Ltd., and the joint venture arrangement was terminated.

In May 2011, the Financial Supervisory Service entered into a memorandum of understanding with seven banks, including Woori Bank, regarding the establishment by the end of June 2011 of an entity to acquire approximately ₩1.2 trillion of non-performing bank loans relating to the construction and real estate industries. Such entity is expected to be established in the form of a private equity fund, with United Asset Management Corp. as the general partner and several banks, including Woori Bank, and other investors as the limited partners. The non-performing bank loans are expected to be purchased by the entity at market price and the funds required to purchase such loans are expected to be contributed entirely by the banks that sell such loans to the entity. According to the memorandum of understanding, Woori Bank will be required to make a capital contribution of ₩148 billion and extend a line of credit of up to ₩109 billion to the entity, subject to board approval and its internal credit approval processes.

Allocation of Allowances for Loan Losses

The following table presents, as of the dates indicated, the allocation of our allowances for loan losses by loan type:

	As of December 31,									
	2006		2007		2008		2009		2010	
	(in billions of Won, except percentages)									
estic										
orate										
mercial and strial	₩ 1,084	58.4%	₩ 1,068	61.5%	₩ 1,936	65.8%	₩ 2,653	74.6%	₩ 3,813	78
e financing		0.0	15	0.9	4	0.1	11	0.3	9	0
e financing	128	6.9	88	5.1	187	6.4	279	7.8	258	5
r commercial	119	6.4	69	4.0	217	7.4	166	4.7	221	4
corporate	1,331	71.7	1,240	71.4	2,344	79.7	3,109	87.4	4,301	88
umer										
eral purpose ehold(1)	372	20.1	331	19.1	320	10.9	182	5.1	227	4
gage	44	2.4	21	1.2	16	0.5	11	0.3	7	0
consumer	416	22.5	352	20.3	336	11.4	193	5.4	234	4
it cards	51	2.7	59	3.4	97	3.3	78	2.2	72	1
domestic	1,798	96.9	1,651	95.1	2,777	94.4	3,380	95.0	4,607	94
ign										
orate										
mercial and strial	55	2.9	58	3.3	161	5.5	175	4.9	259	5

e financing														
e financing		1	0.1		1	0.1		3	0.1		2	0.1		2	0
r commercial														
corporate		56	3.0		59	3.4		164	5.6		177	5.0		261	5
umer		1	0.1		26	1.5								6	0
foreign	₩	57	3.1	₩	85	4.9	₩	164	5.6	₩	177	5.0	₩	267	5
allowance															
oan losses	₩	1,855	100.0%	₩	1,736	100.0%	₩	2,942	100.0%	₩	3,557	100.0%	₩	4,874	100

(1) Includes home equity loans.

96

Table of Contents

The following table presents an analysis of the changes in our allowances for loan losses for the periods indicated:

	Year ended December 31,				
	2006	2007	2008	2009	2010
	(in billions of Won)				
Balance at the beginning of the period	₩ 1,525	₩ 1,855	₩ 1,736	₩ 2,942	₩ 3,557
Provision for credit losses	509	219	1,608	2,408	3,078
Allowance relating to credit-related commitments transferred to loans	15	11	13	47	25
Allowance relating to loans acquired in connection with acquisitions of Woori Securities, Kyongnam Bank, Kwangju Bank and Peace Bank of Korea					
Gross charge-offs					
Domestic					
Corporate					
Commercial and industrial	(86)	(175)	(186)	(757)	(1,231)
Lease financing		(2)	(1)	(9)	(9)
Trade financing	(13)	(28)	(24)	(81)	(164)
Other commercial	(9)	(19)	(16)	(47)	(102)
Total corporate	(108)	(224)	(227)	(894)	(1,506)
Consumer					
General purpose household[(1)]	(64)	(176)	(113)	(456)	(98)
Mortgage	(10)	(10)	(6)	(30)	(11)
Total consumer	(74)	(186)	(119)	(486)	(109)
Credit cards	(87)	(83)	(113)	(203)	(140)
Total domestic	(269)	(493)	(459)	(1,583)	(1,755)
Foreign	(2)	(18)	(19)	(60)	(109)
Allowance relating to loans sold	(90)		(40)	(317)	(161)
Total gross charge-offs	(361)	(511)	(518)	(1,960)	(2,025)
Recoveries:					
Domestic					
Corporate					
Commercial and industrial	45	34	14	44	128
Lease financing		1		1	1
Trade financing	7	9	2	5	15
Other commercial	4	6	1	3	9
Total corporate	56	50	17	53	153
Consumer					
General purpose household	34	36	8	27	6
Mortgage and home equity	5	3	1	2	1

Total consumer	39	39	9	29	7
Credit cards	78	66	61	59	65
Total domestic	173	155	87	141	225
Foreign	1	6	1	3	11
Total recoveries	174	161	88	144	236
Net charge-offs	(187)	(350)	(430)	(1,816)	(1,789)
Foreign exchange translation effects	(7)	1	15	(24)	3
Balance at the end of the period	₩ 1,855	₩ 1,736	₩ 2,942	₩ 3,557	₩ 4,874
Ratio of net charge-offs during the period to average loans outstanding during the period[2]	0.16%	0.24%	0.23%	0.97%	0.94%

(1) Includes home equity loans.
(2) Includes amounts relating to allowance related to loans transferred to held-for-sale.

Loan Charge-Offs

Each of our subsidiaries adheres to the credit approval process we have implemented, which includes assessing credit risk before extending loans and monitoring outstanding loans, in order to minimize loans that must be charged off. To the extent charge-offs are required, our subsidiaries follow charge-off policies aimed at maximizing accounting transparency, minimizing any waste of resources in managing loans which have a low probability of being collected and reducing our non-performing loan ratio.

Loans To Be Charged Off. Our subsidiaries charge off loans that are deemed to be uncollectible by virtue of their falling under any of the following categories:

- loans for which collection is not foreseeable due to insolvency, bankruptcy, compulsory execution, disorganization, dissolution or the shutting down of the business of the debtor;

- loans for which collection is not foreseeable due to the death or disappearance of the debtor;

- loans for which expenses of collection exceed the collectable amount;

- loans on which collection is not possible through legal or any other means;

- payments in arrears in respect of credit cards that have been overdue for more than four payment cycles and have been classified as expected loss (excluding instances where there has been partial payment of the overdue balance, where a related balance is not overdue or where a charge off is not possible due to Korean regulations), and those that have been overdue for more than six months;

- payments outstanding on corporate and consumer loans (other than credit card receivables) that have been overdue for more than 12 months, and those on unsecured consumer loans that have been overdue for more than six months; or

- the portion of loans classified as estimated loss, net of any recovery from collateral, which is deemed to be uncollectible.

Procedure for Charge-off Approval. In order to charge off corporate loans under applicable Korean accounting principles, in the case of Woori Bank, an application for a charge-off must be submitted by a branch to the Credit Management and Collection Department promptly and, in any event, within one month after the corporate loan is classified as estimated loss. The relevant department or team evaluates and approves the application. Then, Woori Bank must seek an approval from the Financial Supervisory Service for our charge-offs, which is typically granted. At the same time, Woori Bank refers the approval of the charge-off by the Credit Management and Collection Department to its Audit Committee for their review to ensure compliance with our internal procedures for charge-offs, which include consultations with the branch submitting the charge-off application. Once Woori Bank receives approval from the Financial Supervisory Service, Woori Bank must also obtain approval from its senior management to charge off those loans. With respect to corporate loans under U.S. GAAP, we follow a similar procedure (although we will not seek approval from the Financial Supervisory Service).

With respect to unsecured consumer loans and credit card balances, we follow a different process to determine which unsecured consumer loans and credit card balances should be charged-off, based on the length of time those loans or balances are past due. Under applicable Korean accounting principles, we charge-off unsecured consumer loans which are 12 months overdue and credit card balances which have been overdue for more than four payment cycles and have been classified as expected loss (excluding instances where there has been partial payment of the overdue balance, where a related balance is not overdue or where a charge off is not possible due to Korean regulations). Under U.S. GAAP, we follow a similar procedure, in addition to charging off any unsecured consumer loans or credit card balances which have not been charged off under applicable Korean accounting principles but are six months overdue.

Treatment of Loans Charged Off. Once loans are charged off, we classify them as charged-off loans. In the case of Woori Bank, these loans are then transferred to a wholly-owned subsidiary, Woori Credit Information, that is in charge of collections. It will attempt to recover amounts owed or to sell these loans to third parties.

Table of Contents

In the case of collateralized loans, our general policy is to petition a court to foreclose and sell the collateral through a court-supervised auction if a collateralized loan becomes overdue for more than three months. If a debtor still fails to repay and the court grants its approval for foreclosure, we will sell the collateral, net of expenses incurred from the auction.

Credit Rehabilitation Programs for Delinquent Consumer Borrowers

In light of the rapid increase in delinquencies in credit card and other consumer credit in recent years, and concerns regarding potential social issues posed by the growing number of individuals with bad credit, the Korean government has implemented a number of measures intended to support the rehabilitation of the credit of delinquent consumer borrowers. These measures may affect the amount and timing of our collections and recoveries on our delinquent consumer credits.

In 2002, the Financial Services Commission established the Credit Counseling and Recovery Service based upon an agreement among approximately 160 financial institutions in Korea. Upon application to the Credit Counseling and Recovery Service and approval by creditor financial institutions representing a majority of the outstanding unsecured debt and two-thirds of the outstanding secured debt, a qualified credit delinquent person with outstanding debts to two or more financial institutions in an aggregate amount not exceeding ₩500 million may participate in an individual work-out program designed to restructure such person s debt and rehabilitate such person s credit.

On April 1, 2006, the Korean Debtor Recovery and Bankruptcy Law took effect and replaced the Individual Debtor Rehabilitation Law. Under the Korean Debtor Recovery and Bankruptcy Law, a qualified individual debtor with outstanding debts in an aggregate amount not exceeding threshold amounts of ₩500 million of unsecured debt and/or ₩1 billion of secured debt may restructure his or her debts through a court-supervised debt restructuring that is binding on creditors.

On September 2, 2008, to support consumer borrowers with low credit scores, the Financial Services Commission established the Credit Rehabilitation Fund to purchase from creditors the loans of such borrowers that are in default and to provide guarantees so that such loans may be refinanced at lower rates. The Credit Rehabilitation Fund provides support to (i) individuals with low credit scores who are in default on loans not exceeding ₩50 million in principal amount in the aggregate (which requirement will be waived for individuals who are basic living welfare recipients) for a period of three months or more and (ii) individuals with low credit scores ranging from category 6 to 10 who are in default on loans not exceeding ₩30 million in principal amount in the aggregate (which requirement will be waived for individuals who are basic living welfare recipients) and the interest rate of which is 30% or more.

In March 2009, the Financial Services Commission requested Korean banks, including Woori Bank, Kyongnam Bank and Kwangju Bank, to establish a pre-workout program, including a credit counseling and recovery service, for retail borrowers with outstanding short-term debt. The pre-workout program has been in operation since April 2009 and, following successive extensions by the Korean government, is expected to continue until April 2013. Under the pre-workout program, maturity extensions and/or interest rate adjustments are provided for retail borrowers with total loans of less than ₩500 million who are in arrears on their payments for more than 30 days but less than 90 days.

Securities Investment Portfolio

Investment Policy

Our subsidiaries invest in and trade Won-denominated securities and, to a lesser extent, foreign currency-denominated securities for their own account to:

maintain asset stability and diversification;

maintain adequate sources of back-up liquidity to match funding requirements; and

supplement income from core lending activities.

Team managers of the treasury and investment banking departments of our subsidiaries supervise the respective subsidiary s investment and trading activities. In making securities investments, our subsidiaries take into account a number of factors, including external broker analyses and internal assessments of macroeconomic trends, industry analysis, credit evaluation and trading history in determining whether to make particular investments in securities.

Our investments in debt securities include primarily bonds issued by government-related entities, as well as corporate bonds that have been guaranteed by banks (other than merchant banks), government-related funds or privately capitalized funds that we consider to have a low credit risk. As of December 31, 2010, we owned ₩857 billion of KDIC debentures, which represent 1.8% of our investment securities. See Item 4A. History and Development of the Company History Establishment of Woori Finance Holdings.

Our securities investments are subject to various guidelines, including limitations prescribed under the Financial Holding Company Act and the Bank Act. Under these regulations, a bank holding company may not own (i) more than 5% of the total issued and outstanding shares of another finance-related company, (ii) any shares of its affiliates, other than its direct or indirect subsidiaries or (iii) any shares of a non-finance-related company. In addition, each of our subsidiaries must limit its investments in equity securities and bonds with a maturity in excess of three years (other than monetary stabilization bonds issued by the Bank of Korea and Korean government bonds) to 60% of the sum of its total Tier I and Tier II capital amount (less any capital deductions). Each of our subsidiaries is also generally prohibited from purchasing or retaining permanent ownership interests in equity securities of other banking institutions or acquiring more than 15% of the shares with voting rights issued by any other corporation. Each of our banking subsidiaries and its respective trust accounts are prohibited from acquiring the shares of any of our major shareholders, as defined in Supervision and Regulation Principal Regulations Applicable to Banks Financial Exposure to Any Individual Customer and Major Shareholder, in excess of an amount determined by enforcement decree within a maximum limit of 1% of the sum of our Tier I and Tier II capital (less any capital deductions). Further information on the regulatory environment governing our investment activities is set out in Supervision and Regulation Principal Regulations Applicable to Banks Liquidity and Restrictions on Shareholdings in Other Companies.

Our and our subsidiaries investments in foreign currencies are subject to certain limits and restrictions specified in our and our subsidiaries internal guidelines relating to country exposure, a single issuer and type of security exposure, and total investments by individual business units.

The following table sets out the definitions of the four types of securities investments we hold:

Category	Classification	Valuation Method
Trading securities	Securities held in anticipation of short-term market movements, which have been acquired for the purpose of short-term capital gains.	Marked-to-market and reported at fair value. We record unrealized gains and losses in income. Trading securities held by our overseas branches are stated at market value unless otherwise required by regulatory authorities in countries where the overseas branches are located.
Available-for-sale securities	Securities not classified as held to maturity or trading or other investments. Securities are classified as available-for-sale when we intend to hold them for an indefinite period of time or when the securities may be utilized for tactical	Marked-to-market and reported at fair value, with unrealized gains and losses being recorded in other comprehensive income as unrealized gain or loss on valuation of investment securities. If the fair value of available-for-sale securities

asset/liability purposes and sold from time to time to effectively manage interest rate exposure and resultant prepayment risk and liquidity needs.	declines below their cost and the decline is deemed other-than-temporary, the difference in value is recorded as a realized loss on our income statement. For

Category	Classification	Valuation Method
		impaired available-for-sale debt securities that we do not intend to sell and we believe that it is more-likely- than-not that we will not be required to sell before recovery of the amortized cost basis, we consider both qualitative and quantitative valuation factors to evaluate whether we expect to recover the entire amortized cost basis of such securities and the amount of the other- than-temporary impairment (or OTTI) is separated into an amount representing the credit loss, which is recognized in earnings, and the amount related to all other factors, which is recognized in other comprehensive income. For marketable equity securities, OTTI evaluations focus on whether evidence supporting recovery of the unrealized loss within a timeframe consistent with temporary impairment exists. Unrealized losses for OTTI on equity securities are recognized in current period earnings.
Held-to-maturity securities	Debt securities are classified as held-to-maturity securities when we have the positive ability and intent to hold until maturity.	Valued at acquisition cost, adjusted for accretion or amortization of discounts and premiums. However, if the fair value of these securities declines below their cost and the decline is deemed other-than-temporary, the difference in value is recorded as a realized loss on our income statement.
Other investments	Equity securities where we exercise significant influence over the operating and financial policies of an investee.	Valued pursuant to the equity method of accounting, based on net asset value. We reflect our share in net income or net loss of these entities in our income statement. Changes in retained earnings, capital surplus or other capital accounts of these entities are accounted for as adjustments to our retain earnings or capital adjustments, consistent with the manner reflected in these entities financial statements.
	Equity investment securities that do not have a readily determinable fair value.	Valued at acquisition cost. However, if the fair value of these securities declines below their cost and the decline is deemed other-than- temporary, the difference in value is recorded as a realized loss on our

income statement.

Table of Contents

Book Value and Market Value

The following table sets out the book value and market value of securities in our portfolio as of the dates indicated:

	As of December 31,					
	2008		2009		2010	
	Book Value	Fair Value	Book Value	Fair Value	Book Value	Fair Value
	(in billions of Won)					
Trading securities						
Equity securities	₩ 224	₩ 224	₩ 379	₩ 379	₩ 262	₩ 262
Beneficiary certificates	124	124	45	45	57	57
Debt securities						
Korean treasury securities and government agency securities	2,677	2,677	3,380	3,380	3,288	3,288
Debt securities issued by financial institutions	798	798	890	890	838	838
Corporate debt securities	2,887	2,887	4,667	4,667	4,956	4,956
Asset backed securities	2,137	2,137	728	728	16	16
Total Trading	8,847	8,847	10,089	10,089	9,417	9,417
Available-for-sale securities						
Equity securities	988	988	368	368	675	675
Beneficiary certificates	1,521	1,521	1,206	1,206	1,607	1,607
Debt securities						
Korean treasury securities and government agency securities	8,931	8,931	4,348	4,348	6,670	6,670
Debt securities issued by financial institutions	3,970	3,970	2,265	2,265	2,986	2,986
Corporate debt securities	5,839	5,839	6,960	6,960	6,242	6,242
Asset backed securities	2,087	2,087	838	838	815	815
Debt securities issued by foreign governments	70	70	74	74	25	25
Total Available-for-sale	23,406	23,406	16,059	16,059	19,020	19,020
Held-to-maturity securities						
Debt securities						
Korean treasury securities and government agency securities	6,977	7,120	11,502	11,520	12,115	12,288
Debt securities issued by financial institutions	2,335	2,341	2,503	2,515	1,791	1,813
Corporate debt securities	119	116	1,358	1,369	4,415	4,459
Asset backed securities	81	81	491	497	1,468	1,482
Debt securities issued by foreign governments	100	100	120	120	116	116
Total Held-to-maturity	9,612	9,758	15,974	16,021	19,905	20,158

Total securities	₩	41,865	₩	42,011	₩	42,122	₩	42,169	₩	48,342	₩	48,595

Table of Contents

Maturity Analysis

The following table categorizes our securities by maturity and weighted average yield as of December 31, 2010:

	As of December 31, 2010									
	Within 1 year		Over 1 but Within 5 years		Over 5 but Within 10 years		Over 10 years		Total	
	Amount	Weighted Average Yield(1)	Amount	Weighted Average Yield(1)	Amount	Weighted Average Yield(1)	Amount	Weighted Average Yield(1)	Amount	W A Y
	(in billions of Won)									
securities										
reasury securities and ent agencies	₩ 205	3.37%	₩ 2,665	5.43%	₩ 225	5.19%	₩ 193	4.62%	₩ 3,288	
urities issued by institutions	479	4.70	140	4.21			219	4.54	838	
e debt securities	4,617	3.83	202	3.13			137	1.30	4,956	
ked securities							16	1.33	16	
	₩ 5,301	3.50%	₩ 3,007	5.04%	₩ 225	5.19%	₩ 565	3.69%	₩ 9,098	
e-for-sale securities										
reasury securities and ent agencies	₩ 3,398	4.30%	₩ 3,198	4.49%	₩ 68	4.24%	₩ 6	4.99%	₩ 6,670	
urities issued by institutions	1,972	3.21	700	4.15	20	5.54	294	9.85	2,986	
e debt securities	1,708	3.27	1,671	4.98	126	3.74	2,737	11.60	6,242	
ked securities	112	4.52	2	5.81			701	3.37	815	
urities issued by overnments	25	2.83							25	
	₩ 7,215	3.76%	₩ 5,571	4.59%	₩ 214	4.07%	₩ 3,738	9.90%	₩ 16,738	
maturity securities										
reasury securities and ent agencies	₩ 5,347	6.89%	₩ 6,768	5.36%					₩ 12,115	
urities issued by institutions	847	6.93	889	7.27	20	6.35	35	7.33	1,791	
e debt securities	606	5.98	3,740	5.33	60	4.51	9	3.05	4,415	
ked securities	63	4.81	188	6.02			1,217	7.28	1,468	
urities issued by overnments	77	3.84	37	11.00			2	5.42	116	
	₩ 6,940	6.76%	₩ 11,622	5.52%	₩ 80	4.97%	₩ 1,263	7.25%	₩ 19,905	

(1) The weighted average yield for the portfolio represents the yield to maturity for each individual security, weighted using its book value (which is the amortized cost in the case of held-to-maturity securities and the fair value in the case of available-for-sale securities).

Table of Contents

Risk Concentrations

As of December 31, 2010, we held the following securities of individual issuers where the aggregate book value of those securities exceeded 10% of our stockholders equity at such date. As of December 31, 2010, our stockholders equity was ₩13,968 billion.

	As of December 31, 2010			
		Book Value		Market Value
	(in billions of Won)			
Name of issuer:				
Korean government	₩	11,274	₩	11,418
The Bank of Korea		10,799		10,828
Total	₩	22,073	₩	22,246

The Bank of Korea is a Korean government entity.

Funding

We fund our lending and other activities using various sources, both domestic and foreign. Our primary funding strategy is to maintain stable and low-cost funding. We have in the past achieved this in part by increasing the average balances of low-cost customer deposits, in particular demand deposits and savings deposits.

Customer deposits are our principal funding source. Customer deposits accounted for 70.8% of our total funding as of December 31, 2008, 73.5% of our total funding as of December 31, 2009 and 75.5% of our total funding as of December 31, 2010.

We also acquire funding through the following sources:

- long-term borrowings, including the issuance of senior and subordinated bonds and borrowings from government-affiliated funds and entities and other financial institutions;
- short-term borrowings, including borrowings from the trust accounts of our subsidiaries and from the Bank of Korea, and call money; and
- secured borrowings, including securities sold under repurchase agreements and issuances of asset-backed securities.

As of December 31, 2010, approximately 95.3% of our total funding was denominated in Won.

Table of Contents

Deposits

Although the majority of our deposits are short-term, it has been our experience that the majority of our depositors generally roll over their deposits at maturity, providing us with a stable source of funding. See Item 3D. Risk Factors Other risks relating to our business Our funding is highly dependent on short-term deposits, which dependence may adversely affect our operations. The following table shows the average balances of our deposits and the average rates paid on our deposits for the periods indicated:

	For the year ended December 31,									
	2008			2009			2010			
	Average Balance[(1)]		Average Rate Paid	Average Balance[(1)]		Average Rate Paid	Average Balance[(1)]		Average Rate Paid
	(in billions of Won)								
Demand deposits:									
Non-interest-bearing	₩	6,132		₩	4,579		₩	4,124	
Interest-bearing		25,125	0.30%		27,652	0.28%		31,831	0.23%
Time deposits									
Certificates		21,808	6.28		15,070	5.14		8,314	4.36
Other time deposits		92,498	5.26		111,828	3.77		117,390	3.59
Savings deposits		15,850	3.73		21,423	1.88		22,586	1.85
Mutual installment deposits[(2)]		344	3.88		257	3.32		183	3.35
Average total deposits	₩	161,757	4.44	₩	180,809	3.11	₩	184,427	2.81

(1) Average balances are based on daily balances for Woori Bank, Kyongnam Bank and Kwangju Bank, and on quarterly balances for all of our other subsidiaries and our special purpose companies.

(2) Mutual installment deposits are interest-bearing deposits offered by us, which enable customers to become eligible to apply for loans secured by such deposits while they maintain an account with us. In order to qualify to apply for such a loan, a customer must make required periodic deposits to the mutual installment account for a contracted term of less than five years. Any such loan will be secured in an amount up to the holder s mutual installment deposit and will be subject to the same loan underwriting policy we apply for other secured loans. For the portion of the loan, if any, that is not secured, we apply the same loan underwriting policy as we would for other unsecured loans.

For a description of our retail deposit products, see Business Consumer Banking Lending Activities Mortgage and Home Equity Lending and Business Consumer Banking Deposit-Taking Activities.

Maturities of Certificates of Deposit and Other Time Deposits

The following table presents, as of December 31, 2010, the remaining maturities of our time deposits, certificates of deposit and mutual installment deposits which had fixed maturities in excess of ₩100 million:

	As of December 31, 2010			
	Certificates of Deposit	Other Time Deposits	Mutual Installment Deposits	Total
	(in billions of Won)			
Maturing within three months	₩ 915	₩ 23,242	₩ 9	₩ 24,166
After three but within six months	305	14,469	2	14,776
After six but within 12 months	1,338	43,403	6	44,747
After 12 months	364	3,634	8	4,005
Total	₩ 2,922	₩ 84,748	₩ 25	₩ 87,694

Long-Term Debt

The aggregate amount of contractual maturities of all long-term debt as of December 31, 2010 was as follows:

	Amount (in billions of Won)
Due in 2011	₩ 9,261
Due in 2012	9,782
Due in 2013	5,067
Due in 2014	4,403
Due in 2015	4,357
Thereafter	6,676
Gross long-term debt	39,546
Less: discount	(59)
Total long-term debt, net	₩ 39,487

Short-Term Borrowings

The following table presents, for the periods indicated, information regarding our short-term borrowings, with an original maturity of one year or less:

	As of and for the year ended December 31,		
	2008	2009	2010
	(in billions of Won, except percentages)		
Call money			
Year-end balance	₩ 2,960	₩ 5,687	₩ 4,650
Average balance(1)	3,779	4,576	3,366
Maximum balance	4,271	8,244	6,084
Average interest rate(2)	3.63%	1.90%	1.46%
Year-end interest rate	0.35%~3.08%	0.68%~3.64%	0.07%~6.20%
Borrowings from the Bank of Korea (3)			
Year-end balance	₩ 1,183	₩ 1,560	₩ 1,223
Average balance(1)	943	1,376	1,407
Maximum balance	1,183	1,803	1,706
Average interest rate(2)	3.01%	1.36%	1.56%
Year-end interest rate	1.75%	1.25%	1.25%
Other short-term borrowings(4)			
Year-end balance	₩ 17,276	₩ 11,275	₩ 11,159
Average balance(1)	13,145	14,002	9,565
Maximum balance	22,549	24,693	11,159
Average interest rate(2)	5.31%	3.21%	1.46%
Year-end interest rate	1.27%~10.50%	1.27%~10.50%	0.51%~6.80%

(1) Average balances are based on daily balances for Woori Bank, Kyongnam Bank and Kwangju Bank, and on quarterly balances for all of our other subsidiaries and our special purpose companies.

(2) Average interest rates for the year are calculated by dividing the total interest expense by the average amount borrowed.

(3) Borrowings from the Bank of Korea generally mature within one month for borrowings in Won and six months for borrowings in foreign currencies.

(4) Other short-term borrowings include borrowings from trust accounts, bills sold, borrowings in domestic and foreign currency, short-term secured borrowings and foreign currency debentures. Other short-term borrowings have maturities of 30 days to one year and are unsecured.

Table of Contents

Secured Borrowings

Asset securitization transactions that are classified as secured borrowings involve the nominal sale of our assets to a securitization vehicle that issues securities backed by those assets. Since control of the assets is not surrendered in these nominal sales, they are not treated as sale transactions for accounting purposes. Instead, the assets remain on our balance sheet with the securitization proceeds treated as secured borrowings. These secured borrowings are intended to be fully repaid through recoveries on the collateral. For some of these nominal asset sales, if delinquencies arise with respect to such assets, we will be required to compensate the securitization vehicle for any net shortfalls in its recoveries on such assets.

See Note 18 of the notes to our consolidated financial statements for a summary of our secured borrowings and relevant collateral as of December 31, 2008, 2009 and 2010.

Supervision and Regulation

Principal Regulations Applicable to Financial Holding Companies

General

The Financial Holding Company Act (Law No. 6274, October 23, 2000), last amended on June 8, 2010, regulates Korean financial holding companies and their subsidiaries. The entities that regulate and supervise Korean financial holding companies and their subsidiaries are the Financial Services Commission and the Financial Supervisory Service.

The Financial Services Commission exerts direct control over financial holding companies pursuant to the Financial Holding Company Act. Among other things, the Financial Services Commission:

- approves the establishment of financial holding companies;
- issues regulations on the capital adequacy of financial holding companies and their subsidiaries; and
- drafts regulations relating to the supervision of financial holding companies.

Following the instructions and directives of the Financial Services Commission, the Financial Supervisory Service supervises and examines financial holding companies and their subsidiaries. In particular, the Financial Supervisory Service sets requirements relating to Korean financial holding companies liquidity and capital adequacy ratios and establishes reporting requirements within the authority delegated under the Financial Services Commission regulations. Financial holding companies must submit quarterly reports to the Financial Supervisory Service discussing business performance, financial status and other matters identified in the Enforcement Decree of the Financial Holding Company Act.

Under the Financial Holding Company Act, a financial holding company must primarily engage in controlling its subsidiaries by holding equity stakes in them equal in aggregate to at least 50% of the financial holding company s aggregate assets based on its latest balance sheet. A financial holding company may engage only in the following activities:

- controlling the management of its subsidiaries;
- financially supporting its direct and indirect subsidiaries;

raising capital necessary for investment in its subsidiaries or providing financial support to its direct and indirect subsidiaries;

supporting the business of its direct and indirect subsidiaries for the joint development and marketing of new products;

supporting the operations of its direct and indirect subsidiaries by providing access to data processing, legal and accounting resources; and

any other businesses exempted from authorization, permission or approval under the applicable laws and regulations.

Table of Contents

The Financial Holding Company Act requires every financial holding company (other than a financial holding company that is controlled by another financial holding company) and its subsidiaries to obtain prior approval from, or file a prior report with, the Financial Services Commission before acquiring control of another company. In addition, the Financial Services Commission must grant permission to liquidate or to merge with any other company before the liquidation or merger. A financial holding company must report to the Financial Services Commission when its officers or largest shareholder changes, and when it ceases to control any of its direct and indirect subsidiaries by disposing of their shares.

Capital Adequacy

The Financial Holding Company Act does not provide for a minimum paid-in capital requirement related to financial holding companies. However, all financial holding companies are required to maintain a specified level of solvency. In addition, with respect to the allocation of net profit earned in a fiscal term, a financial holding company must set aside in its legal reserve an amount equal to at least 10% of its net income after tax each time it pays dividends on its net profits earned until its legal reserve reaches at least the aggregate amount of its paid-in capital.

Beginning on January 1, 2007, under the new capital adequacy requirements of the Financial Services Commission applicable from such date, we, as a bank holding company, are required to maintain a minimum consolidated capital adequacy ratio of 8.0%. Consolidated capital adequacy ratio is defined as the ratio of equity capital as a percentage of risk-weighted assets on a consolidated basis, determined in accordance with Financial Services Commission requirements that have been formulated based on Bank of International Settlements (BIS) standards. Equity capital, as applicable to bank holding companies, is defined as the sum of Tier I capital, Tier II capital and Tier III capital less any deductible items, each as defined under the Regulation on the Supervision of Financial Holding Companies. Risk-weighted assets is defined as the sum of credit risk-weighted assets and market risk-weighted assets.

Liquidity

All financial holding companies are required to match the maturities of their assets and liabilities on a non-consolidated basis in accordance with the Financial Holding Company Act in order to ensure liquidity. Financial holding companies must:

- maintain a Won liquidity ratio (defined as Won assets due within one month, including marketable securities, divided by Won liabilities due within one month) of not less than 100% on a non-consolidated basis;

- maintain a foreign currency liquidity ratio (defined as foreign currency liquid assets due within three months divided by foreign currency liabilities due within three months) of not less than 80% on a non-consolidated basis (except that such requirement is not applicable to financial holding companies whose foreign currency liabilities amount is less than 1% of its total assets);

- maintain a ratio of foreign currency liquid assets due within seven days less foreign currency liabilities due within seven days as a percentage of total foreign currency assets of not less than 0% on a non-consolidated basis;

- maintain a ratio of foreign currency liquid assets due within a month less foreign currency liabilities due within a month as a percentage of total foreign currency assets of not less than negative 10% on a non-consolidated basis; and

- make quarterly reports regarding their Won liquidity and foreign currency liquidity to the Financial Supervisory Service.

Financial Exposure to Any Individual Customer and Major Shareholder

Subject to certain exceptions, the aggregate credit (as defined in the Financial Holding Company Act, the Bank Act, the Financial Investment Services and Capital Markets Act, the Insurance Business Act, the Mutual

Savings Bank Act and the Specialized Credit Financial Business Act, respectively) of a financial holding company and its direct and indirect subsidiaries that are banks, merchant banks, financial investment companies, insurance companies, saving banks or specialized credit financial business companies (which we refer to as Financial Holding Company Total Credit) to a single group of companies that belong to the same conglomerate as defined in the Monopoly Regulations and Fair Trade Act will not be permitted to exceed 25% of net aggregate equity capital (as defined below).

Net aggregate equity capital is defined as the sum of:

(1) in case of a financial holding company, the capital amount as defined in Article 24-3(7), Item 2 of the Enforcement Decree of the Financial Holding Company Act;

(2) in case of a bank, the capital amount as defined in Article 2(1), Item 5 of the Bank Act;

(3) in case of a merchant bank, the capital amount as defined in Article 342(1) of the Financial Investment Services and Capital Markets Act;

(4) in case of a financial investment company, the capital amount as defined in Article 37(3) of the Enforcement Decree of the Financial Investment Services and Capital Markets Act;

(5) in case of an insurance company, the capital amount as defined in Article 2, Item 15 of the Insurance Business Act;

(6) in case of a savings bank, the capital amount as defined in Article 2, Item 4 of the Mutual Savings Bank Act ; and

(7) in case of a specialized credit financial business company, the capital amount as defined in Article 2, Item 19 of the Specialized Credit Financial Business Act;

less the sum of:

(1) the amount of shares of direct and indirect subsidiaries held by the financial holding company;

(2) the amount of shares that are cross-held by each direct and indirect subsidiary that is a bank, merchant bank, financial investment company, insurance company, savings bank or specialized credit financial business company; and

(3) the amount of shares of a financial holding company held by such direct and indirect subsidiaries that are banks, merchant banks or financial investment companies, insurance companies, savings banks or specialized credit financial business companies.

The Financial Holding Company Total Credit to a single individual or judicial person may not exceed 20% of the net aggregate equity capital. In addition, the Financial Holding Company Total Credit to a shareholder holding (together with the persons who have a special relationship with the shareholder, as defined in the Enforcement Decree of the Financial Holding Company Act) in aggregate more than 10% of the total issued and outstanding voting shares of a financial holding company generally may not exceed the lesser of (x) 25% of the net aggregate equity capital and (y) the amount of the equity capital of the financial holding company multiplied by the shareholding ratio of such shareholder (together with the persons who have a special relationship with such shareholder).

Further, the total sum of credits (as defined in the Financial Holding Company Act, the Bank Act, the Financial Investment Services and Capital Markets Act, the Insurance Business Act, the Mutual Savings Bank Act and the

Specialized Credit Financial Business Act, respectively) of a bank holding company and its direct and indirect subsidiaries that are banks, merchant banks, financial investment companies, insurance companies, savings banks or specialized credit financial business companies, as applicable (Bank Holding Company Total Credit) extended to a major shareholder (as defined below) (together with the persons who have a special relationship with that major shareholder) will not be permitted to exceed the lesser of (x) 25% of the net aggregate equity capital and (y) the amount of the equity capital of the bank holding company multiplied by the shareholding ratio of the major shareholder, except for certain cases.

Major shareholder is defined as:

a shareholder holding (together with persons who have a special relationship with that shareholder), in excess of 10% (or in the case of a bank holding company controlling regional banks only, 15%) in the aggregate of the bank holding company s total issued voting shares; or

a shareholder holding (together with persons who have a special relationship with that shareholder), more than 4% in the aggregate of the total issued voting shares of the bank holding company controlling nationwide banks (excluding shares subject to the shareholding restrictions on non-financial business group companies as described below), where the shareholder is the largest shareholder or has actual control over the major business affairs of the bank holding company through, for example, appointment and dismissal of the officers pursuant to the Enforcement Decree of the Financial Holding Company Act.

In addition, the total sum of the Bank Holding Company Total Credit granted to all of a bank holding company s major shareholders must not exceed 25% of the bank holding company s net aggregate equity capital. Furthermore, any bank holding company that, together with its direct and indirect subsidiaries, intends to extend credit to the bank holding company s major shareholder in an amount equal to or exceeding the lesser of (x) the amount equivalent to 0.1% of the net aggregate equity capital and (y) ₩5 billion, in any single transaction, must obtain prior unanimous board resolutions and then, immediately after providing the credit, must file a report to the Financial Services Commission and publicly disclose the filing of the report.

Restrictions on Transactions Among Direct and Indirect Subsidiaries and Financial Holding Company

Generally, a direct or indirect subsidiary of a financial holding company may not extend credits (excluding the amount of corporate credit card payments issued by a direct or indirect subsidiary of a financial holding company that is engaged in the banking business) to that financial holding company. In addition, a direct or indirect subsidiary of a financial holding company may not extend credits (excluding the amount of corporate credit card payments issued by a direct or indirect subsidiary of a financial holding company that is engaged in the banking business) to other direct or indirect subsidiaries of the financial holding company in excess of 10% of its capital amount on an individual basis or to those subsidiaries in excess of 20% of its capital amount on an aggregate basis. The subsidiary extending the credit must also obtain adequate collateral from the other subsidiaries unless the credit is otherwise approved by the Financial Services Commission.

Subject to certain exceptions, a direct or indirect subsidiary of a financial holding company is prohibited from owning the shares of any other direct or indirect subsidiaries (other than those directly controlled by that direct or indirect subsidiary) under the common control of the financial holding company. Subject to certain exceptions, a direct or indirect subsidiary of a financial holding company is also prohibited from owning the shares of the financial holding company controlling that direct or indirect subsidiary. The transfer of certain loans or credits classified as precautionary or below between a financial holding company and its direct or indirect subsidiary or between the direct and indirect subsidiaries of a financial holding company is prohibited except for:

(1) transfers to a special purpose company, or entrustment with a trust company, for an asset-backed securitization transaction;

(2) transfers to a mortgage-backed securities issuance company for a mortgage securitization transaction;

(3) transfers or in-kind contributions to a corporate restructuring vehicle under the Corporate Restructuring Investment Companies Act; and

(4) transfers to a corporate restructuring company under the Industry Promotion Act.

Disclosure of Management Performance

For the purpose of protecting the depositors and investors in the subsidiaries of financial holding companies, the Financial Services Commission requires financial holding companies to disclose certain material matters including:

(1) financial condition and profit and loss of the financial holding company and its direct and indirect subsidiaries;

(2) fund raising by the financial holding company and its direct and indirect subsidiaries and the appropriation of such funds;

(3) any sanctions levied on the financial holding company and its direct and indirect subsidiaries under the Financial Holding Company Act or any corrective measures or sanctions under the Law on Improvement of Structure of Financial Industry; and

(4) occurrence of any non-performing assets or financial incident that may have a material adverse effect, or any other event as prescribed in the applicable regulations.

Restrictions on Shareholdings in Other Companies

Generally, a financial holding company may not own (i) more than 5% of the total issued and outstanding shares of another finance-related company, (ii) any shares of its affiliates, other than its direct or indirect subsidiaries or (iii) any shares of a non-finance-related company.

Restrictions on Shareholdings by Direct and Indirect Subsidiaries

A direct subsidiary of a financial holding company may not control any other company other than, as an indirect subsidiary of the financial holding company:

- financial institutions established in foreign jurisdictions;

- certain financial institutions which are engaged in any business that the direct subsidiary may conduct without any licenses or permits;

- certain financial institutions whose business is related to the business of the direct subsidiary as described by the Enforcement Decree of the Financial Holding Company Act (for example, a bank subsidiary may control only credit information companies, credit card companies and financial investment companies with a dealing, brokerage, collective investment, investment advice, discretionary investment management and/or trust license);

- certain financial institutions whose business is related to the financial business as prescribed by the regulations of the Ministry of Strategy and Finance; and

- certain companies which are not financial institutions but whose business is related to the financial business of the financial holding company as prescribed by the Enforcement Decree of the Financial Holding Company Act (for example, a finance-related research company or a finance-related information technology company).

Acquisition of such indirect subsidiaries by direct subsidiaries of a financial holding company requires prior permission from the Financial Services Commission or the submission of a report to the Financial Services Commission, depending on the types of the indirect subsidiaries and the amount of total assets of the indirect subsidiaries.

Subject to certain exceptions, an indirect subsidiary of a financial holding company may not control any other company. If an indirect subsidiary of a financial holding company had control over another company at the time it became such an indirect subsidiary, the indirect subsidiary is required to dispose of its interest in the company within two years from such time.

Restrictions on Transactions between a Bank Holding Company and its Major Shareholder

A bank holding company and its direct and indirect subsidiaries may not acquire (including through their respective trust accounts) shares issued by the bank holding company s major shareholder in excess of 1% of the net aggregate equity capital (as defined above). In addition, if those entities intend to acquire shares issued by that major shareholder in any single transaction equal to or in excess of the lesser of (x) the amount equivalent to 0.1% of the net aggregate equity capital and (y) ₩5 billion, that entity must obtain prior unanimous board resolutions and then, immediately after the acquisition, file a report to the Financial Services Commission and publicly disclose the filing of the report.

Restriction on Ownership of a Financial Holding Company

Under the Financial Holding Company Act, a financial institution generally may not control a financial holding company. In addition, any single shareholder and persons who have a special relationship with that shareholder may acquire beneficial ownership of no more than 10% of the total issued and outstanding shares with voting rights of a bank holding company that controls nationwide banks or 15% of the total issued and outstanding shares with voting rights of a bank holding company that controls only regional banks. The Korean government and the KDIC are not subject to this limit. Non-financial business group companies (as defined below), however, may not acquire the beneficial ownership of shares of a bank holding company controlling nationwide banks in excess of 9% of that bank holding company s outstanding voting shares unless they obtain the approval of the Financial Services Commission and agree not to exercise voting rights in respect of shares in excess of the 9% limit, in which case they may acquire beneficial ownership of up to 10%. Any other person (whether a Korean national or a foreign investor) may acquire no more than 10% of total voting shares issued and outstanding of a bank holding company controlling nationwide banks unless they obtain approval from the Financial Services Commission in each instance where the total holding will exceed 10% (or 15% in the case of a bank holding company controlling only regional banks), 25% or 33% of the total voting shares issued and outstanding of that bank holding company controlling nationwide banks.

Non-financial business group companies are required to obtain approval from the Financial Services Commission in order to (i) become the largest shareholder of a bank holding company or (ii) acquire 4% or more of the issued and outstanding shares of voting stock of a bank holding company and participate in the management of such company in the manner prescribed in the Enforcement Decree of the Financial Holding Company Act. If non-financial business group companies hold voting stock of a bank holding company in excess of the foregoing limits as a result of unavoidable circumstances, such as sales by other stockholders of their shareholding, such non-financial business group companies are required to obtain approval from the Financial Services Commission to hold the portion of shares that exceeds the limit, dispose of such portion or take measures so that they no longer fall under the definition of non-financial business group companies under the Financial Holding Company Act. Non-compliance with such requirement will prohibit non-financial business group companies from exercising their voting rights of the shares that exceed the limit and prompt the issuance of an order by the Financial Services Commission directing such non-financial business group companies to dispose of their shares that exceed the limit.

Furthermore, in the case where a person (including Korean and foreign investors, but excluding certain persons prescribed under the Enforcement Decree of the Financial Holding Company Act) (i) acquires in excess of 4% of the total issued and outstanding voting shares of any financial holding company (other than a financial holding company controlling only regional banks), (ii) becomes the largest shareholder of such financial holding company in which such person has acquired in excess of 4% of the total issued and outstanding voting shares, or (iii) changes its shareholding in such financial holding company, in which it has acquired in excess of 4% of the total issued and outstanding voting shares, by 1% or more of the total issued and outstanding voting shares of such financial holding company, such person must file a report on such change with the Financial Services Commission within five days thereafter.

Non-financial business group companies as defined under the Financial Holding Company Act include:

(1) any same shareholder group where the aggregate net assets of all non-financial business companies belonging to that group equals or exceeds 25% of the aggregate net assets of all members of that group;

(2) any same shareholder group where the aggregate assets of all non-financial business companies belonging to that group equals or exceeds ₩2 trillion; or

(3) any mutual fund where a same shareholder group identified in (1) or (2) above owns more than 9% of the total issued and outstanding shares of that mutual fund.

Sharing of Customer Information among Financial Holding Company and its Subsidiaries

Under the Act on Use and Protection of Credit Information, any individual customer s credit information must be disclosed or otherwise used by financial institutions only to determine, establish or maintain existing commercial transactions with them and only after obtaining written consent to use that information. Under the Financial Holding Company Act, a financial holding company and its direct and indirect subsidiaries, however, may share certain credit information of individual customers among themselves for business purposes without the customers written consent. In addition, a subsidiary financial investment company with a dealing and/or brokerage license of a financial holding company may provide that financial holding company and its other direct and indirect subsidiaries information relating to the aggregate amount of cash or securities that a customer of the financial investment company with a dealing and/or brokerage license has deposited for business purposes.

Principal Regulations Applicable to Banks

Capital Adequacy and Allowances

The Bank Act requires nationwide banks, such as Woori Bank, to maintain a minimum paid-in capital of ₩100 billion and regional banks, such as Kyongnam Bank and Kwangju Bank, to maintain a minimum paid-in capital of ₩25 billion. All banks, including foreign bank branches in Korea, are also required to maintain a prescribed solvency position. A bank must also set aside in its legal reserve an amount equal to at least 10% of the net income after tax each time it pays dividends on net profits earned until its legal reserve reaches at least the aggregate amount of its paid-in capital.

Under the Bank Act, the capital of a bank is divided into two categories, Tier I and Tier II capital. Tier I capital (core capital) consists of, among others, shareholders equity, capital surplus, retained earnings, hybrid Tier I capital instruments, and gains or losses on foreign exchange as a part of accumulated other comprehensive gains and losses. Tier II capital (supplementary capital) consists of, among others, revaluation reserves, gains on valuation of investment securities (up to certain limits), allowance for loan losses set aside for loans classified as normal or precautionary (up to certain limits), perpetual subordinated debt, cumulative preferred shares (with redemption rights after the fifth anniversary of their date of issuance) and certain other subordinated debt.

All banks must meet minimum ratios of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets, determined in accordance with Financial Services Commission requirements that have been formulated based on BIS standards. These standards were adopted and became effective in 1996, and were amended effective January 1, 2008 upon the implementation by the Financial Supervisory Service of Basel II. All domestic banks and foreign bank branches must meet a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets of 8%.

In November 2002, the Financial Supervisory Service amended the Enforcement Detailed Rules on the Supervision of the Banking Business to include a more conservative risk-weighting system for certain newly extended home mortgage loans, which set the risk-weighted ratios of Korean banks in respect of home mortgage loans between 50% and 70% depending on the borrower s debt ratio and whether the home mortgage loans are overdue. On June 28, 2007, the Financial Supervisory Service further amended the

Enforcement Detailed Rules on the Supervision of the Banking Business and, as a result, the following risk-weight ratios must be applied by Korean banks in respect of home mortgage loans from January 1, 2008:

(1) for those banks which adopted a standardized approach for calculating credit risk capital requirements, a risk-weight ratio of 35%; and

(2) for those banks which adopted an internal ratings-based approach for calculating credit risk capital requirements, a risk-weight ratio calculated with reference to the probability of default, loss given default and exposure at default, each as defined under the Enforcement Detailed Rules on the Supervision of the Banking Business.

Under the Regulation on the Supervision of the Banking Business, banks must generally maintain allowances for credit losses in respect of their outstanding loans and other credits (including credit-related commitments and trust account loans) in an aggregate amount covering not less than:

0.85% of normal credits (or 0.9% in the case of normal credits comprising loans to borrowers in the construction, wholesale and retail, accommodation and restaurant or real estate and housing industries (as classified under the Korean Industry Classification Standard), 1.0% in the case of normal credits comprising loans to individuals and households, and 1.5% in the case of normal credits comprising outstanding credit card receivables and card loans);

7% of precautionary credits (or 10% in the case of precautionary credits comprising loans to individuals and households, and 15% in the case of precautionary credits comprising outstanding credit card receivables and card loans);

20% of substandard credits;

50% of doubtful credits (or 55% in the case of doubtful credits comprising loans to individuals and households, and 60% in the case of doubtful credits comprising outstanding credit card receivables and card loans); and

100% of estimated loss credits.

Furthermore, under a 2006 amendment to the Regulation on the Supervision of the Banking Business, banks must maintain allowances for credit losses in respect of their confirmed guarantees (including confirmed acceptances) and outstanding non-used credit lines as of the settlement date in an aggregate amount calculated at the same rates applicable to normal, precautionary, substandard and doubtful credits comprising their outstanding loans and other credits as set forth above.

See Recent Regulations Relating to Retail Household Loans and Credit Card Business.

Liquidity

All banks are required to ensure adequate liquidity by matching the maturities of their assets and liabilities in accordance with the Bank Act. Banks may not invest an amount exceeding 60% of their Tier I and Tier II capital (less any capital deductions) in stocks and other securities with a maturity of over three years. This stipulation does not apply to Korean government bonds or to Monetary Stabilization Bonds issued by the Bank of Korea. The Financial Services Commission also requires each Korean bank to:

maintain a Won liquidity ratio (defined as Won assets due within one month, including marketable securities, divided by Won liabilities due within one month) of not less than 100% and to make monthly reports to the Financial Supervisory Service;

maintain a foreign currency liquidity ratio (defined as foreign currency liquid assets due within three months divided by foreign currency liabilities due within three months) of not less than 85%;

maintain a ratio of foreign currency liquid assets due within seven days less foreign currency liabilities due within seven days, divided by total foreign currency assets, of not less than negative 3%;

Table of Contents

maintain a ratio of foreign currency liquid assets due within a month less foreign currency liabilities due within a month, divided by total foreign currency assets, of not less than negative 10%; and

submit monthly reports with respect to the maintenance of these ratios.

The Monetary Policy Committee of the Bank of Korea is empowered to fix and alter minimum reserve requirements that banks must maintain against their deposit liabilities. The current minimum reserve ratio is:

7% of average balances for Won currency demand deposits outstanding;

0% of average balances for Won currency employee asset establishment savings deposits, employee long-term savings deposits, employee house purchase savings deposits, long-term house purchase savings deposits, household long-term savings deposits and employee preferential savings deposits outstanding; and

2% of average balances for Won currency time and savings deposits, mutual installments, housing installments and certificates of deposit outstanding.

For foreign currency deposit liabilities, a 2% minimum reserve ratio is applied to time deposits with a maturity of one month or longer, certificates of deposit with a maturity of 30 days or longer and savings deposits with a maturity of six months or longer and a 7% minimum reserve ratio is applied to demand deposits and other deposits. A 1% minimum reserve ratio applies to offshore accounts, immigrant accounts and resident accounts opened by foreign exchange banks.

Furthermore, pursuant to the Regulation on Supervision of Banking Business issued by the Financial Services Commission as amended by Notice No. 2009-65 dated December 31, 2009, beginning on July 1, 2010, foreign exchange agencies, including our subsidiary banks, will be required to hold foreign currency safe assets in an aggregate amount that is not less than the lower of (i) the product of (x) its total foreign currency-denominated debt maturing in one year or less multiplied by 2/12 and (y) an amount equal to one minus the lowest rollover ratio and (ii) 2% of its total foreign currency-denominated assets as shown in the balance sheet for the immediately preceding quarter. The lowest rollover ratio of a foreign exchange agency means the ratio of (A) its total debt with a maturity of one year or less (excluding overnight money) incurred in a particular month to (B) its total debt with maturity of one year or less (excluding overnight money) payable in that particular month, and is calculated by taking the lowest three month average from a period to be designated by the governor of the Financial Supervisory Service. Under the new regulation, foreign currency debt includes financial bonds, borrowings, call monies and repurchase selling denominated in foreign currencies and such other similar debt instruments denominated in a foreign currency as designated by the governor of the Financial Supervisory Service. Foreign currency safe assets are defined as cash denominated in foreign currency, deposits denominated in foreign currency with a central bank or financial institutions rated A or above, bonds issued or guaranteed by a government or central bank rated A or above or corporate bonds issued or guaranteed by corporations rated A or above. Accordingly, we may be required to acquire further foreign currency safe assets. Effective from January 1, 2010, the new regulation also increased the minimum mid- to long-term foreign exchange funding ratio applicable to foreign exchange agencies, including us, from 80% to 90% and, effective from August 1, 2010, it was increased again to 100%. Mid-to long term foreign exchange funding ratio refers to the ratio of (1) the total outstanding amount of foreign exchange borrowing with a maturity of more than one year to (2) the total outstanding amount of foreign exchange lending with a maturity of one year or more.

Financial Exposure to Any Individual Customer and Major Shareholder

Under the Bank Act, the sum of large exposures by a bank in other words, the total sum of its credits to single individuals, juridical persons or business groups that exceed 10% of the sum of Tier I and Tier II capital (less any capital deductions) generally must not exceed five times the sum of Tier I and Tier II capital (less any capital deductions). In addition, banks generally may not extend credit (including loans, guarantees, purchases of securities (only in the nature of a credit) and any other transactions that directly or indirectly create credit risk) in excess of 20% of the sum of Tier I and Tier II capital (less any capital deductions) to a single individual or juridical person, or grant credit in excess of 25% of the sum of Tier I and

Tier II capital (less any capital deductions) to a single group of companies as defined in the Monopoly Regulations and Fair Trade Act.

The Bank Act also provides for certain restrictions on extending credits to a major shareholder. A major shareholder is defined as:

a shareholder holding (together with persons who have a special relationship with that shareholder) in excess of 10% (or 15% in the case of regional banks) in the aggregate of the bank s total issued voting shares; or

a shareholder holding (together with persons who have a special relationship with that shareholder) in excess of 4% in the aggregate of the bank s (excluding regional banks) total issued voting shares (excluding shares subject to the shareholding restrictions on non-financial business group companies as described below), where the shareholder is the largest shareholder or has actual control over the major business affairs of the bank through, for example, appointment and dismissal of the officers pursuant to the Enforcement Decree of the Bank Act. Non-financial business group companies primarily consist of: (i) any single shareholding group whose non-financial company assets comprise no less than 25% of its aggregate net assets; (ii) any single shareholding group whose non-financial company assets comprise no less than ₩2 trillion in aggregate; or (iii) any mutual fund of which any single shareholding group identified in (i) or (ii) above, owns more than 9% of the total issued and outstanding shares.

Under these restrictions, banks may not extend credits to a major shareholder (together with persons who have a special relationship with that shareholder) in an amount greater than the lesser of (x) 25% of the sum of the bank s Tier I and Tier II capital (less any capital deductions) and (y) the relevant major shareholder s shareholding ratio multiplied by the sum of the bank s Tier I and Tier II capital (less any capital deductions). In addition, the total sum of credits granted to all major shareholders must not exceed 25% of the bank s Tier I and Tier II capital (less any capital deductions).

Interest Rates

Korean banks generally depend on deposits as their primary funding source. Under the Act on Registration of Credit Business and Protection of Finance Users, interest rates on loans made by registered banks in Korea may not exceed 44% per annum. Historically, interest rates on deposits and lending rates were regulated by the Monetary Policy Committee of the Bank of Korea. Controls on deposit interest rates in Korea have been gradually reduced and, in February 2004, the Korean government removed restrictions on all interest rates, except for the prohibition on interest payments on current account deposits. This deregulation process has increased competition for deposits based on interest rates offered and, therefore, may increase a bank s interest expense.

Lending to Small- and Medium-Sized Enterprises

In order to obtain funding from the Bank of Korea at concessionary rates for their small- and medium-sized enterprise loans, banks are required to allocate a certain minimum percentage of any quarterly increase in their Won currency lending to small- and medium-sized enterprises. Currently, this minimum percentage is 45% in the case of nationwide banks and 60% in the case of regional banks. If a bank does not comply with this requirement, the Bank of Korea may:

require the bank to prepay all or a portion of funds provided to that bank in support of loans to small-and medium-sized enterprises; or

lower the bank s credit limit.

116

Disclosure of Management Performance

For the purpose of protecting depositors and investors in commercial banks, the Financial Services Commission requires commercial banks to publicly disclose certain material matters, including:

financial condition and profit and loss of the bank and its direct and indirect subsidiaries;

fund raising by the bank and the appropriation of such funds;

any sanctions levied on the bank under the Bank Act or any corrective measures or sanctions under the Law on Improvement of Structure of Financial Industry; and

except as may otherwise have been disclosed by a bank or its financial holding company listed on the KRX KOSPI Market in accordance with the Financial Investment Services and Capital Markets Act, occurrence of any of the following events listed below or any other event as prescribed by the applicable regulations:

(i) loans bearing no profit made to a single business group in an amount exceeding 10% of the sum of the bank s Tier I and Tier II capital (less any capital deductions) as of the end of the previous month (where the loan exposure to that borrower is calculated as the sum of substandard credits, doubtful credits and estimated loss credits), unless the loan exposure to that group is not more than ₩4 billion;

(ii) the occurrence of any financial incident involving embezzlement, malfeasance or misappropriation of funds in an amount exceeding 1% of the sum of the bank s Tier I and Tier II capital (less any capital deductions), unless the bank has lost or expects to lose not more than ₩1 billion as a result of that financial incident, or the governor of the Financial Supervisory Service has made a public announcement regarding the incident; and

(iii) any loss due to court judgments or similar decisions in civil proceedings in an amount exceeding 1% of the sum of the bank s Tier I and Tier II capital (less any capital deductions) as of the end of the previous month, unless the loss is not more than ₩1 billion.

Restrictions on Lending

Pursuant to the Bank Act, commercial banks may not provide:

loans directly or indirectly secured by a pledge of a bank s own shares;

loans directly or indirectly to enable a natural or juridical person to buy the bank s own shares;

loans to any of the bank s officers or employees, other than petty loans of up to ₩20 million in the case of a general loan, ₩50 million in the case of a general loan plus a housing loan or ₩60 million in the aggregate for general loans, housing loans and loans to pay damages arising from wrongful acts of employees in financial transactions;

credit (including loans) secured by a pledge of shares of a subsidiary corporation of the bank or to enable a natural or juridical person to buy shares of a subsidiary corporation of the bank; or

loans to any officers or employees of a subsidiary corporation of the bank, other than general loans of up to ₩20 million or general and housing loans of up to ₩50 million in the aggregate.

Recent Regulations Relating to Retail Household Loans

The Financial Services Commission implemented a number of changes in recent years to the mechanisms by which a bank evaluates and reports its retail household loan balances and has proposed implementing further changes. As a result of the rapid increase in retail household loans and related credit risks, the Financial Services Commission and the Financial Supervisory Service increased the minimum provisioning

Table of Contents

requirements for retail household loans. These requirements, set forth in the following table, became effective on December 31, 2006:

Asset Quality Classification	Provisioning Ratio on Retail Household Loans Before	Current
Normal	0.75% or above	1.0% or above
Precautionary	8.0% or above	10.0% or above
Substandard	20.0% or above	20.0% or above
Doubtful	55.0% or above	55.0% or above
Estimated loss	100.0%	100.0%

In addition, due to a rapid increase in the number of loans secured by homes and other forms of housing, the Financial Services Commission and the Financial Supervisory Service have implemented regulations designed to curtail extension of new or refinanced loans secured by housing, including the following:

as to loans secured by collateral of housing located nationwide, the loan-to-value ratio (the aggregate principal amount of loans secured by such collateral over the appraised value of the collateral) should not exceed 60%;

as to loans secured by collateral of housing located in areas of excessive investment as designated by the Korean government, (i) the loan-to-value ratio for loans with a maturity of not more than three years should not exceed 50% and (ii) the loan-to-value ratio for loans with a maturity of more than three years should not exceed 60%;

as to loans secured by collateral of housing located outside of Seoul, Incheon and Gyeong-gi province, which housing was offered for sale on or before June 10, 2008 and with respect to which a sale contract is executed and earnest money deposit paid during the period between June 11, 2008 and June 30, 2009, the loan-to-value ratio should not exceed 70%;

as to loans secured by apartments located in areas of high speculation as designated by the Korean government,

(i) the loan-to-value ratio for loans with a maturity of not more than ten years should not exceed 40%; and

(ii) the loan-to-value ratio for loans with a maturity of more than ten years should not exceed (a) 40%, if the price of such apartment is over ₩600 million, and (b) 60%, if the price of such apartment is ₩600 million or lower;

as to loans secured by apartments with appraisal value of more than ₩600 million in areas of high speculation as designated by the Korean government or certain metropolitan areas designated as areas of excessive investment by the Korean government, the borrower s debt-to-income ratio (calculated as (i) the aggregate annual total payment amount of (x) the principal of and interest on loans secured by such apartment(s) and (y) the interest on other debts of the borrower over (ii) the borrower s annual income) should not exceed 40%;

as to apartments located in areas of high speculation as designated by the Korean government, a borrower is permitted to have only one new loan secured by such apartment;

where a borrower has two or more loans secured by apartments located in areas of high speculation as designated by the Korean government, the loan with the earliest maturity date must be repaid first and the number of loans must be eventually reduced to one; and

in the case of a borrower (i) whose spouse already has a loan secured by housing or (ii) who is single and under 30 years old, the debt-to-income ratio of the borrower in respect of loans secured by apartment(s) located in areas of high speculation as designated by the Korean government should not exceed 40%.

See Item 3D. Risk Factors Risks relating to our consumer credit portfolio Government regulation of consumer lending, particularly mortgage and home equity lending, has recently become more stringent, which may hurt our consumer banking operations.

Restrictions on Investments in Property

A bank may not invest in securities set forth below in excess of 60% of the sum of the bank s Tier I and Tier II capital (less any capital deductions):

- debt securities (within the meaning of paragraph (3) of Article 4 of the Financial Investment Services and Capital Markets Act) the maturity of which exceeds three years, but excluding government bonds, monetary stabilization bonds issued by the Bank of Korea and bonds within the meaning of item 2, paragraph (6) of Article 11 of the Law on the Improvement of the Structure of the Financial Industry;
- equity securities, but excluding securities within the meaning of item 1, paragraph (6) of Article 11 of the Law on the Improvement of the Structure of the Financial Industry;
- derivatives linked securities (within the meaning of paragraph (7) of Article 4 of the Financial Investment Services and Capital Markets Act) the maturity of which exceeds three years; and
- beneficiary certificates, investment contracts and depositary receipts (within the meaning of paragraph (2) of Article 4 of the Financial Investment Services and Capital Markets Act) the maturity of which exceeds three years.

A bank may possess real estate property only to the extent necessary for the conduct of its business, unless the aggregate value of that property does not exceed 60% of the sum of the bank s Tier I and Tier II capital (less any capital deductions). Any property that a bank acquires by exercising its rights as a secured party, or which a bank is prohibited from acquiring under the Bank Act, must be disposed of within one year.

Restrictions on Shareholdings in Other Companies

Under the Bank Act, a bank may not own more than 15% of shares outstanding with voting rights of another corporation, except where, among other reasons:

- that corporation engages in a category of financial businesses set forth by the Financial Services Commission; or
- the acquisition is necessary for the corporate restructuring of the corporation and is approved by the Financial Services Commission.

In the above exceptional cases, the total investment in corporations in which the bank owns more than 15% of the outstanding shares with voting rights may not exceed 15% of the sum of Tier I and Tier II capital (less any capital deductions), or 30% of the sum of Tier I and Tier II capital (less any capital deductions) if the bank meets certain management conditions as set forth in the applicable rules adopted by the Financial Services Commission.

The Bank Act provides that a bank using its bank accounts and its trust accounts may not acquire the shares of another corporation that is a major shareholder of the bank in excess of an amount equal to 1% of the sum of Tier I and Tier II capital (less any capital deductions).

Restrictions on Bank Ownership

Under the Bank Act, a single shareholder and persons who have a special relationship with that shareholder generally may acquire beneficial ownership of no more than 10% of a nationwide bank s total issued and outstanding shares with voting rights and no more than 15% of a regional bank s total issued and outstanding shares with voting rights. The Korean government, the KDIC and bank holding companies qualifying under the Financial Holding Company Act are not subject to this limit. However, non-financial business group companies may not acquire beneficial ownership of shares of a nationwide bank in excess of 9% of that bank s outstanding voting shares, unless they obtain the approval of the Financial Services

Table of Contents

Commission and agree not to exercise voting rights in respect of shares in excess of the 9% limit, in which case they may acquire beneficial ownership of up to 10% of a nationwide bank s outstanding voting shares. Non-financial business group companies are required to obtain approval from the Financial Services Commission in order to (i) become the largest shareholder of a bank or (ii) acquire 4% or more of the issued and outstanding shares of voting stock of a bank and participate in the management of a bank in the manner prescribed in the Enforcement Decree of the Bank Act. If non-financial business group companies hold voting stock of a bank in excess of the foregoing limits as a result of unavoidable circumstances, such as sales by other stockholders of their shareholding, such non-financial business group companies are required to obtain approval from the Financial Services Commission to hold the portion of shares of the bank that exceeds the limit, dispose of such portion or take measures so that they no longer fall under the definition of non-financial business group companies under the Bank Act. Non-compliance with such requirement will prohibit non-financial business group companies from exercising their voting rights of the shares that exceed the limit and prompt the issuance of an order by the Financial Services Commission directing such non-financial business group companies to dispose of their shares that exceed the limit. In addition, if a foreign investor, as defined in the Foreign Investment Promotion Act, owns in excess of 4% of a nationwide bank s outstanding voting shares, non-financial business group companies may acquire beneficial ownership of up to 10% of that bank s outstanding voting shares, and in excess of 10%, 25% or 33% of that bank s outstanding voting shares with the approval of the Financial Services Commission in each instance, up to the number of shares owned by the foreign investor. Any other person (whether a Korean national or a foreign investor), with the exception of non-financial business group companies described above, may acquire no more than 10% of a nationwide bank s total voting shares issued and outstanding, unless they obtain approval from the Financial Services Commission in each instance where the total holding will exceed 10% (or 15% in the case of regional banks), 25% or 33% of the bank s total voting shares issued and outstanding provided that, in addition to the foregoing threshold shareholding ratios, the Financial Services Commission may, at its discretion, designate a separate and additional threshold shareholding ratio.

Deposit Insurance System

The Depositor Protection Act provides insurance for certain deposits of banks in Korea through a deposit insurance system. Under the Depositor Protection Act, all banks governed by the Bank Act are required to pay an insurance premium to the KDIC on a quarterly basis. The rate is determined under the Enforcement Decree to the Depositor Protection Act, and may not exceed 0.5% of the bank s insurable deposits in any given year. The current insurance premium is 0.02% of insurable deposits for each quarter. If the KDIC makes a payment on an insured amount, it will acquire the depositors claims with respect to that payment amount. The KDIC insures a maximum of ₩50 million for deposits and interest, regardless of when the deposits were made and the size of the deposits. Certain banks governed by the Bank Act, including our commercial banking subsidiaries, are also required by the Deposit Insurance Act to pay a special contribution of 0.025% of average deposits for each quarter as repayment of the governmental funding provided to such banks in the wake of the financial crisis in Korea in the late 1990s. The Depositor Protection Act requires such special contribution to be paid until 2027.

Restrictions on Foreign Exchange Position

Under the Korean Foreign Exchange Transaction Law, each of a bank s net overpurchased and oversold positions may not exceed 50% of its shareholders equity as of the end of the prior month.

Laws and Regulations Governing Other Business Activities

A bank must register with the Ministry of Strategy and Finance to enter the foreign exchange business, which is governed by the Foreign Exchange Transaction Law. A bank must obtain the permission of the Financial Services Commission to enter the securities business, which is governed by regulations under the Financial Investment Services and Capital Markets Act. Under these laws, a bank may engage in the foreign exchange business, securities repurchase business, governmental/public bond underwriting business and governmental bond dealing business.

Trust Business

A bank must obtain approval from the Financial Services Commission to engage in trust businesses. The Trust Act and the Financial Investment Services and Capital Markets Act govern the trust activities of banks, and they are subject to various legal and accounting procedures and requirements, including the following:

- under the Trust Act, assets accepted in trust by a bank in Korea must be segregated from other assets in the accounts of that bank; and

- depositors and other general creditors cannot obtain the assets comprising the trust accounts if the bank is liquidated or wound-up.

The bank must make a special reserve of 25% or more of fees and commissions from each unspecified money trust account for which a bank guarantees the principal amount and a minimum yield until the total reserve for that account equals 5% of the trust amount. Since January 1999, the Korean government has prohibited Korean banks from offering new guaranteed fixed rate trust account products whose principal and interest are guaranteed.

Under the Financial Investment Services and Capital Markets Act, which became effective in February 2009, a bank with a trust business license is permitted to offer both specified money trust account products and unspecified money trust account products. Previously, banks were not permitted to offer unspecified money trust account products pursuant to the Indirect Investment Asset Management Act, which is no longer in effect following the effectiveness of the Financial Investment Services and Capital Markets Act.

Credit Card Business

General

In order to enter the credit card business, a bank must register with the Financial Services Commission. Credit card businesses are governed by the Specialized Credit Financial Business Act, enacted on August 28, 1997 and last amended on March 12, 2010, which sets forth specific requirements with respect to the credit card business as well as generally prohibiting unsound business practices relating to the credit card business which may infringe on the rights of credit card holders or negatively affect the soundness of the credit card industry. A registered bank engaging in the credit card business is regulated by the Financial Services Commission and the Financial Supervisory Service.

Disclosure and Reports

Pursuant to the Specialized Credit Financial Business Act, a registered bank engaging in the credit card business must submit its business reports and reports with respect to its results of operations to the Governor of the Financial Supervisory Service within one month from the end of each quarter and each fiscal year.

Lending Ratio in Ancillary Business

Pursuant to the Enforcement Decree to the Specialized Credit Financial Business Act issued in December 2003, a registered bank engaging in the credit card business must maintain an aggregate quarterly average outstanding lending balance to credit cardholders (including cash advances and credit card loans, but excluding restructured loans) no greater than the sum of (i) its aggregate quarterly average outstanding credit card balance arising from the purchase of goods and services and (ii) the aggregate quarterly debit card transaction volume.

Risk of Loss Due to Lost, Stolen, Forged or Altered Credit Cards

Under the Specialized Credit Financial Business Act, a registered bank engaging in the credit card business is liable for any losses arising from the unauthorized use of credit cards or debit cards after it has received notice from the cardholder of the loss or theft of the card, and is also liable for any unauthorized use during the period beginning 60 days before the registered bank engaging in the credit card business receives notice of the loss or theft from the cardholder.

However, if the registered bank engaging in the credit card business has entered into agreements which allow it to transfer all or part of its burden of liability for loss or theft of credit cards to holders of the credit cards, then the registered bank engaging in the credit card business may transfer the liability to those holders of the credit cards in accordance with the terms and conditions of the agreements. Even in such case, the risk of liability cannot be transferred to the holders of the credit cards if there was no willful misconduct or negligence attributable to the holders of the credit cards, such as in the case where the cardholder s password was disclosed under irresistible force or threat to the cardholder s or his/her relative s life or health.

A registered bank engaging in the credit card business is also liable for any loss arising from the use of forged or altered credit cards, debit cards or pre-paid cards. However, if the registered bank engaging in the credit card business has entered into an agreement allowing it to transfer all or part of its burden of liability for loss or theft of the credit card, debit card, or pre-paid card to the holder of the credit card, debit card, or pre-paid card, and it has proved willful misconduct or gross negligence of the holder of the credit card, debit card, or pre-paid card, then the registered bank engaging in the credit card business may transfer the liability to such holder of the credit card, debit card, or pre-paid card in accordance with the terms and conditions of the agreement. For these purposes, willful misconduct or gross negligence means either disclosure of the cardholder s password, or the transfer of the credit card or debit card, or providing such credit card or debit card as security, all through willful misconduct or gross negligence.

Any agreement between a registered bank engaging in the credit card business and a cardholder allowing the transfer of burden of liability for the loss, theft, forgery or alteration of credit cards, debit cards, or pre-paid cards, as applicable, will be effective only if it is in writing, and an act of gross negligence by the cardholder will be acknowledged as such only if it is expressly provided as falling under such act in the agreement.

Each registered bank engaging in the credit card business must institute appropriate measures to fulfill these obligations, such as establishing provisions, purchasing insurance or joining a cooperative association.

Pursuant to the Specialized Credit Financial Business Act, the Financial Services Commission may either restrict the limit or take other necessary measures against the registered bank engaging in the credit card business with respect to such matters as the maximum limits on the amount per credit card, details of credit card terms and conditions, management of credit card merchants and collection of claims, including the following:

maximum limits for cash advances on credit cards;

use restrictions on debit cards with respect to per day or per transaction usage;

aggregate issuance limits and maximum limits on the amount per card on pre-paid cards; and

other matters prescribed by the Specialized Credit Financial Business Act and the Enforcement Decree thereto.

Issuance of New Cards and Solicitation of New Card Holders

The Enforcement Decree to the Specialized Credit Financial Business Act establishes the conditions under which a registered bank engaging in the credit card business may issue new cards and solicit new members. New credit cards may be issued only to the following persons:

persons who are at least 18 years old when they apply for a credit card;

persons whose capability to pay bills as they come due has been verified using standards established by the registered bank engaging in the credit card business; and

in the case of minors who are at least 18 years and younger than 20 years, persons who submit a guardian s consent along with documents evidencing income, such as an employment certificate or a tax certificate.

In addition, a registered bank engaging in the credit card business may not solicit credit card members by:

providing economic benefits or promising to provide economic benefits in excess of 10% of the annual credit card fee (in the case of credit cards with annual fees that are less than the average of the annual fees charged by the major credit cards in Korea, the annual fee will be deemed to be equal to such average annual fee) in connection with issuing a credit card;

soliciting applicants on roads, public places or along corridors used by the general public;

soliciting applicants through visits, except those visits made upon prior consent and visits to a business area;

soliciting applicants through the Internet without verifying whether the applicant is who he or she purports to be, by means of a certified digital signature under the Digital Signature Act; and

soliciting applicants through pyramid sales methods.

Compliance Rules on Collection of Receivable Claims

Pursuant to Supervisory Regulation on the Specialized Credit Financial Business, a registered bank engaging in the credit card business may not:

exert violence or threaten violence;

inform a related party (a guarantor of the debtor, blood relative or fiancée of the debtor, a person living in the same household as the debtor or a person working in the same workplace as the debtor) of the debtor s obligations without just cause;

provide false information relating to the debtor s obligation to the debtor or his or her related parties;

threaten to sue or sue the debtor for fraud despite lack of affirmative evidence to establish that the debtor has submitted forged or false documentation with respect to his/her capacity to make payment;

visit or telephone the debtor during late evening hours (between the hours of 9:00 p.m. and 8:00 a.m.); and

utilize other uncustomary methods to collect the receivables that interfere with the privacy or the peace in the workplace of the debtor or his or her related parties.

Regulations on Class Actions Regarding Securities

The Law on Class Actions Regarding Securities was enacted as of January 20, 2004 and last amended on March 31, 2010. The Law on Class Actions Regarding Securities governs class actions suits instituted by one or more representative plaintiff(s) on behalf of 50 or more persons who claim to have been damaged in a capital markets transaction involving securities issued by a listed company in Korea.

Applicable causes of action with respect to such suits include:

claims for damages caused by misleading information contained in a securities statement;

claims for damages caused by the filing of a misleading business report, semi-annual report, or quarterly report;

claims for damages caused by insider trading or market manipulation; and

claims instituted against auditors for damages caused by accounting irregularities.

Any such class action may be instituted upon approval from the presiding court and the outcome of such class action will have a binding effect on all potential plaintiffs who have not joined the action, with the exception of those who have filed an opt out notice with such court.

Table of Contents

Principal Regulations Applicable to Financial Investment Companies with a Dealing and/or Brokerage License

General

Beginning in February 2009, the Financial Investment Services and Capital Markets Act regulates and governs the financial investment business, including the brokerage business. The entities that regulate and supervise financial investment companies with a dealing and/or brokerage license are the Financial Services Commission, the Financial Supervisory Service and the Securities and Futures Commission.

Under the Financial Investment Services and Capital Markets Act, a company must obtain a license from the Financial Services Commission to commence a financial investment business such as a brokerage business, a dealing business or an underwriting business. A financial investment company with a dealing and/or brokerage license may also engage in certain businesses ancillary to that business without obtaining any separate license and certain other businesses if it obtains separate licenses from the Financial Services Commission. A financial investment company must also obtain approval from the Financial Services Commission to merge with any other entity or transfer all or a part of its business.

If the Financial Services Commission deems a financial investment company s financial condition to be unsound or if a financial investment company fails to meet the applicable net operating equity ratio (as defined below), the Financial Services Commission may order the financial investment company to:

- increase or reduce its capital;
- cancel or consolidate its stock:
- transfer all or part of its business;
- close branch offices;
- merge with another financial institution;
- suspend a part or all of its business operations; or
- assign contractual rights and obligations relating to its financial transactions.

Regulations on Financial Soundness

The Financial Services Commission regulations require that the financial soundness of a financial investment company be assessed in accordance with its net operating equity ratio, which is calculated as follows and expressed as a percentage:

Net operating equity ratio = (net operating equity/total risk) x 100

The terms net operating equity and total risk for the purpose of the above formula are defined in the Financial Services Commission s regulations. Generally, the net operating equity and the total risk are calculated according to the following formulas:

Net operating equity = net assets (total assets – total liabilities) – total deductible items + total creditable items

Total risk = market risk + credit risk + operational risk

The regulations require that financial investment companies maintain their net operating equity ratio at a level equal to or higher than 150%.

Other Provisions on Financial Soundness

The Financial Investment Services and Capital Markets Act, the Enforcement Decree of the Financial Investment Services and Capital Markets Act and Financial Services Commission regulations also include provisions designed to regulate certain types of activities relating to the management of the assets of a financial investment company. These provisions include:

- restrictions on the holdings by a financial investment company with a dealing and/or brokerage license of securities issued by another company which is the largest shareholder or the major shareholder (each as defined under the Financial Investment Services and Capital Markets Act) of that financial investment company;
- restrictions on providing money or credit to the largest shareholder, major shareholder, officers and related persons of the financial investment company; and
- special provisions concerning payment guarantees by a financial investment company with a dealing and/or brokerage license. For instance, a financial investment company with a dealing and/or brokerage license may not provide payment guarantees for major shareholders (as defined in the Financial Investment Services and Capital Markets Act) other than its overseas subsidiaries or provide new guarantees for corporate bonds, other than, subject to certain restrictions, roll-over guarantees in connection with the repayment of bonds previously guaranteed by it.

Business Conduct Rules

Pursuant to the Financial Investment Services and Capital Markets Act, financial investment companies are required to comply with certain business conduct rules. These rules impose greater responsibilities on financial investment companies, strictly banning certain unfair practices and ensuring that the potential investors solicited by financial investment companies are suitable.

Disclosure and Reports

Pursuant to the Financial Investment Services and Capital Markets Act, a financial investment company with a dealing and/or brokerage license is required to disclose certain material matters, including:

- its financial condition, including profit and loss;
- any sanctions levied on it under the Financial Investment Services and Capital Markets Act or any corrective measures or sanctions under the Law on Improvement of Structure of Financial Industry; and
- the occurrence of any matters which may have a material adverse effect on its operation or management.

A financial investment company must submit a report on its financial results to the Financial Services Commission within 45 days from the end of each quarter.

Financial Investment Services and Capital Markets Act

General

In July 2007, the National Assembly of Korea passed the Financial Investment Services and Capital Markets Act, a new law intended to enhance the integration of the Korean capital markets and financial investment products industry. The Financial Investment Services and Capital Markets Act became effective as of February 4, 2009

Consolidation of Capital Markets-Related Laws

Prior to the effectiveness of the Financial Investment Services and Capital Markets Act, different laws regulated different types of financial institutions. By applying a uniform set of rules to the same financial business having the same economic function, the Financial Investment Services and Capital Markets Act aims to address the issues caused by the previous regulatory system under which the same economic function

Table of Contents

relating to capital markets-related businesses was governed by multiple regulations. The Financial Investment Services and Capital Markets Act categorizes financial investment businesses into six different functions:

- dealing, trading and underwriting of financial investment products (as defined below);
- brokerage of financial investment products;
- establishment of collective investment schemes and the management thereof;
- investment advice;
- discretionary investment management; and
- trusts (together with the five businesses set forth above, the Financial Investment Businesses).

Accordingly, all financial businesses relating to financial investment products have been reclassified as one or more of the financial investment businesses listed above, and financial institutions are subject to the regulations applicable to their relevant financial investment businesses, regardless of the type of the financial institution it may be. For example, under the Financial Investment Services and Capital Markets Act, derivative businesses conducted by former securities companies and future companies will be subject to the same regulations.

Banking and insurance businesses are not subject to the Financial Investment Services and Capital Markets Act and will continue to be regulated under separate laws. However, they may become subject to the Financial Investment Services and Capital Markets Act if their activities involve any financial investment businesses requiring a license pursuant to the Financial Investment Services and Capital Markets Act.

Comprehensive Definition of Financial Investment Products

In an effort to encompass the various types of securities and derivative products available in the capital markets, the Financial Investment Services and Capital Markets Act sets forth a comprehensive term financial investment products, defined to mean all financial products carrying a risk of loss of the invested amount. Financial investment products are classified into two major categories: (i) securities (financial investment products in which the risk of loss is limited to the invested amount) and (ii) derivatives (financial investment products in which the risk of loss may exceed the invested amount). As a result of the general and broad definition of financial investment products, a variety of financial products may be defined as a financial investment product, which would enable Financial Investment Companies (defined below) to handle a broader range of financial products. Under the Financial Investment Services and Capital Markets Act, entities formerly licensed as securities companies, asset management companies, future companies and other entities engaging in any Financial Investment Business are classified as Financial Investment Companies.

New License System and the Conversion of Existing Licenses

Under the Financial Investment Services and Capital Markets Act, Financial Investment Companies are able to choose the type of Financial Investment Business in which to engage (through a check the box method set forth in the relevant license application), by specifying the desired (i) financial investment business, (ii) financial investment product and (iii) target customers to which financial investment products may be sold or distributed (that is, general investors or professional investors). Licenses will be issued under the specific business sub-categories described in the foregoing sentence. For example, it would be possible for a Financial Investment Company to obtain a license to engage in the financial investment business of (i) dealing (ii) over the counter derivatives products or (iii) only with sophisticated investors.

Financial institution that engage in business activities constituting a financial investment business are required to take certain steps, such as renewal of their license or registration, in order to continue engaging in such business activities. Financial institutions that are not licensed Financial Investment Companies are not permitted to engage in any Financial Investment Business, subject to the following exceptions: (i) banks and insurance companies are permitted to engage in certain categories of Financial Investment Businesses for a period not exceeding six months commencing on the effective date of the Financial Investment Services and

Capital Markets Act; and (ii) other financial institutions that engaged in any Financial Investment Business prior to the effective date of the Financial Investment Services and Capital Markets Act (whether in the form of a concurrent business or an incidental business) are permitted to continue such Financial Investment Business for a period not exceeding six months commencing on the effective date of the Financial Investment Services and Capital Markets Act.

Expanded Business Scope of Financial Investment Companies

Under the previous regulatory regime in Korea, it was difficult for a financial institution to explore a new line of business or expand upon its existing line of business. For example, previously a financial institution licensed as a securities company generally was not permitted to engage in the asset management business. In contrast, under the Financial Investment Services and Capital Markets Act, pursuant to the integration of its current businesses involving financial investment products into a single Financial Investment Business, a licensed Financial Investment Company is permitted to engage in all types of Financial Investment Businesses, subject to satisfying relevant regulations (for example, maintaining an adequate Chinese Wall, to the extent required). As to incidental businesses (that is, a financial related business which is not a Financial Investment Business), the Financial Investment Services and Capital Markets Act generally allows a Financial Investment Company to freely engage in such incidental businesses by shifting away from the previous positive-list system towards a more comprehensive system. In addition, a Financial Investment Company is permitted to (i) outsource marketing activities by contracting introducing brokers that are individuals but not employees of the Financial Investment Company, (ii) engage in foreign exchange business related to their Financial Investment Business and (iii) participate in the settlement network, pursuant to an agreement among the settlement network participants.

Improvement in Investor Protection Mechanism

While the Financial Investment Services and Capital Markets Act widens the scope of financial businesses in which financial institutions are permitted to engage, a more rigorous investor-protection mechanism is also imposed upon Financial Investment Companies dealing in financial investment products. The Financial Investment Services and Capital Markets Act distinguishes general investors from sophisticated investors and provides new or enhanced protections to general investors. For instance, the Financial Investment Services and Capital Markets Act expressly provides for a strict know-your-customer rule for general investors and imposes an obligation that Financial Investment Companies should market financial investment products suitable to each general investor, using written explanatory materials. Under the Financial Investment Services and Capital Markets Act, a Financial Investment Company could be liable if a general investor proves (i) damage or losses relating to such general investor s investment in financial investment products solicited by such Financial Investment Company and (ii) absence of the requisite written explanatory materials, without having to prove fault or causation. With respect to any conflicts of interest between Financial Investment Companies and investors, the Financial Investment Services and Capital Markets Act expressly requires (i) disclosure of any conflict of interest to investors and (ii) mitigation of conflicts of interest to a comfortable level or abstention from the relevant transaction.

Other Changes to Securities / Fund Regulations

The Financial Investment Services and Capital Markets Act changed various securities regulations including those relating to public disclosure, insider trading and proxy contests, which were previously governed by the Securities and Exchange Act. For example, the 5% and 10% reporting obligations under the Securities and Exchange Act have become more stringent. The Indirect Investment and Asset Management Business Act strictly limited the kind of vehicles that could be utilized under a collective investment scheme, restricting the range of vehicles to trusts and corporations, and the type of funds that can be used for investments. However, under the Financial Investment Services and Capital Markets Act, these restrictions have been significantly liberalized, permitting all vehicles that may be created under Korean law, such as limited liability companies or partnerships, to be used for the purpose of collective investments and investment funds to be more flexible as to their investments.

Table of Contents

Item 4C. *Organizational Structure*

The following chart provides an overview of our structure, including our significant subsidiaries and our ownership of such subsidiaries as of the date of this annual report:

(1) Woori Investment & Securities is accounted for as an equity method investee under U.S. GAAP.
(2) Woori Aviva Life Insurance, in which we acquired a 51.0% interest in April 2008 and in respect of which we entered into a joint venture agreement with Aviva International Holdings Limited, is accounted for as an equity method investee under U.S. GAAP. We currently hold a 51.6% interest in Woori Aviva Life Insurance.
(3) In March 2011, we acquired certain assets and assumed certain liabilities of Samhwa Mutual Savings Bank through our wholly owned subsidiary Woori FG Savings Bank, which was established in connection with such transaction.

Our largest subsidiary is Woori Bank, the assets of which represented approximately 78.0% of our total assets as of December 31, 2010. The following table identifies each of our major subsidiaries and their contributions to our total assets and net income as of and for the year ended December 31, 2010 (after allocating eliminations for consolidation, inter-segment transactions and certain differences in classification under our management reporting system for assets and net income in proportion to total assets and absolute net income, respectively):

	As of or for the year ended December 31, 2010		
	Total Assets[(1)]		
	Amount	% of Total	Net Income[(2)]
	(in billions of Won, except percentages)		
Subsidiary			
Woori Bank	₩ 212,860	78.0%	₩ 590
Kyongnam Bank	20,251	7.4	90
Kwangju Bank	15,750	5.8	52
Others	24,077	8.8	497
Total	₩ 272,938	100.0%	₩ 1,229

(1) After allocating eliminations of ₩19,093 billion representing consolidation, inter-segment transactions and certain differences in classification under our management reporting system. This amount has been allocated in proportion to the ratio of segment assets before eliminations to total assets before eliminations. See Note 38 of the notes to our consolidated financial statements.
(2) After allocating a loss of ₩1,194 billion representing consolidation, inter-segment transactions and certain differences in classification under our management reporting system. This amount has been allocated in proportion to the ratio of absolute segment net income to the sum of the absolute net income of all segments. See Note 38 of the notes to our consolidated financial statements.

The following is a summary of the activities of our principal subsidiaries:

Woori Bank

Established in December 1998, Woori Bank (formerly known as Hanvit Bank) was formed as a result of the merger of two nationwide commercial banks, the Commercial Bank of Korea (established in 1899) and Hanil Bank (established in 1932). Woori Bank provides a wide range of banking and other financial services to large corporations, small- and medium-sized enterprises and individuals in Korea. As of December 31, 2010, Woori Bank was the second-largest commercial bank in Korea based upon total assets (including loans) and deposits. As of December 31, 2010, Woori Bank had more than 16 million customers, with 905 branches nationwide.

Kyongnam Bank

Established in April 1970, Kyongnam Bank is a regional commercial bank that provides financial services in Changwon and Ulsan and other parts of the South Kyongsang province in southeastern Korea. Kyongnam Bank concentrates on consumer banking, as well as corporate banking for small- and medium-sized enterprises and, to a lesser extent, large corporate customers. As of December 31, 2010, Kyongnam Bank had approximately two million customers, with 149 branches throughout southeastern Korea and Seoul.

Kwangju Bank

Established in September 1968, Kwangju Bank is a regional commercial bank that provides financial services in Kwangju and southwestern Korea. Kwangju Bank concentrates on the consumer and small- and medium-sized enterprise banking sectors, offering various deposit and loan products to customers in those sectors and, to a lesser extent, large corporate customers. As of December 31, 2010, Kwangju Bank had approximately two million customers, with 141 branches throughout southwestern Korea and Seoul.

Other Subsidiaries

The following table provides summary Korean GAAP information regarding our other significant consolidated subsidiaries (other than special purpose companies) as of or for the year ended December 31, 2010:

Subsidiary	Percentage of Ownership(1)	Total Assets	Stockholders Equity	Operating Revenue	Net Income
		(in millions of Won)			
Woori Asset Management Co., Ltd.(2)	100.0%	84,259	62,898	35,575	4,768
Woori Private Equity Co., Ltd.	100.0%	2,146,740	351,049	244,193	1,704
Woori F&I Co., Ltd.	100.0%	1,062,111	201,930	99,569	38,207
Woori Finance Information System Co., Ltd.(3)	100.0%	220,469	13,526	283,215	2,155
Woori Financial Co., Ltd.(4)	52.5%	2,776,670	235,454	286,764	31,641

(1) Including both direct and indirect ownership.

(2) In May 2006, we transferred 30.0% of our interest in Woori Asset Management to Credit Suisse. Following this transfer, we renamed the entity Woori Credit Suisse Asset Management. In October 2009, we reacquired Credit Suisse s 30.0% interest in Woori Credit Suisse Asset Management and renamed the entity Woori Asset Management.

(3) In May 2011, we changed the corporate name of Woori Finance Information System Co., Ltd. to Woori FIS Co., Ltd.

(4) We acquired 8,499,955 shares of Woori Financial in September 2007. This represented an ownership interest of 51.4% under U.S. GAAP and 50.1% under Korean GAAP. Under U.S. GAAP, ownership interest in a company is calculated by dividing the number of acquired shares by the total number of shares outstanding. Under Korean

GAAP, ownership interest is calculated by dividing the number of acquired shares by the number of issued shares.

In March 2011, we acquired certain assets and assumed certain liabilities of Samhwa Mutual Savings Bank through our wholly owned subsidiary Woori FG Savings Bank, which was established in connection with such transaction.

Table of Contents

Item 4D. ***Property, Plants and Equipment***

Our registered office and corporate headquarters, with a total area of approximately 97,222 square meters, are located at 203, 1-ga, Hoehyon-dong, Chung-Gu, Seoul, Korea. Information regarding certain of our properties in Korea is presented in the following table:

Type of Facility/Building	Location	Area (square meters)
Woori Finance Holdings and Woori Bank registered office and corporate headquarters	203 Hoehyon-dong, 1-ga, Chung-gu, Seoul, Korea 100-792	97,222
Kyongnam Bank registered office and corporate headquarters	246-1 Seockcheon-dong, MasanHoiwon-gu, Changwon City, Kyongnam Province, Korea 630-010	29,457
Kwangju Bank registered office and corporate headquarters	7-12 Daein-dong, Dong-gu, Kwangju, Korea 501-030	47,007
Woori FIS registered office and corporate headquarters	1585 Sangam-dong, Mapo-gu, Seoul, Korea 121-835	40,737

As of December 31, 2010, we had a network of 1,195 banking branches in Korea. With respect to Woori Bank, approximately 258 of its branches are housed in buildings owned by us, while the remaining branches are leased properties. Lease terms are generally from two to three years and seldom exceed five years. We also have subsidiaries in the United States, China, Hong Kong, Russia and Indonesia and branches, agencies and representative offices in Asia, the United States and Europe. We do not own any material properties outside of Korea.

The net book value of all the properties owned by us as of December 31, 2010 was ₩2,469 billion.

Item 4.A. UNRESOLVED STAFF COMMENTS

We do not have any unresolved comments from the Securities and Exchange Commission staff regarding our periodic reports under the Securities Exchange Act of 1934.

Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Item 5A. ***Operating Results***

Overview

We maintain our accounts in accordance with accounting principles and practices employed by financial institutions and other enterprises in the Republic of Korea, whereas the accompanying consolidated financial statements reflect certain adjustments not recorded on our books to present these statements in accordance with U.S. GAAP. Our management uses Korean GAAP (and, commencing in 2011, IFRS) information to allocate resources and evaluate the performance of our subsidiaries.

The following discussion is based on our consolidated financial statements, which have been prepared in accordance with U.S. GAAP, except for (1) the segment analyses, which are prepared based on Korean GAAP and (2) the selected financial information under Korean GAAP, which is based on our consolidated financial statements prepared in accordance with Korean GAAP. The consolidated financial statements include the accounts of subsidiaries over which substantive control is exercised through either majority ownership of voting stock and/or other means. Investments in affiliated companies (companies over which we have the ability to exercise significant influence) are accounted for by the equity method of accounting and are reported in other investment assets.

Table of Contents

Acquisitions

In October 2004, we purchased seven million shares of LGIS in the Korean stock market for approximately ₩55 billion. In addition, in December 2004, we purchased approximately 26 million shares of LGIS from LG Card for approximately ₩298 billion. As a result, as of December 31, 2004, we owned a 27.3% voting interest in LGIS, which became an equity method investee.

In June 2004, we acquired the 39.7% minority interest in Woori Securities that we did not own, and issued 8,571,262 new shares of our common stock valued at ₩56 billion as the purchase price. The acquisition was accounted for under the purchase method of accounting. In connection with this acquisition, we recognized ₩63 billion of extraordinary gain, which represented the excess of the fair value of the net assets acquired over the purchase consideration after allocations. In January 2005, we reduced the capital of Woori Securities by 42.5% or ₩154 billion in anticipation of its planned merger with LGIS. In March 2005, we merged Woori Securities into LGIS, and renamed the surviving entity Woori Investment & Securities, which became an equity method investee. We currently own a 35.0% voting interest in Woori Investment & Securities. As of December 31, 2010, Woori Investment & Securities had consolidated total assets of ₩17,488 billion, consolidated total liabilities of ₩14,704 billion and consolidated total shareholders equity of ₩2,784 billion, on a Korean GAAP basis. For the year ended December 31, 2010, Woori Investment & Securities generated consolidated revenues of ₩4,050 billion and consolidated net income of ₩226 billion, on a Korean GAAP basis.

In September 2007, we acquired a 51.4% interest in Hanmi Capital from MBK Partners for approximately ₩271 billion. We renamed the entity Woori Financial, which became a consolidated subsidiary. In connection with this acquisition, we recognized ₩182 billion of goodwill and ₩11 billion of customer relationship intangibles.

In April 2008, we acquired a 51.0% interest in LIG Life Insurance from LIG Insurance, Co., Ltd. and other selling shareholders for approximately ₩76 billion. In connection with this acquisition, we entered into a joint venture agreement with Aviva International Holdings Limited. In September 2010, we acquired an additional 0.6% stake in Woori Aviva Life Insurance following our subscription for common shares newly issued by Woori Aviva Life Insurance. Aviva International Holdings Limited and we collectively hold a 98.9% interest in LIG Life Insurance, which was subsequently renamed Woori Aviva Life Insurance. We account for Woori Aviva Life Insurance as an equity method investee under U.S. GAAP.

In March 2011, we acquired certain assets and assumed certain liabilities of Samhwa Mutual Savings Bank through our wholly owned subsidiary Woori FG Savings Bank, which was established in connection with such transaction, and injected ₩110 billion of new capital into Woori Financial Group Savings Bank.

Trends in the Korean Economy

Our financial position and results of operations have been and will continue to be significantly affected by financial and economic conditions in Korea. Substantial growth in lending in Korea to small- and medium-sized enterprises in recent years, and financial difficulties experienced by such enterprises as a result of, among other things, adverse economic conditions in Korea and globally from the second half of 2008, have generally led to increasing delinquencies and a deterioration in overall asset quality in the credit exposures of Korean banks to small- and medium-sized enterprises. In 2010, on a Korean GAAP basis, we recorded charge-offs of ₩865 billion in respect of our Won-denominated loans to small- and medium-sized enterprises, compared to charge-offs of ₩862 billion in 2009. In light of the difficult financial condition and liquidity position of small- and medium-sized enterprises in Korea since the second half of 2008, the Korean government introduced measures intended to encourage Korean banks to provide financial support to small- and medium-sized enterprise borrowers. See Item 3D. Risk Factors Risks relating to our corporate credit portfolio The largest portion of our exposure is to small- and medium-sized enterprises, and financial difficulties experienced by companies in this segment may result in a deterioration of our asset quality and have an adverse impact on us.

In recent years, commercial banks, credit card companies, consumer finance companies and other financial institutions in Korea have also made significant investments and engaged in aggressive marketing in consumer lending (including mortgage and home equity loans), leading to substantially increased competition in this segment. The rapid growth in consumer credit, together with adverse economic conditions from the second half of 2008, have generally led to increasing delinquencies and a deterioration in asset quality. In 2010, we recorded charge-offs of ₩109 billion and provisions of ₩146 billion in respect of our consumer loan portfolio, compared to charge-offs of ₩486 billion and provisions of ₩310 billion in 2009. See Item 3D. Risk Factors Risks relating to our consumer credit portfolio.

The Korean economy is closely tied to, and is affected by developments in, the global economy. During the second and third quarter of 2007, credit markets in the United States started to experience difficult conditions and volatility that in turn affected worldwide financial markets. In particular, in late July and early August 2007, market uncertainty in the U.S. sub-prime mortgage sector increased dramatically and further expanded to other markets such as those for leveraged finance, collateralized debt obligations and other structured products. In September and October 2008, liquidity and credit concerns and volatility in the global financial markets increased significantly with the bankruptcy or acquisition of, and government assistance to, several major U.S. and European financial institutions. These developments resulted in reduced liquidity, greater volatility, widening of credit spreads and a lack of price transparency in the United States and global financial markets. In response to such developments, legislators and financial regulators in the United States and other jurisdictions, including Korea, implemented a number of policy measures designed to add stability to the financial markets, including the provision of direct and indirect assistance to distressed financial institutions. In addition, in line with similar actions taken by monetary authorities in other countries, from the third quarter of 2008 to the first quarter of 2009, the Bank of Korea decreased its policy rate by a total of 325 basis points in order to address financial market instability and to help combat the slowdown of the domestic economy and left the key interest rate unchanged at 2.00% throughout 2009. However, while the rate of deterioration of the global economy has slowed since the second half of 2009, with some signs of stabilization and improvement, the overall prospects for the Korean and global economy in 2011 and beyond remain uncertain. For example, many governments worldwide, in particular in Greece, Portugal, Spain and other countries in southern Europe, have shown signs of fiscal stress and may experience difficulties in meeting their debt service requirements. In addition, recent political instability in various countries in the Middle East and Northern Africa, including in Egypt, Tunisia, Libya and Bahrain, have resulted in volatility and uncertainty in the global financial and energy markets. Moreover, the earthquake and tsunami that occurred in the northeast part of Japan in March 2011 and the resulting releases of radiation from damaged nuclear power plants in the area have added to the uncertainty in global economic prospects. Any of these or other developments could potentially trigger another financial and economic crisis. Furthermore, while many governments worldwide are considering or are in the process of implementing exit strategies, in the form of reduced government spending, higher interest rates or otherwise, with respect to the economic stimulus measures adopted in response to the global financial crisis, such strategies may, for reasons related to timing, magnitude or other factors, have the unintended consequence of prolonging or worsening global economic and financial difficulties. In light of the high level of interdependence of the global economy, any of the foregoing developments could have a material adverse effect on the Korean economy and financial markets, and in turn on our business, financial condition and results of operations.

We are also exposed to adverse changes and volatility in global and Korean financial markets as a result of our liabilities and assets denominated in foreign currencies and our holdings of trading and investment securities, including structured products. From the second half of 2008 to the first half of 2010, the value of the Won relative to major foreign currencies in general and the U.S. dollar in particular fluctuated widely. While such fluctuations have generally stabilized in the second half of 2010 and into 2011, there is no guarantee that they will not occur again in the future. See Item 3A. Selected Financial Data Exchange Rates. A depreciation of the Won will increase our cost in Won of servicing our foreign currency-denominated debt, while continued exchange rate volatility may also result in foreign exchange losses for us. Furthermore, as a result of adverse global and Korean economic conditions, there has been significant volatility in securities prices, including the stock prices of Korean and foreign companies in which we hold an interest. Such volatility has resulted in and may lead to further trading and valuation losses on our trading and investment securities portfolio as well as impairment losses on our investments accounted for under the equity method.

As a result of volatile conditions and weakness in the Korean and global economies, as well as factors such as the uncertainty surrounding the global financial markets, fluctuations in oil and commodity prices, interest and exchange rate fluctuations, higher unemployment, lower consumer confidence, increases in inflation rates, potential tightening of fiscal and monetary policies and continued tensions with North Korea, the economic outlook for the financial services sector in Korea in 2011 and for the foreseeable future remains uncertain.

New Basel Capital Accord

Beginning on January 1, 2008, the Financial Supervisory Service implemented Basel II in Korea, substantially affecting on the way risk is measured among Korean financial institutions, including us. Building upon the initial Basel Capital Accord of 1988, which focused primarily on capital adequacy and asset soundness as a measure of risk, Basel II expands this approach to contemplate additional areas of risk such as operational risk. Basel II also institutes new measures that require our commercial banking subsidiaries to take into account individual borrower credit risk and operational risk when calculating risk-weighted assets.

In addition, under Basel II, banks are permitted to follow either a standardized approach or an internal ratings-based approach with respect to calculating capital requirements. Woori Bank has voluntarily chosen to establish and follow an internal ratings-based approach, which is more stringent in terms of calculating risk sensitivity with respect to its capital requirements. Kyongnam Bank and Kwangju Bank , both of which are in the process of establishing an internal ratings-based approach, currently use a standardized approach. See Item 5B. Liquidity and Capital Resources Financial Condition Capital Adequacy.

In December 2009, the Basel Committee on Banking Supervision introduced a new set of measures to supplement Basel II which include, among others, a requirement for higher minimum capital, introduction of a leverage ratio as a supplementary measure to the capital adequacy ratio and flexible capital requirements for different phases of the economic cycle. Additional details regarding such new measures, including an additional capital conservation buffer and countercyclical capital buffer, liquidity coverage ratio and other supplemental measures, were announced by the Group of Governors and Heads of Supervision of the Basel Committee on Banking Supervision in September 2010. After further impact assessment and observation periods, the Basel Committee on Banking Supervision is expected to begin implementing the new set of measures, referred to as Basel III, from 2013. The timing and scope of implementation of Basel III in Korea remain uncertain. The implementation of Basel III in Korea may have a significant effect on the capital requirements of Korean financial institutions, including our commercial banking subsidiaries.

Changes in Securities Values, Exchange Rates and Interest Rates

Fluctuations of exchange rates, interest rates and stock prices affect, among other things, the demand for our products and services, the value of and rate of return on our assets, the availability and cost of funding and the financial condition of our customers. The following table shows, for the dates indicated, the stock price index of all equities listed on the KRX KOSPI Market as published in the KOSPI, the Won to U.S. dollar exchange rates and benchmark Won borrowing interest rates.

Dec. 31, 2006	June 30, 2007	Dec. 31, 2007	June 30, 2008	Dec. 31, 2008	June 30, 2009	Dec. 31, 2009	June 201

5	1,434.46	1,743.60	1,897.13	1,674.92	1,124.47	1,390.07	1,682.77	1,69
5	₩ 930.0	₩ 922.6	₩ 935.8	₩ 1,046.8	₩ 1,262.00	₩ 1,273.5	₩ 1,163.7	₩ 1,
3%	5.4%	5.6%	6.9%	6.9%	8.1%	5.6%	5.7%	
9%	4.9%	5.3%	5.7%	5.8%	3.4%	4.2%	4.4%	

(1) Represents the noon buying rate on the dates indicated.

(2) Measured by the yield on three-year Korean corporate bonds rated as A+ by the Korean credit rating agencies.
(3) Measured by the yield on three-year treasury bonds issued by the Ministry of Strategy and Finance of Korea.

Critical Accounting Estimates

The notes to our consolidated financial statements contain a summary of our significant accounting policies, including a discussion of recently issued accounting pronouncements. Certain of our policies involve accounting estimates and are critical to the portrayal of our financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. We discuss these critical accounting estimates below.

Allowance for Credit Losses

We have established an allowance for losses on loans, leases and other credits, which is available to absorb losses that we incur in our credit portfolio. This allowance is based on our continuing review of the credit portfolio, which we evaluate for impairment on an ongoing basis, and represents our best estimate of probable losses that have been incurred as of the balance sheet date. If we believe that additions or changes to the allowance for credit losses are required, then we record provisions for credit losses, which are treated as charges against current income. Credit exposures that we deem to be uncollectible, including actual credit losses, net of recoveries of previously charged-off amounts, are charged directly against the allowance for credit losses.

We base the level of our allowance for credit losses on an evaluation of the risk characteristics of our credit portfolio. That evaluation considers factors such as past loss experience, the financial condition of our borrowers and current economic conditions. We evaluate corporate loans and consumer loans in different ways, due to their respective characteristics, as follows:

We generally evaluate impaired corporate loans individually, due to the unique characteristics of the individual corporate borrowers, and establish an allowance for loan losses for individual impaired corporate loans. As described in Note 1 of the notes to our consolidated financial statements included elsewhere in this annual report, we consider a loan impaired when, after considering current information and events, we believe it is probable that we will be unable to collect all amounts due, including principal and interest, under the contractual terms of the loan. Once we have identified a loan as impaired, we generally measure the value of the loan based on the present value of expected future cash flows discounted at the loan s effective interest rate. Alternatively, as a practical expedient, we measure the value of the loan at the loan s observable market price or, if the loan is collateral dependent, at the fair value of the collateral. If the measured value is less than the book value of the loan, we establish a specific allowance for the amount deemed uncollectible.

We also establish an allowance for loan losses for corporate loans that we do not believe are impaired using an expected loss methodology. Expected losses are determined using the probability of default and the likely severity of any resulting loss and are established based on historical loss experience.

We establish an allowance for loan losses related to leases using the same method we use to establish allowance for losses for corporate loans.

We generally evaluate consumer loans, including mortgage and home equity loans, and credit card balances as individual pools for loan loss reserve purposes due to their homogeneous nature, and establish an allowance for loan losses relating to each pool using an expected loss methodology, based on historical loss experience. For loans originating from our credit card operations, we generally evaluate these loans for loan loss reserve purposes as two pools of homogeneous loans: the loans held in our credit card accounts; and the securitized loans held in our special purpose entities. Our loan loss reserves for credit card loans are established based on expected loss methodology. This methodology is the product of expected default frequency and loss severity. Expected default frequency is calculated using the delinquency roll-rate for the past fiscal year. We also generally compare our loan loss reserve with expected charge-offs for the next fiscal year for the purpose of evaluating the sufficiency of our loan loss reserve.

We establish an allowance for losses for credit-related commitments using the same method we use to establish allowances for our loans.

We believe that the accounting estimate related to our allowance for credit losses is a critical accounting policy because: (1) it is highly susceptible to change from period to period because we must make assumptions about future default rates and losses relating to our credit portfolio; and (2) any significant difference between our estimated credit losses (as reflected in our allowance for credit losses) and actual credit losses could require us to take additional provisions which, if significant, could have a material impact on our net income. Our assumptions about estimated losses require significant judgment because actual losses have fluctuated in the past and are expected to continue to do so, based on a variety of factors.

Our consolidated financial statements for the year ended December 31, 2010 included a total allowance for credit losses of ₩5,314 billion as of that date (including allowances of ₩440 billion with respect to credit-related commitments). Our total loan charge-offs, net of recoveries, amounted to ₩1,789 billion and our provision for credit losses amounted to ₩3,247 billion (which includes provisions for credit-related commitments of ₩169 billion) in 2010.

Valuation of Securities and Financial Instruments

We invest in various financial instruments including debt and equity securities, derivatives and investments in venture capital activities. Depending on the accounting treatment specific to each type of financial instrument, an estimate of fair value determines the instrument s effect on our consolidated financial statements.

Effective January 1, 2008, we adopted Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (ASC 820) (ASC 820), which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (also referred to as an exit price). We determine the fair value of our financial instruments that are recognized or disclosed at fair value in the financial statements on a recurring basis in accordance with ASC 820. However, certain provisions of ASC 820 that relate to non-financial assets and non-financial liabilities that are not measured at fair value on a recurring basis were adopted on January 1, 2009.

The fair value hierarchy established in ASC 820 requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value is a market-based measure considered from the perspective of a market participant. As such, even when market assumptions are not readily available, our own assumptions reflect those that market participants would use in pricing the asset or liability at the measurement date. In accordance with ASC 820, we use the following three levels of inputs in measuring fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities may include certain debt and equity securities and over-the-counter derivative contracts whose fair value is determined using a pricing model without significant unobservable inputs.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The fair value for certain financial instruments is derived using pricing models and other valuation techniques that involve significant management judgment. The price transparency of financial instruments is a key determinant of the degree of judgment involved in measuring fair value of our financial instruments. Financial instruments for which actively quoted prices or pricing parameters are available will generally have a higher degree of price transparency than those that are thinly traded or not quoted. In accordance with ASC 820, the criteria we use to determine whether the market for a financial instrument is active or inactive are based on the particular asset or liability.

As a result of the adoption of ASC 820, we have made certain amendments to the techniques we use in measuring the fair value of derivatives and other positions. These amendments change the way that the probability of default of a counterparty is factored into the valuation of derivative positions and include the impact of our own credit risk on derivatives and other liabilities measured at fair value.

In accordance with ASC 820, we maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements. When market prices are available, we use quoted market prices to measure fair value. If market prices are not available, fair value measurements are based upon models that use primarily market-based or independently-sourced market parameters, including interest rate yield curves, prepayment speeds, option volatilities and currency rates.

We use either Level 1 or Level 2 measurements to determine the fair value of most financial instruments recorded in our financial statements. However, in circumstances where market prices are limited or unavailable, valuations may require significant management judgments or adjustments that utilize significant unobservable inputs, to determine fair value. In these cases, the applicable financial instruments are classified as Level 3.

The following provides a brief description of our valuation methodologies used to measure fair value by type of financial instruments:

> *Trading and available-for-sale securities:* The fair value of the securities included in trading assets and available for sale securities included in investments is recognized in our consolidated balance sheets based on quoted market prices, where available. For the securities traded in the over-the-counter market, we generally determine fair value utilizing internal valuation techniques or based on prices obtained from independent pricing services or brokers. Trading securities recorded by using valuation methods and prices obtained from pricing services or brokers are generally classified as Level 2 except in cases where such quoted prices include unobservable inputs to the models, in which case such financial instruments are classified as Level 3. We validate prices received from pricing services or brokers using a variety of methods, including, but not limited to, comparison to secondary pricing services, corroboration of pricing by reference to other independent market data such as secondary broker quotes and relevant benchmark indices, and review of pricing by our personnel who are familiar with market liquidity and other market-related conditions.
>
> *Derivatives assets and liabilities:* Quoted market prices are available and used for our exchange-traded derivatives, such as certain interest rate futures and option contracts, which we classify as Level 1. However, substantially all of our derivatives are traded in over-the-counter markets where quoted market prices are not readily available. Over-the-counter derivatives are valued using internal valuation techniques. Valuation techniques and inputs to internally developed models depend on the type of derivative and nature of the underlying rate, price or index upon which the derivative s value is based. Where model inputs can be observed in a liquid market and the model does not require significant judgment, such derivatives are typically classified as Level 2. When instruments are traded in less liquid markets and significant inputs are unobservable, such derivatives are classified as Level 3. Additionally, significant judgments are required when classifying financial instruments within the fair value hierarchy, particularly between Levels 2 and 3, as

is the case for certain derivatives.

With respect to our derivative positions, the majority of which are valued using internally developed models that use as their basis observable market inputs as described above, an adjustment is necessary to reflect the credit quality of each derivative counterparty to arrive at fair value. The adjustment is based on market-based measures of credit risk to the extent available and also takes into account contractual factors designed to reduce our credit exposure to each counterparty. Credit valuation adjustments are applied to reflect our own credit risk when measuring derivative liabilities at fair value in accordance with the requirements of ASC 820. The methodology to determine the adjustment is consistent with counterparty credit risk adjustment and incorporates our credit spread as observed through the credit default swap market.

As of January 1, 2009, we adopted an amended guidance for the recognition of other-than-temporary impairment for debt securities. We consider other-than-temporary impairment for a debt security to have occurred if one of the following conditions is met: (i) we intend to sell the impaired debt security, (ii) it is more-likely-than-not that we will be required to sell the impaired debt security before recovery of the security s amortized cost basis or (iii) we do not expect to recover the entire amortized cost basis of the security. Our evaluation of whether we intend to sell an impaired debt security involves consideration of whether our management has decided to sell the security as of the relevant balance sheet date. Our evaluation of whether it is more-likely-than-not that we will be required to sell an impaired debt security before recovery of the security s amortized cost basis involves consideration of the likelihood of such sale in light of the relevant legal, regulatory or operational requirements. For an impaired debt security that we do not intend to sell and with respect to which it is not more-likely-than-not that we will be required to sell before recovery of such security s amortized cost basis, we consider both qualitative and quantitative valuation factors to evaluate whether we expect to recover the entire amortized cost basis of such security and the amount of the other-than-temporary impairment is separated into an amount representing the credit loss, which is recognized in earnings, and the amount related to all other factors, which is recognized in other comprehensive income. We consider all available information relevant to the collectibility of the security, including credit enhancements, security structure, credit ratings and other relevant collateral characteristics.

For marketable equity securities, other-than-temporary impairment evaluations focus on whether evidence exists that supports recovery of the unrealized loss within a timeframe consistent with temporary impairment. Factors considered in this evaluation include the length of time and extent to which fair value is less than cost, the status of the security, our intent and ability to hold the security for a period of time sufficient to allow for any recovery in market value, and the conditions of the Korean and relevant foreign economies. Our management continues to closely monitor and evaluate these securities for impairment that is other-than-temporary. Unrealized losses for other-than-temporary impairment on equity securities are recognized as losses on investment securities in our consolidated financial statements.

We believe that the accounting estimates related to the fair market value of our various securities are a critical accounting policy because: (1) they may be highly susceptible to change from period to period based on factors beyond our control; and (2) any significant difference between our estimated fair value of these securities on any particular date and either their estimated fair value on a different date or the actual proceeds that we receive upon sale of these securities could result in valuation losses or losses on disposal which may have a material impact on our net income. Our assumptions about the fair market value of securities we hold, and in particular whether any decline in the value of our available-for-sale or held-to-maturity securities is temporary, require significant judgment because actual valuations have fluctuated in the past and are expected to continue to do so, based on a variety of factors.

Valuation Allowance for Deferred Tax Assets and Uncertain Tax Positions

In the normal course of business, we and our subsidiaries enter into transactions for which the tax treatment is unclear or subject to varying interpretations. We evaluate and assess the relative risks and merits of the appropriate tax treatment of transactions, filing positions and taxable income calculations after considering statutes, regulations, judicial precedent, and other information, and maintain tax accruals consistent with our evaluation of these relative risks and merits. The result of our evaluation and assessment is by its nature an estimate. We and our subsidiaries are routinely subject to audit and challenges from tax authorities. In the event we resolve a challenge for an amount different than amounts previously accrued, we will account for the difference in the period in which we resolve the matter. From January 1, 2007, with respect to accounting for uncertainty in our tax positions, we adopted Financial Accounting Standards Board

(FASB) Interpretation, Accounting for Uncertainty in Income Taxes (ASC 740), which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

This interpretation uses a two-step approach, wherein a tax benefit is recognized if a tax position is more likely than not to be sustained upon examination by tax authorities, and the amount recognized is measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authorities. Differences between tax positions taken in a tax return and amounts recognized are reflected in the financial statements as adjustments of income tax expense or deferred tax assets (liabilities). In addition, interest and penalties related to tax positions are classified as a component of income tax expense. ASC 740 also requires enterprises to make explicit disclosures at the end of each reporting period about uncertainties in their income tax positions, including detailed carry-forwards of tax benefits taken that do not qualify for financial statement recognition.

As a result of substantial losses previously incurred by certain of our subsidiaries, including Woori Bank, we had an aggregate of ₩228 billion of net operating loss carry-forwards as of December 31, 2010, which expire from 2011 to 2015. We may be able to use these net operating loss carry-forwards, as well as temporary differences in the amount of assets and liabilities recorded for tax purposes and accounting purposes, to reduce the amount of tax that we would otherwise be required to pay in future periods. We recognize all existing future tax benefits arising from these tax attributes as deferred tax assets and then, based on our internal estimates of our future profits, establish a valuation allowance to the extent that it is more likely than not that deferred tax assets will not be realized. We recognize an expense or benefit in calculating our income tax expense when there is a net change in our total deferred tax assets and liabilities in a period.

In 2008, we increased the valuation allowance by ₩24 billion based on our expectations as of year-end regarding future profitability of our subsidiaries businesses, including our credit card business, and the resulting belief that it would be more likely than not that the realization of our subsidiaries net operating loss carry-forwards would be lower over the next few years. We recorded income tax expenses of ₩358 billion in 2008, which reflected the realization of parts of such net operating loss carry-forwards relating to such businesses of our subsidiaries. In 2009, we decreased the valuation allowance by ₩6 billion based on our expectations as of year-end regarding future profitability of our subsidiaries businesses, including our credit card business, and the resulting belief that it would be more likely than not that the realization of our subsidiaries net operating loss carry-forwards would be higher over the next few years. We recorded income tax expenses of ₩379 billion in 2009, which reflected the realization of parts of such net operating loss carry-forwards relating to such businesses of our subsidiaries. In 2010, we increased the valuation allowance by ₩8 billion based on our expectations as of year-end regarding future profitability of our subsidiaries businesses, including our credit card business, and the resulting belief that it would be more likely than not that the realization of our subsidiaries net operating loss carry-forwards would be lower over the next few years. We recorded income tax expenses of ₩415 billion in 2010, which reflected the realization of parts of such net operating loss carry-forwards relating to such businesses of our subsidiaries.

We believe that the estimates related to our recognition and measurement of uncertain tax positions and the establishment of the valuation allowance for deferred tax assets are a critical accounting policy because: (1) they may be highly susceptible to change from period to period based on our assumptions regarding the final outcome of our uncertain tax positions and our future profitability; and (2) any significant difference between our estimates of such outcomes and future profits on any particular date and estimates of such outcomes and future profits on a different date could result in an income tax expense or benefit which may have a material impact on our net income from period to period. Our assumptions about the final outcomes of our uncertain tax positions and our future profitability require significant judgment and are inherently subjective.

Goodwill and Other Intangible Assets

Goodwill represents the excess of acquisition cost over the fair value of assets and liabilities acquired in a business combination. We allocate goodwill to the reporting unit level, which we define as an operating segment, or one level below. We do not amortize goodwill. Instead, we perform tests for impairment of goodwill annually or more frequently if events or circumstances indicate that it might be impaired. Such tests include comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value is less than the carrying amount, a second test is required to measure the amount of goodwill impairment. The second step of the goodwill impairment test compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, we recognize an impairment loss in an amount equal to that excess. Impairment assessments are performed using a variety of valuation methodologies, including discounted cash flow estimates. Our management estimates the future cash flows expected to be derived from the use and, if applicable, the terminal value of the assets. The key variables that our management must estimate include, among other factors, market trading volume, market share, fee income, growth rate and profitability margin. Although the assumptions used are consistent with internal planning, significant management judgment is involved in estimating these variables, which include inherent uncertainties. A discount rate is applied to the cash flow estimates considering our cost of capital rate and specific country and industry risk factors.

In connection with our past acquisitions and other transactions, we also recognized other intangible assets consisting principally of (i) exclusive contractual rights to act as the main bank for municipal governments and non-profit organizations, (ii) capitalized software costs and (iii) core deposit intangible assets reflecting the value of acquired demand deposits and savings accounts which we expect to maintain for an extended period of time because of generally stable customer relationships. See Note 14 of the notes to our consolidated financial statements. We recorded our other intangible assets at their estimated fair values. We amortize these intangible assets over their estimated useful lives. Any changes to the assumptions used in determining the fair values or the estimated useful lives of such assets could significantly affect the carrying values of these intangible assets. We periodically perform an impairment review on these intangible assets when circumstances warrant such an evaluation, and any impaired amounts are written off.

We believe that the accounting estimates related to the fair values of our acquired goodwill and our other intangible assets are a critical accounting policy because: (1) they may be highly susceptible to change from period to period because they require assumptions about future cash flows, run-off rates and profitability; and (2) any significant changes in our estimates could result in impairment losses which may have a material impact on our net income. Our assumptions about estimated future cash flows, run-off rates and profitability require significant judgment and the fair values of the goodwill and other intangible assets could fluctuate in the future, based on a variety of factors.

Table of Contents

Results of Operations

Net Interest Income

The following table shows, for the periods indicated, the principal components of our interest and dividend income:

	Year ended December 31,			% Change	
	2008	2009	2010	2008/2009	2009/2010
	(in billions of Won)				
Interest and dividend income[1]					
Loans	₩ 12,528	₩ 10,764	₩ 10,573	(14.1)	(1.8)
Deposits in other banks	267	195	224	8.9	14.9
Trading securities	524	409	370	(21.9)	(9.5)
Investment securities	2,102	1,774	1,601	(15.6)	(9.8)
Call loans and securities purchased under resale agreements	132	131	151	(0.8)	15.3
Total interest and dividend income	15,553	13,273	12,919	(14.7)	(2.7)
Interest expense					
Deposits	6,917	5,481	5,071	(20.8)	(7.5)
Call money	137	87	49	(36.5)	(43.7)
Other borrowed funds	727	470	161	(35.4)	(65.7)
Secured borrowings	192	143	144	(25.5)	0.7
Long-term debt	2,429	2,405	2,235	(1.0)	(7.1)
Total interest expense	10,402	8,586	7,660	(17.5)	(10.8)
Net interest income[1]	₩ 5,151	₩ 4,687	₩ 5,259	(9.0)	12.2
Net interest margin[2]	2.16%	1.86%	2.10%		

(1) Excludes an interest payment of ₩88 billion we received from the Bank of Korea in 2008 on our deposit of required reserves. This interest payment was excluded as it was a one-time event in response to the global financial crisis and the Bank of Korea generally does not pay interest on its required reserves.

(2) The ratio of net interest income to average interest-earning assets.

Comparison of 2010 to 2009

Interest and dividend income. Interest and dividend income decreased 2.7% from ₩13,273 billion in 2009 to ₩12,919 billion in 2010, primarily as a result of a 1.8% decrease in interest on loans and a 9.8% decrease in interest and dividends on investment securities. The average balance of our interest-earning assets remained relatively constant at ₩250,533 billion in 2010 compared to ₩251,875 billion in 2009. The slight decrease in the average balance of such assets, primarily due to the decrease in our trading securities portfolio, was enhanced by a 11 basis point decrease in average yields on our interest-earning assets from 5.27% in 2009 to 5.16% in 2010, which reflected a decrease in the general level of interest rates in Korea in 2010.

The 1.8% decrease in interest on loans from ₩10,764 billion in 2009 to ₩10,573 billion in 2010 was primarily the result of:

- a 156 basis point decrease in average yields on trade financing loans from 4.17% in 2009 to 2.61% in 2010, which was partially offset by a 8.2% increase in the average volume of such loans from ₩11,090 billion in 2009 to ₩12,002 billion in 2010; and

- a 10 basis point decrease in average yields on commercial and industrial loans from 5.87% in 2009 to 5.77% in 2010, which was partially offset by a 0.3% increase in the average volume of such loans from ₩106,282 billion in 2009 to ₩106,616 billion in 2010.

The average yields for trade financing loans and commercial and industrial loans decreased primarily as a result of the general decrease in interest rates in Korea in 2010. The increase in the average volume of trade finance loans reflected increased lending to Korean importers and exporters as a result of increased trading activities by Korean companies in 2010. The increase in the average volume of commercial and industrial loans mainly reflected an increase in lending to small- and medium-sized enterprise borrowers, primarily as a result of policies and initiatives introduced by the Korean government to encourage Korean banks to provide financial support to such borrowers. See Item 3D. Risk Factors Risks relating to our corporate credit portfolio The largest portion of our exposure is to small- and medium-sized enterprises, and financial difficulties experienced by companies in this segment may result in a deterioration of our asset quality and have an adverse impact on us.

Overall, the average volume of our loans increased 1.1%, from ₩187,682 billion in 2009 to ₩189,831 billion in 2010, while the average yields on our loans decreased 17 basis points, from 5.74% in 2009 to 5.57% in 2010, reflecting the lower interest rate environment in Korea.

Our securities portfolio consists primarily of investment securities, of which a majority was debt securities issued by government-owned or -controlled enterprises or financial institutions (including the Bank of Korea, the Korea Development Bank and the KDIC), as well as trading securities.

The 9.7% decrease in interest and dividends on trading and investment securities from ₩2,183 billion in 2009 to ₩1,971 billion in 2010 was primarily due to a 40 basis point decrease in average yields on investment securities from 4.74% in 2009 to 4.34% in 2010, which reflected the general decrease in market interest rates in Korea, including for debt securities. The effect of such decrease was enhanced by a 1.5% decrease in the average volume of investment securities from ₩37,400 billion in 2009 to ₩36,853 billion in 2010, as well as a 32.0% decrease in the average volume of trading securities from ₩14,241 billion in 2009 to ₩9,687 billion in 2010, which was partially offset by an increase of 95 basis points in average yields on trading securities from 2.87% in 2009 to 3.82% in 2010. The decrease in the average volume of investment and trading securities mainly reflected a decrease in the volume of debt securities issued by Korean government enterprises or financial institutions that we held as available-for-sale securities, mainly as a result of our increased sale of such securities in first half of 2010, as well as our decreased purchases of debt securities issued by government-related entities for trading purposes. The increase in average yields on trading securities was primarily due to an increase in the proportion of commercial paper, which have relatively higher average yields compared to other types of trading securities, in our trading securities portfolio in 2010.

Interest Expense. Interest expense decreased 10.8% from ₩8,586 billion in 2009 to ₩7,660 billion in 2010, primarily due to a 7.5% decrease in interest expense on deposits and a 65.7% decrease in interest expense on other borrowed funds. The average balance of our interest-bearing liabilities decreased 1.9% from ₩248,216 billion in 2009 to ₩243,531 billion in 2010, principally due to decreases in other short-term borrowings and long-term debt, which were enhanced by a 31 basis point decrease in the average cost of our interest-bearing liabilities from 3.46% in 2009 to 3.15% in 2010, reflecting the general decrease in market interest rates in 2010.

The 7.5% decrease in interest expense on deposits from ₩5,481 billion in 2009 to ₩5,071 billion in 2010 was primarily the result of a 44.8% decrease in the average volume of certificates of deposit from ₩15,070 billion in 2009 to ₩8,314 billion in 2010, which was enhanced by a 78 basis point decrease in the average interest rate paid on certificates of deposit from 5.14% in 2009 to 4.36% in 2010. The decrease in the average volume of certificates of deposit was mainly attributable to a reduced emphasis on certificates of deposit, relative to other lower-cost deposit products, in our marketing efforts in 2010. The decrease in the average interest rate paid on certificates of deposit was primarily the result of the lower interest rate environment in Korea in 2010.

Overall, the average volume of our deposits increased by 2.3% from ₩176,230 billion in 2009 to ₩180,304 billion in 2010, primarily due to increased demand for deposits as alternatives to higher-risk investments, while the average cost of our deposits decreased by 30 basis points from 3.11% in 2009 to 2.81% in 2010, which reflected the lower interest rate environment in Korea.

Other borrowed funds consist primarily of short-term borrowings from other banks, borrowings from our trust accounts and borrowings from the Bank of Korea. The 65.7% decrease in interest expense on other borrowed funds from ₩470 billion in 2009 to ₩161 billion was primarily due to a 175 basis point decrease in the average cost of short term borrowings (other than from the Bank of Korea) from 3.21% in 2009 to 1.46% in 2010, which reflected the lower interest rate environment in Korea in 2010. The effect of such decrease was enhanced by a 31.7% decrease in the average volume of short-term borrowings (other than from the Bank of Korea) from ₩14,002 billion in 2009 to ₩9,565 billion in 2010, principally due to our efforts to reduce our reliance on such short-term funding sources.

Net interest margin. Net interest margin represents the ratio of net interest income to average interest-earning assets. Our overall net interest margin increased from 1.86% in 2009 to 2.10% in 2010, as our net interest income increased while the average volume of our interest-earning assets remained relatively constant. Net interest income increased 12.2% from ₩4,687 billion in 2009 to ₩5,259 billion in 2010, while the average volume of our interest-earning assets decreased by 0.5% to ₩250,533 billion in 2010 from ₩251,875 billion in 2009. In comparison, the average volume of our interest-bearing liabilities decreased by 1.9% from ₩248,216 billion in 2009 to ₩243,531 billion in 2010, while the decrease in interest and dividend income was outpaced by a decrease in interest expense, resulting in an increase in net interest income. The magnitude of this increase was enhanced by an increase in our net interest spread, which represents the difference between the average yield on our interest-earning assets and the average cost of our interest-bearing liabilities, from 1.81% in 2009 to 2.01% in 2010. The increase in our net interest spread reflected a larger decrease in the average cost of our interest-bearing liabilities compared to the decrease in the average yield on our interest-earning assets from 2009 to 2010, as interest rates on interest-bearing liabilities adjusted later than those on interest-earning assets in the context of the lower interest rate environment in 2009 and 2010.

Comparison of 2009 to 2008

Interest and dividend income. Interest and dividend income decreased 14.7% from ₩15,553 billion in 2008 to ₩13,273 billion in 2009, primarily as a result of a 14.1% decrease in interest on loans. The average balance of our interest-earning assets increased by 7.3% from ₩234,711 billion in 2008 to ₩251,875 billion in 2009, which was primarily due to the growth in our loan portfolio and call loans and securities purchased under resale agreements. This increase was more than offset by a 132 basis point decrease in average yields on our interest-earning assets from 6.59% in 2008 to 5.27% in 2009, principally due to the decrease in the general level of interest rates in Korea in 2009.

The 14.1% decrease in interest on loans from ₩12,528 billion in 2008 to ₩10,764 billion in 2009 was primarily the result of:

- a 193 basis point decrease in average yields on general purpose household loans from 7.03% in 2008 to 5.10% in 2009, which was partially offset by a 0.7% increase in the average volume of such loans from ₩56,945 billion in 2008 to ₩57,323 billion in 2009; and

- a 102 basis point decrease in average yields on commercial and industrial loans from 6.89% in 2008 to 5.87% in 2009, which was partially offset by a 8.0% increase in the average volume of such loans from ₩98,392 billion in 2008 to ₩106,282 billion in 2009.

The average yields for general purpose household loans and commercial and industrial loans decreased primarily as a result of the lower interest rate environment in Korea in 2009, which reflected the low policy rate maintained by the Bank of Korea throughout 2009 as part of the Korean government s initiative to stimulate the domestic economy in the wake of the global financial crisis. The increase in the average volume of general purpose household loans reflected increased lending to consumers due to higher retail loan demand. The increase in the average volume of commercial and industrial loans mainly reflected an increase in lending to small- and medium-sized enterprise borrowers, primarily as a result of policies and initiatives introduced by the Korean government to encourage Korean banks to provide financial support to such borrowers. See Item 3D. Risk Factors Risks relating to our corporate credit portfolio The largest portion of our exposure is to small- and medium-sized enterprises, and financial difficulties experienced by companies in this segment may result in a deterioration of our asset quality and have an adverse impact on us.

Overall, the average volume of our loans increased 3.1%, from ₩182,034 billion in 2008 to ₩187,682 billion in 2009, while the average yields on our loans decreased 114 basis points, from 6.88% in 2008 to 5.74% in 2009, reflecting the lower interest rate environment in Korea.

Interest and dividends on trading and investment securities decreased 16.9% from ₩2,626 billion in 2008 to ₩2,183 billion in 2009, primarily due to a 133 basis point decrease in average yields on investment securities from 6.07% in 2008 to 4.74% in 2009, as well as a 188 basis point decrease in average yields on trading securities from 4.75% in 2008 to 2.87% in 2009, the effect of which was partially offset by an 8.0% increase in the average volume of investment securities from ₩34,636 billion in 2008 to ₩37,400 billion in 2009 and a 29.0% increase in the average volume of trading securities from ₩11,038 billion in 2008 to ₩14,241 billion in 2009. The decreases in average yields on investment and trading securities were principally due to the general decline in market interest rates in Korea for debt securities in 2009, which reflected the lower interest rate environment, as well as an increase in the proportion of fixed rate debt securities issued by entities related to the Korean government, which offer relatively lower interest rates, in our investment securities portfolio. The increase in the average volume of investment securities was mainly due to an increase in fixed rate debt securities issued by entities related to the Korean government that were held by us as held-to-maturity securities, including as a result of our increased purchases of short-term finance debentures issued by the Bank of Korea as a means of conservatively managing our temporary excess Won liquidity. The increase in the average volume of trading securities primarily reflected an increase in corporate debt securities and monetary stabilization bonds issued by the Bank of Korea that were held by us as trading securities.

Interest Expense. Interest expense decreased 17.5% from ₩10,402 billion in 2008 to ₩8,586 billion in 2009, primarily due to a 20.8% decrease in interest expense on deposits and a 35.4% decrease in interest expense on other borrowed funds. The average balance of our interest-bearing liabilities increased 9.9% from ₩225,933 billion in 2008 to ₩248,216 billion in 2009, principally due to increased deposits, which was more than offset by a 114 basis point decrease in the average cost of our interest-bearing liabilities from 4.60% in 2008 to 3.46% in 2009, which reflected the general decrease in market interest rates in 2009.

The 20.8% decrease in interest expense on deposits from ₩6,917 billion in 2008 to ₩5,481 billion in 2009 was primarily the result of:

- a 149 basis point decrease in the average cost of other time deposits (other than certificate of deposit accounts) from 5.26% in 2008 to 3.77% in 2009, which was partially offset by a 20.9% increase in the average volume of such deposits from ₩92,498 billion in 2008 to ₩111,828 billion in 2009; and

- a 30.9% decrease in the average volume of certificate of deposit accounts from ₩21,808 billion in 2008 to ₩15,070 billion in 2009, which was enhanced by a 114 basis point decrease in the average cost of such deposit accounts from 6.28% in 2008 to 5.14% in 2009.

The decreases in the average cost of other time deposits and certificate of deposit accounts were primarily the result of the lower interest rate environment in Korea in 2009. The decrease in the average volume of certificate of deposit mainly reflected a reduced emphasis on certificates of deposit, relative to other lower cost deposit products, in our marketing efforts in 2009, while the increase in the average volume of other time deposits was mainly attributable to increased demand for such deposit product as an alternative to higher-risk investments in light of continuing adverse economic conditions in Korea during 2009.

Overall, the average volume of our deposits increased by 13.2% from ₩155,625 billion in 2008 to ₩176,230 billion in 2009, primarily due to increased demand for deposits as alternatives to higher-risk investments, as well as our increased marketing efforts for deposits in order to fund our higher lending levels, while the average cost of our deposits decreased by 133 basis points from 4.44% in 2008 to 3.11% in 2009, which reflected the lower interest rate environment in Korea.

The 35.4% decrease in interest expense on other borrowed funds from ₩727 billion in 2008 to ₩470 billion in 2009 was primarily due to a 213 basis point decrease in the average cost of short-term borrowings (other than from the Bank of Korea) from 5.34% in 2008 to 3.21% in 2009, reflecting the lower interest rate environment in Korea.

Net interest margin. Our overall net interest margin decreased from 2.16% in 2008 to 1.86% in 2009, as the effect of a decrease in our net interest income was enhanced by an increase in the average volume of our interest-earning assets. Net interest income decreased 9.0% from ₩5,151 billion in 2008 to ₩4,687 billion in 2009, while the average volume of our interest-earning assets increased 7.3% from ₩234,711 billion in 2008 to ₩251,875 billion in 2009. The growth in average interest-earning assets was outpaced by a 9.9% increase in the average volume of our interest-bearing liabilities from ₩225,933 billion in 2008 to ₩248,216 billion in 2009, while the decrease in interest and dividend income outpaced a decrease in interest expense. The magnitude of this decrease was enhanced by a decrease in our net interest spread, from 1.99% in 2008 to 1.81% in 2009. The decrease in our net interest spread reflected a larger decrease in the average yield on our interest-earning assets compared to the decrease in the average cost of our interest-bearing liabilities from 2008 to 2009, primarily due to the the earlier adjustment of interest rates on interest-earning assets compared to interest rates on interest-bearing liabilities in the context of the lower interest rate environment.

Provision for Loan Losses

We use provisions for loan losses to bring our allowance for loan losses to a level we deem appropriate. For a discussion of our loan loss provisioning policy, see Item 4B. Business Overview Assets and Liabilities Asset Quality of Loans Loan Loss Provisioning Policy.

Comparison of 2010 to 2009

Our provision for loan losses increased from ₩2,408 billion in 2009 to ₩3,078 billion in 2010, primarily as a result of increases in delinquencies and non-performing loans in our loan portfolios, particularly with respect to real estate project financing loans and loans made to corporate borrowers in the construction and shipbuilding industries.

Our loan charge-offs, net of recoveries, decreased 1.5% from ₩1,816 billion in 2009 to ₩1,789 billion in 2010. This decrease was attributable mainly to a ₩355 billion decrease in net charge-offs of domestic consumer loans, including primarily general purpose household loans.

Our provisions with respect to credit-related commitments increased 284.1% from ₩44 billion in 2009 to ₩169 billion in 2010, due primarily to an increase in our provisions for performance guarantees, as well as an increase in our provisions for unused lines of credit.

Our other provisions increased from ₩103 billion in 2009 to ₩171 billion in 2010. This resulted primarily from an increase in our provisions for credit card membership reward program obligations.

Comparison of 2009 to 2008

Our provision for loan losses increased from ₩1,608 billion in 2008 to ₩2,408 billion in 2009, primarily as a result of increases in delinquencies and non-performing loans in our loan portfolios, particularly with respect to small- and medium-sized enterprise borrowers, in 2009.

Our loan charge-offs, net of recoveries, increased 322.3% from ₩430 billion in 2008 to ₩1,816 billion in 2009. This increase was attributable mainly to a ₩631 billion increase in net charge-offs of corporate loans, including primarily loans to small- and medium-sized enterprises, as a result of the continuing deterioration in the asset quality of such loans in 2009, as well as a ₩347 billion increase in net charge-offs of consumer loans for similar reasons.

Our provisions with respect to credit-related commitments decreased 72.0% from ₩157 billion in 2008 to ₩44 billion in 2009, due primarily to a decrease in our provisions for performance guarantees, as well as a decrease in our provisions for unused lines of credit.

Our other provisions increased from ₩71 billion in 2008 to ₩103 billion in 2009. This resulted primarily from an increase in our provisions for asset retirement obligations.

Allowance for Loan Losses

We seek to maintain our allowance for loan losses at a level that we believe is sufficient to absorb estimated probable losses inherent in our loan portfolio, based on our continuing review and evaluation of that portfolio. As of December 31, 2010, our coverage ratio, which is the ratio of our total allowance to non-performing loans, was 79.9%. For a discussion of allowance for loan losses, see Item 4B. Business Overview Assets and Liabilities Asset Quality of Loans Allocation of Allowances for Loan Losses.

Corporate Loans. We establish specific allowances for loan losses for corporate loans based on whether a particular loan is impaired or not. In addition, we establish an allowance for loan losses for corporate loans that are not deemed to be impaired using an expected loss methodology based primarily on our historical loss experience, which takes into account the default probability and the potential severity of any resulting loss. See Item 4B. Business Overview Assets and Liabilities Asset Quality of Loans Loan Loss Provisioning Policy. The following table shows, for the periods indicated, certain information regarding our impaired and non-performing corporate loans:

	As of December 31,		
	2008	2009	2010
Impaired corporate loans as a percentage of total corporate loans	2.94%	4.39%	5.47%
Non-performing corporate loans as a percentage of total corporate loans	1.40	1.79	4.48
Allowance for loan losses for corporate loans as a percentage of total corporate loans	2.02	2.71	3.71
Allowance for loan losses for corporate loans as a percentage of impaired corporate loans	68.87	61.72	67.84
Allowance for loan losses for corporate loans as a percentage of non-performing corporate loans	144.69	151.40	82.82
Net charge-offs as a percentage of total corporate loans	0.18	0.74	1.31

During 2010, impaired and non-performing corporate loans and the level of allowance for loan losses for corporate loans, in each case as a percentage of total corporate loans, increased due primarily to a significant increase in our impaired and non-performing loans to real estate project financing borrowers and borrowers in the construction and shipbuilding industries (despite higher levels of charge-offs of such loans), which outpaced the growth in our total corporate loan portfolio. Such increase in our impaired and non-performing loans to real estate project financing borrowers and borrowers in construction and shipbuilding industries was primarily due to continuing difficulties in the construction and shipbuilding industries in Korea, which resulted in deterioration of the asset quality of such loans. In addition, the level of allowance for loan losses for corporate loans as a percentage of non-performing corporate loans decreased as the increase in non-performing corporate loans outpaced the increase in the level of allowance for loans losses for corporate loans in 2010. However, the level of allowance for loan losses for corporate loans as a percentage of impaired corporate loans increased as the increase in impaired loans was outpaced by the increase in the level of allowance for loans losses for corporate loans in 2010.

During 2009, impaired and non-performing corporate loans and the level of allowance for loan losses for corporate loans, in each case as a percentage of total corporate loans, increased due primarily to a significant increase in our impaired and non-performing loans to small- and medium-sized enterprises (despite higher levels of charge-offs of such loans), which outpaced the growth in our total corporate loan portfolio. Such increase in our impaired and non-performing loans to small- and medium-sized enterprises was primarily due to continuing adverse economic conditions in Korea in 2009. In addition, the level of allowance for loan losses for corporate loans as a percentage of non-performing corporate loans increased as the increase in non-performing corporate loans was outpaced by the increase in the level of allowance for loans losses for corporate loans in 2009. However, the level of allowance for loan losses for corporate loans as a percentage of impaired corporate loans decreased as the increase in impaired loans outpaced the increase in the level of allowance for loans losses for corporate loans in 2009.

Table of Contents

Consumer Credits. For consumer credits (including consumer loans and outstanding credit card balances), we establish allowances for loan losses using expected loss methodology, based primarily on our historical loss experience. See Item 4B. Business Overview Assets and Liabilities Asset Quality of Loans Loan Loss Provisioning Policy. For additional information with respect to the asset quality of our consumer credit portfolio, see Item 3D. Risk Factors Risks relating to our consumer credit portfolio.

The following table shows, for the periods indicated, certain information regarding our non-performing loans to the consumer sector, excluding credit card balances:

	As of December 31,		
	2008	**2009**	**2010**
Non-performing consumer loans as a percentage of total consumer loans[(1)]	0.49%	0.43%	0.47%
Allowance for loan losses for consumer loans as a percentage of total consumer loans[(1)]	0.56	0.31	0.38
Allowance for loan losses for consumer loans as a percentage of non-performing consumer loans[(1)]	113.03	72.11	80.96
Net charge-offs of consumer loans as a percentage of total consumer loans[(1)]	0.18	0.74	0.16

(1) Excludes credit card balances.

During 2010, non-performing consumer loans and allowance for loan losses for consumer loans, each as a percentage of total consumer loans, increased due to an overall deterioration in the asset quality of our consumer loans as of December 31, 2010 compared to December 31, 2009, primarily as a result of continuing adverse economic conditions affecting the Korean consumer sector. In addition, the level of allowance for such loan losses as a percentage of non-performing consumer loans increased, reflecting a worse overall mix of non-performing loans in terms of asset quality.

During 2009, non-performing consumer loans and allowance for loan losses for consumer loans, each as a percentage of total consumer loans, decreased due to the growth of our consumer loan portfolio and improvement in the overall asset quality of our consumer loans as of December 31, 2009 compared to December 31, 2008 primarily as a result of increased charge-offs of such loans in late 2009. In addition, the level of allowance for such loan losses as a percentage of non-performing consumer loans decreased as the decrease in non-performing consumer loans, resulting primarily from increased charge-offs of such loans, was outpaced by the decrease in the level of allowance for loans losses for consumer loans in 2009.

The following table shows, for the periods indicated, certain information regarding our non-performing credit card balances:

	As of December 31,		
	2008	**2009**	**2010**
Non-performing credit card balances as a percentage of total credit card balances	1.33%	1.27%	1.16%

Allowance for loan losses for credit card balances as a percentage of total credit card balances	2.26	1.89	1.65
Allowance for loan losses for credit card balances as a percentage of non-performing credit card balances	170.01	149.39	142.03
Net charge-offs as a percentage of total credit card balances	1.23	3.52	1.73

During 2010, non-performing credit card balances and the level of allowance for loan losses for credit card balances, in each case as a percentage of total credit card balances, as well as the level of allowance for such loan losses as a percentage of non-performing credit card balances, decreased mainly as a result of the growth in our credit card balances, which outpaced the growth of non-performing credit card balances and allowance for loan losses for credit card balances during such period.

During 2009, non-performing credit card balances and the level of allowance for loan losses for credit card balances, in each case as a percentage of total credit card balances, as well as the level of allowance for such loan losses as a percentage of non-performing credit card balances, decreased primarily due to an improvement in the overall asset quality of our credit card portfolio as of December 31, 2009 compared to December 31, 2008, mainly as a result of increased charge-offs of delinquent credit card balances in late 2009.

Non-Interest Income

The following table sets forth for the periods indicated the components of our non-interest income:

	Year ended December 31,			% Change	
	2008	2009	2010	2008/2009	2009/2010
	(in billions of Won)				
Fees and commission income	₩ 1,993	₩ 1,888	₩ 1,922	(5.3)%	1.8%
Net trading revenue (loss)	(448)	277	610	N/M(1)	120.2
Trust fees, net	34	22	34	(35.3)	54.5
Impairment loss on debt securities	(508)	(186)	(129)	(63.4)	(30.6)
Net gain (loss) on investment securities	(2)	1,023	1,090	N/M(1)	6.5
Other non-interest income	238	428	403	79.8	(5.8)
Total non-interest income	₩ 1,307	₩ 3,452	₩ 3,930	164.1	13.8

(1) N/M = not meaningful.

Comparison of 2010 to 2009

Non-interest income increased 13.8% from ₩3,452 billion in 2009 to ₩3,930 billion in 2010. This increase was primarily attributable to:

- a 120.2% increase in net trading revenue from ₩277 billion in 2009 to ₩610 billion in 2010;
- a 6.5% increase in net gain on investment securities from ₩1,023 billion in 2009 to ₩1,090 billion in 2010; and
- a 30.6% decrease in impairment loss on debt securities from ₩186 billion in 2009 to ₩129 billion in 2010.

Net trading revenue represents net realized and unrealized gains (or losses) on securities and derivatives in our trading portfolio. The increase in our net trading revenue was mainly due to a net gain of ₩154 billion on derivative instruments in 2010 compared to a net loss of ₩607 billion on such instruments in 2009, as well as a net gain of ₩80 billion on debt securities in 2010 compared to a net loss of ₩95 billion on such securities in 2009, the effects of which were partially offset by a 69.0% decrease in net gain on foreign exchange transactions from ₩875 billion in 2009 to ₩271 billion in 2010.

Net gain on investment securities represents net realized gains (or losses) and impairment losses on securities in our investment portfolio, other than impairment losses on debt securities. The increase in net gain on investment securities resulted primarily from disposal of debt securities denominated in foreign currencies in 2010, as well as disposal of equity securities including shares of Hynix and Samsung Life Insurance. We recognized impairment losses of ₩162 billion in 2010 with respect to our holdings of equity securities, beneficiary certificates and other investments in our investment portfolio, compared to ₩117 billion in 2009.

The decrease in impairment loss on debt securities was primarily due to a decrease in such losses on our holdings of collateralized debt obligations and long-term debentures.

Table of Contents

Comparison of 2009 to 2008

Non-interest income increased 164.1% from ₩1,307 billion in 2008 to ₩3,452 billion in 2009. This increase was primarily attributable to:

a ₩1,023 billion net gain on investment securities in 2009 compared to a ₩2 billion net loss on investment securities in 2008;

net trading revenue of ₩277 billion in 2009 compared to a net trading loss of ₩448 billion in 2008; and

a 63.4% decrease in impairment loss on debt securities from ₩508 billion in 2008 to ₩186 billion in 2009.

We recorded net gain on investment securities in 2009, compared to net loss on investment securities in 2008, primarily as a result of ₩708 billion of gains realized by us upon our disposal of equity securities in 2009, including shares of Hyundai Engineering & Construction Co., Ltd. and POSCO. We recognized impairment losses of ₩117 billion in 2009 with respect to our holdings of equity securities, beneficiary certificates and other investments in our investment portfolio, compared to ₩137 billion in 2008.

We recorded net trading revenue in 2009, compared to net trading loss in 2008, mainly due to ₩891 billion of net gain on foreign exchange spot contracts in 2009, as well as a ₩923 billion decrease in net losses on foreign exchange derivative instruments and a ₩215 billion increase in net gains on equity securities.

The 63.4% decrease in impairment loss on debt securities was primarily due to a decrease in such losses on our holdings of collateralized debt obligations.

Non-Interest Expense

The following table shows, for the periods indicated, the components of our non-interest expense:

	Year ended December 31,			% Change	
	2008	2009	2010	2008/2009	2009/2010
	(in billions of Won)				
Salaries and employee benefits	₩ 1,182	₩ 1,231	₩ 1,255	4.1%	1.9%
Other administrative expenses	1,181	1,151	1,225	(2.5)	6.4
Fees and commissions	447	461	471	3.1	2.2
Depreciation and amortization	340	282	253	(17.1)	(10.3)
Other non-interest expenses	986	968	923	(1.8)	(4.6)
Total non-interest expense	₩ 4,136	₩ 4,093	₩ 4,127	(1.0)	0.8

Comparison of 2010 to 2009

Non-interest expense remained relatively constant at ₩4,127 billion in 2010, compared to ₩4,093 billion in 2009, as increases in other administrative expenses, salaries and employee benefits and fees and commissions were largely offset by decreases in other non-interest expenses and depreciation and amortization expenses.

Comparison of 2009 to 2008

Non-interest expense remained relatively constant at ₩4,093 billion in 2009, compared to ₩4,136 billion in 2008, as decreases in depreciation and amortization expenses, other administrative expenses and other non-interest expenses were largely offset by increases in salaries and employee benefits and fees and commissions.

Income Tax Expense (Benefit)

In accordance with Korean tax regulations, income tax is calculated for each legal entity, subsidiary or otherwise, on a stand-alone basis. As a result, losses incurred by a subsidiary cannot be offset against profits earned by another subsidiary. Deferred income taxes are recorded, using the liability method, as a result of all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. A deferred income tax benefit or expense is recognized as a result of changes in deferred tax assets or liabilities between periods. Currently enacted tax rates are used to determine deferred tax amounts.

Certain of our subsidiaries have significant net operating loss carry-forwards. Based on our internal estimates of our future profits, we establish a valuation allowance to the extent that it is more likely than not that such carry-forwards and other deferral tax assets will not be realized. Increases or decreases in such valuation allowance are recognized as part of our income tax expense. See Note 29 of the notes to our consolidated financial statements included elsewhere in this annual report.

Comparison of 2010 to 2009

Income tax expense increased 9.5% from ₩379 billion in 2009 to ₩415 billion in 2010. Such increase resulted primarily from a ₩152 billion increase in our income from continuing operations before income taxes from ₩1,491 billion in 2009 to ₩1,643 billion in 2010.

Comparison of 2009 to 2008

Income tax expense increased 5.9% from ₩358 billion in 2008 to ₩379 billion in 2009. Such increase resulted primarily from an ₩1,005 billion increase in our income from continuing operations before income taxes from ₩486 billion in 2008 to ₩1,491 billion in 2009, the effect of which was partially offset by a decrease in the applicable statutory tax rate.

Net Income

Due to the factors described above, our net income in 2010 was ₩1,229 billion, compared to net income of ₩1,112 billion in 2009 and ₩128 billion in 2008.

Results under Korean GAAP by Principal Business Segment

We compile and analyze financial information for our business segments based upon our internal management accounts, which were prepared in accordance with Korean GAAP prior to 2011. Under Korean GAAP, we had six operational business segments: Woori Bank, Kyongnam Bank, Kwangju Bank, credit card operations, securities brokerage services and other operations.

The credit card operations segment comprises the former operations of Woori Credit Card, which was merged into Woori Bank in March 2004. Accordingly, the segment information appearing below for Woori Bank does not include its credit card operations.

The following table shows, for the periods indicated, our results of operations by segment:

	Net income(1) Year ended December 31,			Total operating income(2) Year ended December 31,		
	2008	2009	2010	2008	2009	2010
	(in billions of Won)					
Woori Bank	₩ 160	₩ 760	₩ 868	₩ 74,402	₩ 43,447	₩ 25,232
Kyongnam Bank	210	193	144	2,718	1,843	1,704
Kwangju Bank	103	62	106	1,354	1,235	1,130
Credit card operations	74	195	241	1,006	1,051	1,040
Securities brokerage services	186	89	226	6,768	5,387	4,050
Other	501	1,115	1,204	2,054	3,171	3,684
Total(3)	₩ 1,234	₩ 2,414	₩ 2,789	₩ 88,302	₩ 56,134	₩ 36,840

(1) After deduction of income tax and minority interest allocated among each segment.

(2) Comprises interest and dividend income, non-interest income, extraordinary gain and reversal of credit loss and other allowances.

(3) Before eliminations for consolidation, inter-segment transactions and certain differences in classification under our management reporting system.

Woori Bank

Woori Bank provides a wide range of banking and other financial services to large corporations, small- and medium-sized enterprises and individuals in Korea. The Woori Bank segment does not include its credit card operations, which were acquired as a result of its merger with Woori Credit Card in March 2004 and are reported as a separate business segment.

	Year ended December 31,			% Change	
	2008	2009	2010	2008/2009	2009/2010
	(in billions of Won)				
Income statement data					
Interest and dividend income	₩ 12,616	₩ 10,485	₩ 10,142	(16.9)%	(3.3)%
Interest expense	8,413	6,739	5,902	(19.9)	(12.4)
Provision for loan losses and credit-related commitments	1,399	1,696	2,255	21.2	33.0
Non-interest income	61,786	32,962	15,090	(46.7)	(54.2)
Non-interest expense including depreciation and amortization	64,080	34,062	15,976	(46.8)	(53.1)
Net income before tax	510	950	1,099	86.3	15.7
Income tax expense (benefit)	349	190	231	(45.6)	21.6

Net income	₩	161	₩	760	₩	868	372.0	14.2
Controlling interest		160		759		867	374.4	14.2
Noncontrolling interest		1		1		1	0.0	0.0
Net interest margin		2.2%		1.9%		2.2%		

Comparison of 2010 to 2009

Our net income before tax for this segment increased 15.7% from ₩950 billion in 2009 to ₩1,099 billion in 2010. Net income after tax also increased 14.2% from ₩760 billion in 2009 to ₩868 billion in 2010.

Interest and dividend income from our Woori Bank operations decreased 3.3% from ₩10,485 billion in 2009 to ₩10,142 billion in 2010, primarily due to an overall decrease in the average balance of interest-earning assets, which was enhanced by a decrease in average yields on interest-earning assets. The average volume of Woori Bank s loans (excluding credit card receivables) on a non-consolidated basis decreased 1.1% from ₩166,812 billion in 2009 to ₩165,046 billion in 2010, primarily as a result of a decrease in Woori Bank s lending to large corporate borrowers. The decrease in average yields on interest-earning assets was attributable mainly to the lower interest rate environment in Korea.

Interest expense decreased 12.4% from ₩6,739 billion in 2009 to ₩5,902 billion in 2010. The decrease in interest expense was primarily due to a decrease in the average cost of interest-bearing liabilities resulting from the lower interest rate environment in Korea. This decrease was enhanced by a 0.2% decrease in the average volume of interest-bearing liabilities from ₩193,301 billion in 2009 to ₩191,430 billion in 2010, which was attributable mainly to a decrease in the average volume of certificate of deposit accounts reflecting a reduced emphasis on certificates of deposit, relative to other lower-cost deposit products, in our marketing efforts in 2010.

Net interest income increased 13.2% from ₩3,746 billion in 2009 to ₩4,240 billion in 2010. The increase in net interest income primarily reflected the decrease in interest expense, which was enhanced by an increase in net interest spread. Such increase in turn resulted from a larger decrease in the average cost of interest-bearing liabilities compared to a relatively smaller decrease in the average yield of interest-earning assets, as interest rates on interest-bearing liabilities adjusted later than those on interest-earning assets in the context of the lower interest rate environment in 2009 and 2010.

Provision for loan losses and credit-related commitments increased from ₩1,696 billion in 2009 to ₩2,255 billion in 2010. The increase was primarily as a result of increases in delinquencies and non-performing loans in Woori Bank s loan portfolio, in particular real estate project financing loans and loans made to corporate borrowers in the construction and shipbuilding industries.

Non-interest income decreased 54.2% from ₩32,962 billion in 2009 to ₩15,090 billion in 2010, primarily due to a decrease in gains on derivatives and foreign exchange, which mainly reflected reduced volatility and trading volume.

Non-interest expense, including depreciation and amortization, decreased 53.1% from ₩34,062 billion in 2009 to ₩15,976 billion in 2010, primarily as a result of a decrease in losses on derivatives and foreign exchange, which mainly reflected reduced volatility and trading volume.

Comparison of 2009 to 2008

Our net income before tax for this segment increased 86.3% from ₩510 billion in 2008 to ₩950 billion in 2009. Net income after tax also increased 372.0% from ₩161 billion in 2008 to ₩760 billion in 2009.

Interest and dividend income from our Woori Bank operations decreased 16.9% from ₩12,616 billion in 2008 to ₩10,485 billion in 2009, primarily due to an overall decrease in average yields on interest-earning assets, which was partially offset by an increase in the average balance of Woori Bank s interest-earning assets. The decrease in average yields on interest-earning assets was attributable mainly to the lower interest rate environment in Korea. The average volume of Woori Bank s loans (excluding credit card receivables) on a non-consolidated basis increased 12.4% from ₩148,399 billion in 2008 to ₩166,812 billion in 2009, primarily as a result of an increase in the average volume of loans to small- and medium-sized enterprise borrowers, which reflected policies and initiatives introduced by the Korean government to encourage Korean banks to provide financial support for such borrowers.

Interest expense decreased 19.9% from ₩8,413 billion in 2008 to ₩6,739 billion in 2009. The decrease in interest expense was primarily due to a decrease in the average cost of interest-bearing liabilities resulting from the lower interest rate environment in Korea. This decrease was partially offset by a 16.4% increase in the average volume of interest-bearing liabilities from ₩166,075 billion in 2008 to ₩193,301 billion in 2009, which was attributable mainly to an increase in the average volume of deposits (principally time and savings deposits) reflecting increased demand for such deposits as alternatives to higher-risk investments.

Net interest income decreased 10.9% from ₩4,203 billion in 2008 to ₩3,746 billion in 2009. The decrease in net interest income primarily reflected a decrease in interest on loans, which was enhanced by a decrease in net interest spread. Such decrease in turn resulted from a larger decrease in the average yield of interest-bearing assets compared to a relatively smaller decrease in the average cost of interest-bearing liabilities, primarily reflecting the earlier adjustment of interest rates on interest-earning assets compared to interest rates on interest-bearing liabilities in the context of the lower interest rate environment.

Provision for loan losses and credit-related commitments increased from ₩1,399 billion in 2008 to ₩1,696 billion in 2009. The increase was primarily as a result of increases in delinquencies and non-performing loans in Woori Bank s loan portfolio, particularly with respect to small- and medium-sized enterprise, which reflected continuing adverse economic conditions in Korea during 2009.

Non-interest income decreased 46.7% from ₩61,786 billion in 2008 to ₩32,962 billion in 2009, primarily due to a decrease in gains on derivatives and foreign exchange, which mainly reflected decreased volatility and trading volume.

Non-interest expense, including depreciation and amortization, decreased 46.8% from ₩64,080 billion in 2008 to ₩34,062 billion in 2009, primarily as a result of a decrease in losses on derivatives and foreign exchange, which mainly reflected decreased volatility and trading volume.

Kyongnam Bank

Kyongnam Bank is a regional commercial bank that provides financial services in Changwon and Ulsan and other parts of the South Kyongsang province in southeastern Korea. Kyongnam Bank concentrates on consumer banking, as well as corporate banking for small- and medium-sized enterprises.

	Year ended December 31,			% Change	
	2008	2009	2010	2008/2009	2009/2010
	(in billions of Won)				
Income statement data					
Interest and dividend income	₩ 1,272	₩ 1,143	₩ 1,158	(10.1)%	1.3%
Interest expense	753	604	552	(19.8)	(8.6)
Provision for loan losses and credit-related commitments	95	65	89	(31.6)	36.9
Non-interest income	1,446	700	546	(51.6)	(22.0)
Non-interest expense including depreciation and amortization	1,586	918	869	(42.1)	(5.3)
Net income before tax	284	256	194	(9.9)	(24.2)
Income tax expense	74	63	50	(14.9)	(20.6)
Net income	₩ 210	₩ 193	₩ 144	(8.1)	(25.4)
Controlling interest	210	193	144	(8.1)	(25.4)
Noncontrolling interest					

Comparison of 2010 to 2009

Our net income before tax for this segment decreased 24.2% from ₩256 billion in 2009 to ₩194 billion in 2010. Net income after tax also decreased 25.4% from ₩193 billion in 2009 to ₩144 billion in 2010.

Interest and dividend income from our Kyongnam Bank operations increased 1.3% from ₩1,143 billion in 2009 to ₩1,158 billion in 2010, primarily due to an increase in average lending volumes, which was partially offset by an overall decrease in average yields on interest-earning assets, resulting from the general decrease in market interest rates. The average volume of Kyongnam Bank s loans increased 6.9% from ₩14,645 billion in 2009 to ₩15,662 billion in 2010, primarily due to an increase in the average volume of loans to small- and medium-sized enterprises, reflecting policies and initiatives introduced by the Korean government to encourage Korean banks to provide financial support for such borrowers.

Table of Contents

Interest expense decreased 8.6% from ₩604 billion in 2009 to ₩552 billion in 2010. The decrease in interest expense resulted principally from a decrease in the average cost of interest-bearing liabilities due to the lower interest rate environment. This decrease was partially offset by an 11.1% increase in the average volume of deposits from ₩13,154 billion in 2009 to ₩14,356 billion in 2010, primarily as a result of increased demand for bank deposit products (principally time deposit products) in southeastern Korea as alternatives to higher-risk investments.

Provision for loan losses and credit-related commitments increased 36.9% from ₩65 billion in 2009 to ₩89 billion in 2010, primarily due to a deterioration in the asset quality of Kyongnam Bank s small-and medium-sized enterprise loan portfolio, particularly real estate project financing loans and loans made to borrowers in the construction and shipbuilding industries.

Non-interest income decreased 22.0% from ₩700 billion in 2009 to ₩546 billion in 2010, primarily due to a decrease in gains on derivatives and foreign exchange.

Non-interest expense, including depreciation and amortization, decreased 5.3% from ₩918 billion in 2009 to ₩869 billion in 2010**,** primarily due to a decrease in losses on derivatives and foreign exchange.

Comparison of 2009 to 2008

Our net income before tax for this segment decreased 9.9% from ₩284 billion in 2008 to ₩256 billion in 2009. Net income after tax also decreased 8.1% from ₩210 billion in 2008 to ₩193 billion in 2009.

Interest and dividend income from our Kyongnam Bank operations decreased 10.1% from ₩1,272 billion in 2008 to ₩1,143 billion in 2009, primarily due to an overall decrease in average yields on interest-earning assets, resulting from the general decrease in market interest rates, which was partially offset by an increase in average lending volumes. The average volume of Kyongnam Bank s loans increased 5.2% from ₩13,916 billion in 2008 to ₩14,645 billion in 2009, primarily due to an increase in the average volume of loans to small- and medium-sized enterprises, reflecting policies and initiatives introduced by the Korean government to encourage Korean banks to provide financial support for such borrowers.

Interest expense decreased 19.8% from ₩753 billion in 2008 to ₩604 billion in 2009. The decrease in interest expense resulted principally from a decrease in the average cost of interest-bearing liabilities due to the lower interest rate environment. This decrease was partially offset by a 7.1% increase in the average volume of deposits from ₩12,282 billion in 2008 to ₩13,154 billion in 2009, primarily as a result of increased demand for bank deposit products (principally demand deposits) in southeastern Korea.

Provision for loan losses and credit-related commitments decreased 31.6% from ₩95 billion in 2008 to ₩65 billion in 2009, primarily due to improvement in the asset quality of Kyongnam Bank s consumer and small- and medium-sized enterprise loan portfolios, primarily as a result of higher levels of charge-offs, which was partially offset by increased lending volumes.

Non-interest income decreased 51.6% from ₩1,446 billion in 2008 to ₩700 billion in 2009, primarily due to a decrease in gains on derivatives and foreign exchange.

Non-interest expense, including depreciation and amortization, decreased 42.1% from ₩1,586 billion in 2008 to ₩918 billion in 2009**,** primarily due to a decrease in losses on derivatives and foreign exchange.

Table of Contents

Kwangju Bank

Kwangju Bank is a regional bank that provides financial services in Kwangju and southwestern Korea. Kwangju Bank concentrates on the consumer and small- and medium-sized enterprise banking sectors, offering deposit and loan products to customers in those sectors and, to a lesser extent, large corporate customers.

	Year ended December 31,			% Change	
	2008	2009	2010	2008/2009	2009/2010
	(in billions of Won)				
Income statement data					
Interest and dividend income	₩ 1,025	₩ 907	₩ 904	(11.5)%	(0.3)%
Interest expense	640	489	434	(23.6)	(11.2)
Provision for loan losses and credit-related commitments	84	154	136	83.3	(11.7)
Non-interest income	329	328	226	(0.3)	(31.1)
Non-interest expense including depreciation and amortization	485	509	418	4.9	(17.9)
Net income before tax	145	83	142	(42.8)	71.1
Income tax expense (benefit)	42	21	36	(50.0)	71.4
Net income	₩ 103	₩ 62	₩ 106	(39.8)	71.0
Controlling interest	103	62	106	(39.8)	71.0
Noncontrolling interest					

Comparison of 2010 to 2009

Our net income before tax for this segment increased 71.1% from ₩83 billion in 2009 to ₩142 billion in 2010. Net income after tax also increased 71.0% from ₩62 billion in 2009 to ₩106 billion in 2010.

Interest and dividend income from our Kwangju Bank operations decreased 0.3% from ₩907 billion in 2009 to ₩904 billion in 2010, primarily due to an overall decrease in average yields on interest-earning assets resulting from the general decrease in market interest rates, which was partially offset by an increase in average lending volumes. The average volume of Kwangju Bank s loans increased 1.6% from ₩10,692 billion in 2009 to ₩10,859 billion in 2010, with the majority of this increase resulting from an increase in the average volume of loans to small- and medium-sized enterprises, which reflected policies and initiatives introduced by the Korean government to encourage Korean banks to provide financial support for such borrowers.

Interest expense decreased 11.2% from ₩489 billion in 2009 to ₩434 billion in 2010. The decrease in interest expense resulted principally from a decrease in the average cost of interest-bearing liabilities due to the lower interest rate environment. This decrease was partially offset by a 5.3% increase in the average volume of deposits from ₩10,639 billion in 2009 to ₩11,198 billion in 2010, primarily as a result of increased demand for bank deposit products (principally demand deposit products) in southwestern Korea.

Provision for loan losses and credit-related commitments decreased 11.7% from ₩154 billion in 2009 to ₩136 billion in 2010, primarily due to decreases in delinquencies and non-performing loans in Kwangju Bank s loan portfolio, particularly with respect to small- and medium-sized enterprise borrowers.

Non-interest income decreased 31.1% from ₩328 billion in 2009 to ₩226 billion in 2010, primarily due to a decrease in gains on derivatives and foreign exchange.

Non-interest expense, including depreciation and amortization, decreased 17.9% from ₩509 billion in 2009 to ₩418 billion in 2010**,** primarily due to a decrease in losses on foreign exchange.

Comparison of 2009 to 2008

Our net income before tax for this segment decreased 42.8% from ₩145 billion in 2008 to ₩83 billion in 2009. Net income after tax also decreased 39.8% from ₩103 billion in 2008 to ₩62 billion in 2009.

Interest and dividend income from our Kwangju Bank operations decreased 11.5% from ₩1,025 billion in 2008 to ₩907 billion in 2009, primarily due to an overall decrease in average yields on interest-earning assets resulting from the general decrease in market interest rates, which was partially offset by an increase in average lending volumes. The average volume of Kwangju Bank s loans increased 1.6% from ₩10,525 billion in 2008 to ₩10,692 billion in 2009, with the majority of this increase resulting from an increase in the average volume of loans to small- and medium-sized enterprises, which reflected policies and initiatives introduced by the Korean government to encourage Korean banks to provide financial support for such borrowers.

Interest expense decreased 23.6% from ₩604 billion in 2009 to ₩489 billion in 2009. The decrease in interest expense resulted principally from a decrease in the average cost of interest-bearing liabilities due to the lower interest rate environment. This decrease was enhanced by a 2.5% decrease in the average volume of deposits from ₩10,916 billion in 2008 to ₩10,639 billion in 2009, primarily as a result of Kwangju Bank s decreased focus on providing time deposit products to consumers in 2009.

Provision for loan losses and credit-related commitments increased 83.3% from ₩84 billion in 2008 to ₩154 billion in 2009, primarily due to increases in delinquencies and non-performing loans in Kwangju Bank s loan portfolio, particularly with respect to small- and medium-sized enterprise borrowers.

Non-interest income remained relatively constant at ₩328 billion in 2009 compared to ₩329 billion in 2008.

Non-interest expense, including depreciation and amortization, increased 4.9% from ₩485 billion in 2008 to ₩509 billion in 2009**,** primarily due to an increase in losses on foreign exchange.

Credit Card Operations

Our credit card operations segment comprises the credit card operations of Woori Bank, which it acquired as a result of the merger of Woori Credit Card into Woori Bank in March 2004. Woori Bank provides a variety of credit card-related services and card loans. This segment does not include the significantly smaller credit card operations of Kyongnam Bank and Kwangju Bank. See Item 4B. Business Overview Credit Cards.

	Year ended December 31, (in billions of Won)			% Change	
	2008	**2009**	**2010**	**2008/2009**	**2009/2010**
Income statement data					
Interest and dividend income	₩ 929	₩ 1,000	₩ 996	7.6%	(0.4)%
Interest expense	205	128	123	(37.6)	(3.9)
Provision for loan losses and credit-related commitments	166	201	79	21.1	(60.7)
Non-interest income	77	51	44	(33.8)	(13.7)
Non-interest expense including depreciation and amortization	538	465	520	(13.6)	11.8

Net income before tax	97	257	318	164.9	23.7
Income tax expense[1]	23	62	77	169.6	24.2
Net income	₩ 74	₩ 195	₩ 241	163.5	23.7
Controlling Interest	74	195	241	163.5	23.6
Noncontrolling Interest					

(1) Portion of Woori Bank s income tax allocated to this segment based on income before tax.

Comparison of 2010 to 2009

Our net income before tax for this segment increased 23.7% from ₩257 billion in 2009 to ₩318 billion in 2010. Net income after tax also increased 23.6% from ₩195 billion in 2009 to ₩241 billion in 2010.

Interest and dividend income for this segment remained relatively constant at ₩996 billion in 2010 compared to ₩1,000 billion in 2009. This slight decrease was attributable primarily to a decrease in the average yields on credit card balances resulting mainly from the general decrease in market interest rates. This decrease was partially offset by an increase in the average volume of outstanding credit card balances due to increases in both purchases made by our cardholders and the number of new cardholders.

Interest expense decreased slightly from ₩128 billion in 2009 to ₩123 billion in 2010 principally due to a decrease in our internal funding rate applicable to the inter-segment allocation of funds to our credit card segment, which was partially offset by an increase in the average volume of such funds.

Provision for loan losses and credit-related commitments decreased 60.7% from ₩201 billion in 2009 to ₩79 billion in 2010, reflecting an overall improvement in the asset quality of our credit card receivables and credit-related commitments in 2010. In 2010, our credit card operations charged off credit card balances amounting to ₩119 billion, as compared to ₩193 billion in 2009.

Non-interest income decreased 13.7% from ₩51 billion in 2009 to ₩44 billion in 2010 primarily as a result of a decrease in fee income earned in connection with our credit card operations.

Non-interest expense, which includes depreciation and amortization, increased 11.8% from ₩465 billion in 2009 to ₩520 billion in 2010. This increase was primarily due to increases in selling, general and administrative expenses related to this segment as well as fees paid in connection with our credit card operations.

Comparison of 2009 to 2008

Our net income before tax for this segment increased 164.9% from ₩97 billion in 2008 to ₩257 billion in 2009. Net income after tax also increased 163.5% from ₩74 billion in 2008 to ₩195 billion in 2009.

Interest and dividend income for this segment increased 7.6% from ₩929 billion in 2008 to ₩1,000 billion in 2009. This increase was attributable primarily to growth in the average volume of outstanding credit card balances due to increases in both purchases made by our cardholders and the number of new cardholders. This increase was enhanced by a slight increase in the average yields on credit card balances resulting principally from a decrease in interest-free installment payment benefits extended by us to our cardholders, as well as an increase in the proportion of consumer credit card purchases, which typically carry higher interest rates, relative to our overall credit card balances.

Interest expense decreased 37.6% from ₩205 billion in 2008 to ₩128 billion in 2009 principally due to a decrease in our internal funding rate applicable to the inter-segment allocation of funds to our credit card segment, which was partially offset by an increase in the average volume of such funds.

Provision for loan losses and credit-related commitments increased 21.1% from ₩166 billion in 2008 to ₩201 billion in 2009, reflecting overall deterioration in the asset quality of our credit card receivables and credit-related commitments throughout most of 2009. In 2009, our credit card operations charged off credit card balances amounting to ₩193 billion, as compared to ₩105 billion in 2008.

Non-interest income decreased 33.8% from ₩77 billion in 2008 to ₩51 billion in 2009 primarily as a result of a decrease in valuation gain on our equity method investment in BC Card from ₩48 billion in 2008 to ₩15 billion in 2009.

Non-interest expense, which includes depreciation and amortization, decreased 13.6% from ₩538 billion in 2008 to ₩465 billion in 2009. This decrease was primarily due to a decrease in commissions paid in connection with our credit card operations, as well as a decrease in selling, general and administrative expenses related to this segment reflecting our cost reduction efforts in 2009.

Securities Brokerage Services

Our securities brokerage services segment consists of the operations of Woori Investment & Securities, which was created when we merged Woori Securities with LGIS in March 2005. Woori Investment & Securities is engaged in securities brokerage, investment banking, securities investment and trading and other capital markets activities. In October and December 2004, we acquired a 27.3% voting interest in LGIS, as a result of which LGIS became a consolidated subsidiary under Korean GAAP effective December 24, 2004.

	Year ended December 31,			% Change	
	2008	2009	2010	2008/2009	2009/2010
	(in billions of Won)				
Income statement data					
Interest and dividend income	₩ 775	₩ 651	₩ 600	(16.0)%	(7.8)%
Interest expense	470	304	269	(35.3)	(11.5)
Provision for loan losses and credit-related commitments (reversal of provision)	39	112	12	187.2	(89.3)
Non-interest income	5,993	4,736	3,450	(21.0)	(27.2)
Non-interest expense including depreciation and amortization	5,992	4,846	3,474	(19.1)	(28.3)
Net income before tax	267	125	295	(53.2)	136.0
Income tax expense	81	36	69	(55.6)	91.7
Net income	₩ 186	₩ 89	₩ 226	(52.2)	153.9
Controlling interest	186	89	226	(52.2)	153.9
Noncontrolling interest					

Comparison of 2010 to 2009

Our net income before tax for this segment increased 136.0% from ₩125 billion in 2009 to ₩295 billion in 2010. Net income after tax also increased 153.9% from ₩89 billion in 2009 to ₩226 billion in 2010.

Interest and dividend income for this segment decreased 7.8% from ₩651 billion in 2009 to ₩600 billion in 2010, principally as a result of decreases in interest and dividend payments due to lower average yields on the securities held by Woori Investment & Securities, reflecting the lower interest rate environment in Korea in 2010.

Interest expense decreased 11.5% from ₩304 billion in 2009 to ₩269 billion in 2010, primarily as a result of a decrease in interest expense relating to both Won and foreign currency borrowings of Woori Investment & Securities, which reflected the lower interest rate environment.

Provision for loan losses and credit-related commitments decreased 89.3% from ₩112 billion in 2009 to ₩12 billion in 2010, primarily as a result of improvement in the asset quality of Woori Investment & Securities real estate project finance-related commitments in 2010 as compared to 2009, reflecting the increased charge-offs of such commitments in 2009.

Non-interest income, which includes commission income from Woori Investment & Securities brokerage operations, decreased 27.2% from ₩4,736 billion in 2009 to ₩3,450 billion in 2010, mainly due to a decrease in gain on transaction and valuation of derivatives, which reflected reduced foreign exchange and interest rate volatility and transaction volume.

Non-interest expense, which includes depreciation and amortization, decreased 28.3% from ₩4,846 billion in 2009 to ₩3,475 billion in 2010, primarily as a result of a decrease in loss on transaction and valuation of derivatives, which reflected reduced foreign exchange and interest rate volatility and transaction volume.

Comparison of 2009 to 2008

Our net income before tax for this segment decreased 53.2% from ₩267 billion in 2008 to ₩125 billion in 2009. Net income after tax also decreased 52.2% from ₩186 billion in 2008 to ₩89 billion in 2009.

Interest and dividend income for this segment decreased 16.0% from ₩775 billion in 2008 to ₩651 billion in 2009, principally due to decreases in interest and dividend payments due to lower average yields on the securities held by Woori Investment & Securities, reflecting the lower interest rate environment in Korea in 2009, as well as a decrease in interest income from Woori Investment & Securities merchant banking operations, which it discontinued from October 2009.

Interest expense decreased 35.3% from ₩470 billion in 2008 to ₩304 billion in 2009, primarily as a result of a decrease in interest expense relating to both Won and foreign currency borrowings of Woori Investment & Securities, which reflected the lower interest rate environment.

Provision for loan losses and credit-related commitments increased 187.2% from ₩39 billion in 2008 to ₩112 billion in 2009, primarily as a result of a deterioration in the asset quality of Woori Investment & Securities project finance-related commitments.

Non-interest income, which includes commission income from Woori Investment & Securities brokerage operations, decreased 21.0% from ₩5,993 billion in 2008 to ₩4,736 billion in 2009, mainly due to a decrease in gain on transaction and valuation of derivatives, which reflected reduced foreign exchange and interest rate volatility and transaction volume.

Non-interest expense, which includes depreciation and amortization, decreased 19.1% from ₩5,992 billion in 2008 to ₩4,846 billion in 2009, primarily as a result of a decrease in loss on transaction and valuation of derivatives, which reflected reduced foreign exchange and interest rate volatility and transaction volume.

Other Operations

Other operations include the operations of Woori Finance Holdings and all of our subsidiaries that were consolidated under Korean GAAP as of December 31, 2010 except Woori Bank, Kyongnam Bank, Kwangju Bank and Woori Investment & Securities, including principally Woori Finance Information System (which changed its name to Woori FIS in May 2011), Woori F&I, Woori Asset Management, Woori Financial (in which we acquired a 51.4% interest, on a U.S. GAAP basis, in September 2007), Woori Aviva Life Insurance (in which we acquired a 51.0% interest, on a U.S. GAAP basis, in April 2008) and a number of other smaller subsidiaries, none of which constituted a separate reportable segment.

	Year ended December 31, (in billions of Won)			% Change	
	2008	**2009**	**2010**	**2008/2009**	**2009/2010**
Income statement data					
Interest and dividend income	₩ 328	₩ 416	₩ 486	26.8%	16.8%
Interest expense	324	449	475	38.6	5.8
Provision for loan losses and credit-related commitments (reversal of provision)	34	69	316	102.9	358.0
Non-interest income	1,726	2,755	3,198	59.6	16.1

Non-interest expense including depreciation and amortization	1,174	1,504	1,658	28.1	10.2
Net income before tax	522	1,149	1,235	120.1	7.5
Income tax expense	26	34	31	30.8	(8.8)
Net income	₩ 496	₩ 1,115	₩ 1,204	124.8	8.0
Controlling interest	501	1,098	1,275	119.2	16.1
Noncontrolling interest	(5)	17	(71)	N/M(1)	N/M(1)

(1) N/M = not meaningful.

Table of Contents

Comparison of 2010 to 2009

Our net income before tax for this segment increased 7.5% from ₩1,149 billion in 2009 to ₩1,235 billion in 2010. Net income after tax also increased 8.0% from ₩1,115 billion in 2009 to ₩1,204 billion in 2010.

Interest and dividend income increased 16.8% from ₩416 billion in 2009 to ₩486 billion in 2010. This increase was primarily due to an increase in the average volume of loans by Woori Financial, which was partially offset by a decrease in average yields on such loans resulting from the general decrease in market interest rates in Korea in 2010.

Interest expense increased 5.8% from ₩449 billion in 2009 to ₩475 billion in 2010. This increase was principally the result of an increase in the average volume of debentures issued by Woori Financial, which was partially offset by a decrease in the average cost of such debentures.

Provision for loan losses and credit-related commitments increased 358.0% from ₩69 billion in 2009 to ₩316 billion in 2010. This increase was primarily as a result of a deterioration in the asset quality of the loan portfolios of Woori F&I and Woori Private Equity.

Non-interest income increased 16.1% from ₩2,755 billion in 2009 to ₩3,198 billion in 2010. This increase was attributable primarily to gains recorded by Woori Finance Holdings in 2010 on valuation of investments in affiliates accounted for under the equity method, principally Woori F&I, due to increases in net income recorded by such affiliates.

Non-interest expense, including depreciation and amortization, increased 10.2% ₩1,504 billion in 2009 to ₩1,658 billion in 2010, mainly as the result of an increase in administrative expenses.

Comparison of 2009 to 2008

Our net income before tax for this segment increased 120.1% from ₩522 billion in 2008 to ₩1,149 billion in 2009. Net income after tax also increased 124.8% from ₩496 billion in 2008 to ₩1,115 billion in 2009.

Interest and dividend income increased 26.8% from ₩328 billion in 2008 to ₩416 billion in 2009. This increase was primarily due to an increase in the average volume of loans by Woori Financial, which was partially offset by a decrease in average yields on such loans resulting from the general decrease in market interest rates in Korea in 2009.

Interest expense increased 38.6% from ₩324 billion in 2008 to ₩449 billion in 2009. This increase was principally the result of an increase in the average volume of debentures issued by Woori Financial, which was partially offset by a decrease in the average cost of such debentures.

Provision for loan losses and credit-related commitments increased 102.9% from ₩34 billion in 2008 to ₩69 billion in 2009. This increase was primarily as a result of increased delinquencies in, as well as the growth of, Woori Financial s loan portfolio.

Non-interest income increased 59.6% from ₩1,726 billion in 2008 to ₩2,755 billion in 2009. This increase was attributable primarily to the inclusion of Woori Aviva Life Insurance s full-year results of operations in this segment commencing in 2009.

Non-interest expense, including depreciation and amortization, increased 28.1% from ₩1,174 billion in 2008 to ₩1,504 billion in 2009, mainly as the result of the inclusion of Woori Aviva Life Insurance s full-year results of operations in this segment commencing in 2009.

Table of Contents

Item 5B. ***Liquidity and Capital Resources***

Financial Condition

Assets

The following table sets forth, as of the dates indicated, the principal components of our assets:

	As of December 31,			% Change	
	2008	2009	2010	2008/2009	2009/2010
	(in billions of Won)				
Cash and cash equivalents	₩ 13,564	₩ 16,581	₩ 15,958	22.2%	(3.8)%
Restricted cash	2,761	588	478	(78.7)	(18.7)
Interest-bearing deposits in other banks	1,747	2,207	2,875	26.3	30.3
Call loans and securities purchased under resale agreements	3,692	6,524	4,465	76.7	(31.6)
Trading securities	19,817	14,225	13,100	(28.2)	(7.9)
Available-for-sale securities	23,406	16,059	19,020	(31.4)	18.4
Held-to-maturity securities	9,612	15,974	19,905	66.2	24.6
Other investment assets	2,417	2,565	2,601	6.1	1.4
Loans:					
Domestic:					
Commercial:					
Commercial and industrial	93,931	96,484	96,461	2.7	0.0
Lease financing	425	578	778	36.0	34.6
Trade financing	12,201	10,321	11,332	(15.4)	9.8
Other commercial[(1)]	8,266	6,602	7,039	(20.1)	6.6
Total commercial	114,823	113,985	115,610	(0.7)	1.4
Consumer:					
General purpose household[(2)]	56,911	58,127	57,251	2.1	(1.5)
Mortgage	3,275	3,806	6,298	16.2	65.5
Credit cards	4,294	4,098	4,354	(4.6)	6.2
Total consumer	64,480	66,031	67,903	2.4	2.8
Total domestic	179,303	180,016	183,513	0.4	1.9
Foreign:					
Commercial:					
Commercial and industrial	9,015	7,393	7,380	(18.0)	(0.2)
Trade financing	185	92	140	(50.3)	52.2
Total commercial	9,200	7,485	7,520	(18.6)	0.5
Consumer:	129	116	152	(10.1)	31.0
Total foreign	9,329	7,601	7,672	(18.5)	0.9

Table of Contents

	As of December 31,			% Change	
	2008	2009	2010	2008/2009	2009/2010
	(in billions of Won)				
Deferred origination costs	28	96	162	242.9	68.8
Less: unearned income	(51)	(98)	(142)	92.2	44.9
Less: allowance for loan losses	(2,942)	(3,557)	(4,874)	20.9	37.0
Total loans, net	185,667	184,058	186,331	(0.9)	1.2
Due from customers on acceptances	789	791	667	0.3	(15.7)
Premises and equipment, net	2,454	2,611	2,469	6.4	(5.4)
Accrued interest and dividends receivable	1,079	956	1,028	(11.4)	7.5
Assets held for sale	351	591	135	68.4	(77.2)
Goodwill	136	114	88	(16.2)	(22.8)
Other assets	3,653	3,180	3,818	(12.9)	20.1
Total assets	₩ 271,145	₩ 267,024	₩ 272,938	(1.5)	2.2

(1) Other commercial loans include bills bought in foreign currency and overdrafts.
(2) Includes home equity loans.

For further information on our assets, see Item 4B. Business Overview Assets and Liabilities.

Comparison of 2010 to 2009

Our total assets increased 2.2% from ₩267,024 billion as of December 31, 2009 to ₩272,938 billion as of December 31, 2010, principally due to a 24.6% increase in held-to-maturity securities from ₩15,974 billion as of December 31, 2009 to ₩19,905 billion as of December 31, 2010, a 1.9% increase in domestic commercial loans and consumer credits from ₩180,016 billion as of December 31, 2009 to ₩183,513 billion as of December 31, 2010 and an 18.4% increase in available-for-sale securities from ₩16,059 billion as of December 31, 2009 to ₩19,020 billion as of December 31, 2010. The effect of these increases was partially offset by a 31.6% decrease in call loans and securities purchased under resale agreements from ₩6,524 billion as of December 31, 2009 to ₩4,465 billion as of December 31, 2010 and a 7.9% decrease in trading securities from ₩14,225 billion as of December 31, 2009 to ₩13,100 billion as of December 31, 2010.

Comparison of 2009 to 2008

Our total assets decreased 1.5% from ₩273,145 billion as of December 31, 2008 to ₩267,024 billion as of December 31, 2009, principally due to a 31.4% decrease in available-for-sale securities from ₩23,406 billion as of December 31, 2008 to ₩16,059 billion as of December 31, 2009, a 28.2% decrease in trading securities from ₩19,817 billion as of December 31, 2008 to ₩14,225 billion as of December 31, 2009 and a 78.7% decrease in restricted cash from ₩2,761 billion as of December 31, 2008 to ₩588 billion as of December 31, 2009. The effect of these decreases was partially offset by a 66.2% increase in held-to-maturity securities from ₩9,612 billion as of December 31, 2008 to ₩15,974 billion as of December 31, 2009, a 22.2% increase in cash and cash equivalents from ₩13,564 billion as of December 31, 2008 to ₩16,581 billion as of December 31, 2009 and a 76.7% increase in call loans and securities purchased under resale agreements from ₩3,692 billion as of December 31, 2008 to

₩6,524 billion as of December 31, 2009.

Liabilities and Equity

The following table sets forth, as of the dates indicated, the principal components of our liabilities and our equity:

	As of December 31, 2008	2009 (in billions of Won)	2010	% Change 2008/2009	2009/2010
Deposits					
Interest-bearing	₩ 161,653	₩ 170,547	₩ 180,207	5.5%	5.7%
Non-interest-bearing	6,679	7,027	6,119	5.2	(12.9)
Call money	2,960	5,687	4,649	92.1	(18.3)
Trading liabilities	11,286	4,131	3,337	(63.4)	(19.2)
Acceptances outstanding	789	791	667	0.3	(15.7)
Other borrowed funds	18,458	12,835	12,382	(30.5)	(3.5)
Secured borrowings	3,401	2,277	3,998	(33.0)	75.6
Long-term debt	44,470	43,340	39,487	(2.5)	(8.9)
Accrued interest payable	3,317	2,554	2,818	(23.0)	10.3
Other liabilities	5,871	4,613	5,020	(21.4)	8.8
Total liabilities	258,884	253,802	258,684	(2.0)	1.9
Stockholders equity	11,920	12,866	13,968	7.9	8.6
Noncontrolling interest[(1)]	341	356	286	4.4	(19.7)
Total equity	₩ 12,261	₩ 13,222	₩ 14,254	7.8	7.8
Total liabilities and equity	₩ 271,145	₩ 267,024	₩ 272,938	(1.5)%	2.2%

(1) On January 1, 2009, we adopted ASC 810-10-45-15. As a result, minority interests have been recharacterized as noncontrolling interests and reclassified as a component of equity. Corresponding items for prior periods have been restated accordingly.

For further information on our liabilities, see Item 4B. Business Overview Assets and Liabilities.

Comparison of 2010 to 2009

Our total liabilities increased 1.9% from ₩253,802 billion as of December 31, 2009 to ₩258,684 billion as of December 31, 2010. The increase was primarily due to increases in interest-bearing deposits and secured borrowings. Our interest-bearing deposits increased 5.7% from ₩170,547 billion as of December 31, 2009 to ₩180,207 billion as of December 31, 2010, primarily due to an increase in time and savings deposits. Our secured borrowings increased 75.6% from ₩2,277 billion as of December 31, 2009 to ₩3,998 billion as of December 31, 2010, primarily due to an increase in short-term debentures denominated in Won. The effect of these increases was partially offset by an 8.9% decrease in long-term debt from ₩43,340 billion as of December 31, 2009 to ₩39,487 billion as of December 31, 2010, primarily due to a decrease in long-term debentures denominated in Won.

Our total equity increased by 7.8% from ₩13,222 billion as of December 31, 2009 to ₩14,254 billion as of December 31, 2010. This increase resulted principally from an increase in our retained earnings, which was attributable to the net income we generated in 2010.

Comparison of 2009 to 2008

Our total liabilities decreased 2.0% from ₩258,884 billion as of December 31, 2008 to ₩253,802 billion as of December 31, 2009. The decrease was primarily due to decreases in trading liabilities and other borrowed funds. Our trading liabilities decreased 63.4% from ₩11,286 billion as of December 31, 2008 to ₩4,131 billion as of December 31, 2009, primarily due to decreases in foreign currency and interest rate derivatives. Our other borrowed funds decreased 30.5% from ₩18,458 billion as of December 31, 2008 to

₩12,835 billion as of December 31, 2009, primarily due to decreases in our borrowings in foreign currency and from trust accounts. The effect of these decreases was partially offset by a 5.5% increase in our interest-bearing deposits from ₩161,653 billion as of December 31, 2008 to ₩170,547 billion as of December 31, 2009, primarily due to an increase in other time deposits.

Our total equity increased by 7.8% from ₩12,261 billion as of December 31, 2008 to ₩13,222 billion as of December 31, 2009. This increase resulted principally from an increase in our retained earnings, which was attributable to the net income we generated in 2009.

Realized and Unrealized Losses on Investment Securities

Gross Realized Losses

In 2010, we recognized other-than-temporary impairment losses on equity securities and debt securities of ₩162 billion and ₩129 billion, respectively. A substantial amount of these losses resulted primarily from impairment losses of ₩61 billion that we recognized in 2010 with respect to our holdings of equity securities issued by non-listed foreign issuers, as well as impairment losses with respect to our holdings of debt securities issued by Korea Line Corporation.

We periodically review our fixed maturity securities and equity securities to determine if any decline in fair value below the carrying value is other-than-temporary on a case-by-case basis. Unrealized gains and losses on available-for-sale securities are excluded from earnings and reported in accumulated other comprehensive income, net of tax pursuant to the guidance of FASB Statement 115, *Accounting for Certain Investments in Debt and Equity Securities* (ASC 320). Any other-than-temporary declines in the fair value of available-for-sale securities results in the recognition of the related loss in earnings.

In performing reviews, we consider the relevant facts and circumstances relating to each investment and exercise our judgment in determining whether a security is other-than-temporarily impaired. For a discussion of the factors we consider in making that determination, see Item 5A. Operating Results Critical Accounting Estimates Valuation of Securities and Financial Instruments. The risks inherent in reviewing the impairment of any investment include the risks that (1) market results may differ from expectations, (2) facts and circumstances may change in the future and differ from our estimates and assumptions or (3) we may later decide to sell the security as a result of changed circumstances.

To the extent factors contributing to the impairment losses recognized in 2010 affected other investments, we reviewed those investments for other-than-temporary impairment and recorded losses if appropriate.

There are inherent uncertainties in assessing the fair values we assign to our investments and in determining whether a decline in market value is deemed other-than-temporary. The accounting estimates relating the fair market value of our various securities may be highly susceptible to change from period to period based on factors beyond our control, including market liquidity, the widening of bid/ask spreads or changes in cash flow assertions. Any significant differences between our estimated fair values of our securities on any particular date and either their estimated fair value on a different date or the actual proceeds that we receive upon sale of those securities could result in valuation losses or losses on disposals. See Item 5A. Operating Results Critical Accounting Estimates Valuation of Securities and Financial Instruments.

With respect to securities we sold at a loss in 2010, the amount of the loss recorded at the sales date was ₩49 billion. These losses related primarily to losses on disposal of equity securities, as well as losses on disposal of fixed maturity securities of issuers whose deteriorating credit fundamentals, coupled with the continued weakness in general economic conditions in Korea and globally, led to rating downgrades of their securities and increasing uncertainty regarding the future value of their securities.

Securities are classified as available-for-sale when we intend to hold them for an indefinite period of time or when the securities may be utilized for tactical asset/liability purposes and sold from time to time to effectively manage interest rate exposure and resultant prepayment risk and liquidity needs. We currently intend to hold available-for-sale securities with unrealized losses not considered other-than-temporary until they mature, or recover in value. However, if the specific facts and circumstances surrounding a security or the outlook for its industry sector change, we may sell the security and realize a loss.

Gross Unrealized Losses

As of December 31, 2010, the amount of gross unrealized losses on available-for-sale securities included in accumulated other comprehensive income in stockholders equity was ₩119 billion. As of that date, we had ₩12 billion of gross unrealized losses on held-to-maturity securities. For a breakdown of these gross unrealized losses by type of security, see Item 4B. Business Overview Capital Markets Activities Securities Investment and Trading.

Substantially all of the fixed maturity securities in our portfolio are rated by external Korean or international rating agencies. Fixed maturity securities are considered investment grade if they are rated BBB-/Baa3 or better. For fixed maturity securities in an unrealized loss position as of December 31, 2010, 75.3% (based on fair value) were investment grade, 1.0% were below investment grade and 23.7% were not rated. As of December 31, 2010, unrealized losses from fixed maturity securities that were below investment grade or not rated represented approximately 92.9% of gross unrealized losses on such securities. We had no material unrealized losses on individual fixed maturity securities or equity securities as of December 31, 2010.

As of December 31, 2010, the amount of gross unrealized losses for fixed maturity securities and equity securities (including beneficiary certificates) continuously in an unrealized loss position for the time periods indicated were as follows:

	Fixed Maturities	Equity Securities	Total
	(in billions of Won)		
Less than one year	₩ 107	18	₩ 125
More than one year	6		6
Total gross unrealized losses	₩ 113	18	₩ 131

Liquidity

Our primary source of funding has historically been and continues to be customer deposits, particularly lower-cost retail deposits. Deposits amounted to ₩168,332 billion as of December 31, 2008, ₩177,574 billion as of December 31, 2009 and ₩186,326 billion as of December 31, 2010, which represented approximately 70.8%, 73.5% and 75.5% of our total funding, respectively. We have been able to use increases in customer deposits in recent years to finance our operations generally, including meeting a portion of our liquidity requirements. Although the majority of deposits are short-term, it has been our experience that the majority of our depositors generally roll over their deposits at maturity, thus providing us with a stable source of funding. However, in the event that a substantial number of our depositors do not roll over their deposits or otherwise decide to withdraw their deposited funds, we would need to place increased reliance on alternative sources of funding, some of which may be more expensive than customer deposits, in order to finance our operations. See Item 3D. Risk Factors Other risks relating to our business Our funding is highly dependent on short-term deposits, which dependence may adversely affect our operations. In particular, we may increase our utilization of alternative funding sources such as short-term borrowings and cash and cash equivalents (including funds from maturing loans), as well as liquidating our positions in trading and investment securities and using the proceeds to fund parts of our operations, as necessary.

We also obtain funding through long-term debt, secured borrowings and other borrowed funds to meet our liquidity needs. Long-term debt represented 18.8%, 17.9% and 16.0% of our total funding as of December 31, 2008, 2009 and 2010, respectively. Secured borrowings represented 1.4%, 0.9% and 1.6% of our total funding as of December 31, 2008, 2009 and 2010, respectively. Other borrowed funds, which are borrowings with original maturities of less than one year, represented 7.6%, 5.3% and 5.0% of our total funding as of December 31, 2008, 2009 and 2010, respectively. For further information on our sources of funding, see Item 4B. Business Overview Assets and Liabilities Funding.

Our liquidity risks arise from withdrawals of deposits and maturities of our borrowings, as well as our need to fund our lending, trading and investment activities and to manage our trading positions. Our goal in managing our liquidity is to be able, even under adverse conditions, to meet all of our liability repayments on time and to fund all investment opportunities. For a discussion of how we manage our liquidity risk, see Item 11. Quantitative and Qualitative Disclosures about Market Risk Liquidity Risk Management.

The Financial Services Commission requires each Korean bank to maintain specific Won and foreign currency liquidity ratios. These ratios require each of our banking subsidiaries to keep its ratio of liquid assets to liquid liabilities above certain minimum levels. For a description of these requirements, see Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Banks Liquidity.

We are a financial holding company, and substantially all of our operations are in our subsidiaries. Accordingly, we rely on distributions from our subsidiaries, direct borrowings and issuances of debt and equity securities to fund our liquidity obligations at the holding company level. We received aggregate dividends from our subsidiaries of ₩248 billion for 2008, ₩40 billion for 2009 and ₩407 billion for 2010. See Item 3D. Risk Factors Risks relating to our financial holding company structure and strategy.

Contractual Obligations and Off-Balance Sheet Arrangements

The following table sets forth our contractual obligations as of December 31, 2010:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in billions of Won)				
Contractual obligations					
Long-term debt obligations[1]	₩ 49,253	₩ 15,469	₩ 15,423	₩ 9,455	₩ 8,906
Deposits[2][3]	122,141	113,213	6,232	877	1,819
Capital (finance) lease obligations	74	38	28	8	
Operating lease obligations	639	125	233	189	92
Purchase obligations	104	37	67		
Secured borrowings[1]	4,142	2,965	727	450	
Employee severance plan obligations	209		4	34	171
Total	₩ 176,562	₩ 131,847	₩ 22,714	₩ 11,013	₩ 10,988

(1) Includes estimated future interest payments, which have been estimated using contractual interest rates and scheduled contractual maturities of the outstanding borrowings as of December 31, 2010. In order to calculate future interest payments on debts with floating rates, we used contractual interest rates as of December 31, 2010.

(2) Comprising certificate of deposits, other time deposits and mutual installment deposits.

(3) Includes estimated future interest payments, which have been estimated using weighted average interest rates paid for 2010 for each deposit product category and their scheduled contractual maturities.

We utilize credit-related financial instruments with off-balance sheet risk in our normal course of business. The primary purpose of those instruments is to generate fee income for us, in return for making credit support and funds available to our customers as required. Such instruments consist primarily of guarantees, commercial letters of credit and unused lines of credit. Guarantees include guarantees for loans, debentures, trade financing arrangements and guarantees for other financings. Contingent liabilities for which guaranteed amounts are not finalized appear as off-balance sheet items in the notes to the financial statements. Such contingent liabilities include, among others, contingent liabilities relating to trade financings and derivatives contracts with respect to foreign exchange rates and interest rates.

We also enter into transactions with certain special purpose entities and variable interest entities, including through the purchase of their subordinated debt and the provision of credit facilities to them.

Table of Contents

The following table sets forth our off-balance sheet commitments as of the dates indicated:

	As of December 31,		
	2008	2009	2010
	(in billions of Won)		
Guarantees	₩ 19,156	₩ 14,597	₩ 13,151
Commercial letters of credit	6,852	6,452	6,468
Credit derivatives	930	633	107
Unused lines of credit:			
Commercial	37,744	29,790	33,485
Credit cards[(1)]	20,817	21,961	23,057
Consumer	6,916	7,252	7,586
Commitments to extend credit:			
Original term to maturity of less than one year			
Original term to maturity of more than one year	4,624	3,991	3,259
Retained interests in special purpose entities	95	118	84
Credit facilities to special purpose entities[(2)]	7,160	4,140	3,157
Investments in special purpose entities[(2)]	900	3,219	556
Investments in variable interest entities	473	560	340

(1) Relates to the unused credit card limits that may be cancelled by us at any time.
(2) Structured by third parties.

We analyze our off-balance sheet legally binding credit-related commitments for possible losses associated with such commitments. We review the ability of the counterparties of the underlying credit-related commitments to perform their obligations under the commitments and, if we determine that a loss is probable and estimable, we establish allowances for possible losses in a manner similar to allowances that we would establish with respect to a loan granted under the terms of the applicable commitment. These allowances are reflected as other liabilities in our balance sheet. As of December 31, 2010, we had established allowances for possible losses of ₩440 billion with respect to our credit-related commitments.

Capital Adequacy

Our subsidiaries Woori Bank, Kyongnam Bank and Kwangju Bank are subject to the capital adequacy requirements of the Financial Services Commission. The requirements applicable commencing in 2008 were formulated based on, and are consistent in all material respects with, the International Convergence of Capital Measurement and Capital Standards, a Revised Framework, also known as Basel II, first published by the Basel Committee on Banking Supervision, Bank for International Settlements in 2004. These subsidiaries are required to maintain a minimum ratio of total capital (Tier I and Tier II capital, less any capital deductions) to risk-weighted assets, as determined by a specified formula, of 8.0%. See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Banks Capital Adequacy and Allowances.

Tier I capital is core capital, which consists of paid-in capital, capital surplus, retained earnings, noncontrolling interests in consolidated subsidiaries and unpaid share dividends minus deductions. Tier II capital is supplemental capital, which includes allowances for certain loan losses up to 1.25% of total risk-weighted assets, subordinated debts with an initial maturity of at least five years and revaluation surplus. Risk-weighted assets are calculated as the sum of credit risk-weighted assets, market risk-weighted assets and operational risk-weighted assets, in each case as provided in the Financial Services Commission s guidelines.

Table of Contents

The following tables set forth a summary of the capital and capital adequacy ratios of Woori Bank, our principal banking subsidiary, and the capital adequacy ratios of Kyongnam Bank and Kwangju Bank, as of December 31, 2008, 2009 and 2010 based on applicable Korean GAAP and regulatory reporting standards:

	As of December 31,		
	2008	2009	2010
	(in billions of Won)		
Woori Bank			
Tier I capital			
Paid-in capital	₩ 3,530	₩ 3,830	₩ 3,830
Hybrid	1,513	2,423	2,394
Capital reserves	814	812	812
Retained earnings	6,934	7,887	8,713
Minority interests in consolidated subsidiaries	5	6	7
Consolidated adjustment credit/debit			
Others	(1,118)	(747)	(705)
Total Tier I capital	11,678	14,211	15,051
Tier II capital			
Revaluation reserves			
Allowance for loan losses[1]	1,128	1,151	820
Subordinated debt[2]	4,635	4,032	3,241
Valuation gain on investment securities	407	450	324
Others	(107)	(181)	(98)
Total Tier II capital	6,063	5,452	4,287
Investment in non-consolidated equity investees[3]			
Total core and supplementary capital	₩ 17,741	₩ 19,663	₩ 19,338
Risk-weighted assets			
Credit risk-weighted assets	₩ 140,183	₩ 125,348	₩ 123,370
Market risk-weighted assets	3,446	2,535	1,257
Operational risk-weighted assets	8,314	7,788	7,371
Total risk-weighted assets	151,943	135,671	131,998
Risk-weighted assets for required capital adjustment[4]		991	
Total adjusted risk-weighted assets	₩ 151,943	₩ 136,662	₩ 131,998
Tier I capital ratio	7.69%	10.40%	11.40%
Tier II capital ratio	3.99	3.99	3.25
Capital adequacy ratio	11.68	14.39	14.65

(1) Allowances for loan losses in respect of credits classified as normal or precautionary are used to calculate Tier II capital only to the extent such allowances represent up to 1.25% of risk-weighted assets.

(2) Subordinated debt representing up to 50% of Tier I capital is used in the calculation of Tier II capital.

(3)

Equity method investees engaged in banking and financial activities of which Woori Bank owned more than 15% are deducted from Tier I and Tier II capital pursuant to the guidelines of the Financial Services Commission.

(4) Represents adjustments to total risk-weighted assets pursuant to Financial Supervisory Service guidelines that require banks that apply an internal ratings-based approach or advanced measurement approach in calculating capital requirements to adjust their total risk-weighted assets when calculating capital ratios in certain circumstances.

	Kyongnam Bank	Kwangju Bank
As of December 31, 2008		
Tier I capital ratio	7.84%	7.58%
Tier II capital ratio	3.94	4.53
Capital adequacy ratio	11.78	12.12

	Kyongnam Bank	Kwangju Bank
As of December 31, 2009		
Tier I capital ratio	9.68%	8.50%
Tier II capital ratio	4.02	5.33
Capital adequacy ratio	13.70	13.82

	Kyongnam Bank	Kwangju Bank
As of December 31, 2010		
Tier I capital ratio	9.73%	9.03%
Tier II capital ratio	4.36	4.19
Capital adequacy ratio	14.09	13.22

Beginning on January 1, 2008, the Financial Supervisory Service implemented Basel II in Korea. Basel II, which builds upon the initial Basel Capital Accord of 1988, focuses its attention on risk assessment and credit risk in particular. Basel II institutes new measures that require our commercial banking subsidiaries to:

- take into account individual borrower credit when calculating their risk-weighted assets, unlike in the past; and

- quantify their operational risk to include explicit capital requirements in their financial statements.

In addition, under Basel II, banks are permitted to follow either a standardized approach or an internal ratings-based approach with respect to calculating capital requirements. Woori Bank has voluntarily chosen to establish and follow an internal ratings-based approach, which is more stringent in terms of calculating risk sensitivity with respect to its capital requirements, while Kyongnam Bank and Kwangju Bank, both of which are in the process of establishing an internal ratings-based approach, currently use a standardized approach. In October 2008, the Financial Supervisory Service approved Woori Bank s internal ratings-based approach for credit risk. For regulatory reporting purposes, from September 30, 2008, Woori Bank has implemented its internal ratings-based approach for credit risk, beginning with its credit risk with respect to retail, small- and medium-size enterprises and large corporate loans and asset-backed securities portfolios, and plans to further implement its internal ratings-based approach to its specialized lending portfolio upon approval by the Financial Supervisory Service. A standardized approach will be used in measuring credit risk for those classes of exposure for which Woori Bank s internal ratings-based approach has not yet been implemented, as well as for certain classes of exposure (including those to the Korean government, public institutions and other banks) for which the internal ratings-based approach will not be applied. Woori Bank plans to implement an advanced internal ratings-based approach for credit risk in the near future. Woori Bank also implemented a standardized approach for operational risk beginning on January 1, 2008, and implemented an advanced measurement approach for operational risk in June 2009. While we believe that Woori Bank s implementation of an internal ratings-based approach in 2008 has increased its capital adequacy ratio and led to a decrease in its credit risk-related capital requirements as compared to those under its previous approach under the initial Basel Capital Accord of 1988, there can be no assurance that such internal ratings-based approach under Basel II will not require an increase in Woori Bank s credit risk capital requirements in the future, which may require it to either improve its asset quality or raise additional capital.

In December 2009, the Basel Committee on Banking Supervision introduced a new set of measures to supplement Basel II which include, among others, a requirement for higher minimum capital, introduction of a leverage ratio as a supplementary measure to the capital adequacy ratio and flexible capital requirements for different phases of the economic cycle. Additional details regarding such new measures, including an additional capital conservation buffer and countercyclical capital buffer, liquidity coverage ratio and other supplemental measures, were announced by the Group of Governors and Heads of Supervision of the Basel Committee on Banking Supervision in September 2010. After further impact assessment and observation periods, the Basel Committee on Banking Supervision is expected to begin implementing the new set of measures, referred to as Basel III, from 2013. The timing and scope of implementation of Basel III in Korea remain uncertain. The implementation of Basel III in Korea may have a significant effect on the capital requirements of Korean financial institutions, including our commercial banking subsidiaries.

Beginning on January 1, 2007, under the new capital adequacy requirements of the Financial Services Commission applicable from such date, we, as a bank holding company, are required to maintain a minimum consolidated capital adequacy ratio of 8.0%. Consolidated capital adequacy ratio is defined as the ratio of equity capital as a percentage of risk-weighted assets on a consolidated basis, determined in accordance with Financial Services Commission requirements that have been formulated based on Bank of International Settlements standards. Equity capital, as applicable to bank holding companies, is defined as the sum of Tier I capital, Tier II capital and Tier III capital less any deductible items, each as defined under the Regulation on the Supervision of Financial Holding Companies). Risk-weighted assets is defined as the sum of credit risk-weighted assets and market risk-weighted assets.

The following table sets forth a summary of our consolidated capital adequacy ratio as of December 31, 2010, based on applicable Korean GAAP and regulatory reporting standards:

	As of December 31, 2010
	(in billions of Won)
Risk-weighted assets	₩ 198,251
Equity capital	24,840
Consolidated capital adequacy ratio	12.53%

Recent Accounting Pronouncements

Noncontrolling Interests in Consolidated Financial Statements (ASC 810)

In December 2007, the FASB issued an amended accounting standard related to noncontrolling interests in consolidated financial statements, which applies to all entities that prepare consolidated financial statements, except for not-for-profit organizations, but affects only those entities that have an outstanding noncontrolling interest in one or more subsidiaries. The standard requires ownership interests in consolidated subsidiaries held by parties other than the parent to be accounted for and presented as equity, rather than as a liability or a mezzanine line item, and changes in the parent s ownership interest while the parent retains its controlling financial interest in its subsidiaries to be accounted for as equity transactions. We adopted this standard on January 1, 2009. As a result, ₩341 billion of noncontrolling interests as of December 31, 2008 were reclassified from a mezzanine line item to equity.

Consolidation of Variable Interest Entities (ASC 810)

In June 2009, the FASB amended the accounting and disclosure guidance for the consolidation of variable interest entities. The amended accounting guidance requires the reconsideration of previous conclusions related to the consolidation of variable interest entities, including whether an entity is a variable interest entity and whether we are the variable interest entity s primary beneficiary. Under the amended guidance, a variable interest entity s primary beneficiary is the entity that has the power to direct the variable interest entity s significant activities and has an obligation to absorb losses or the right to receive benefits that could be potentially significant to the variable interest entity. The amended guidance also requires companies to continually reassess whether they are the primary beneficiary of a variable interest entity, whereas the previous rules only required reconsideration upon the occurrence of certain triggering events. The amended accounting and disclosure guidance is effective as of the beginning of the first fiscal year that begins after November 15, 2009, or January 1, 2010 for us. As a result of our adoption of this guidance, we consolidated

Table of Contents

certain variable interest entities that were unconsolidated prior to January 1, 2010. The net effect of our adoption of this guidance was a decrease, on a consolidated basis, in our stockholders equity of ₩94 billion (net of tax) and increases, on a consolidated basis, in our total assets of ₩1,257 billion and in our total liabilities of ₩1,351 billion as of January 1, 2010.

In addition, the amended accounting guidance requires that a reporting entity separately present on the face of the financial statements the assets of a consolidated variable interest entity that can be used only to settle obligations of the consolidated variable interest entity and the liabilities of a consolidated variable interest entity for which creditors or beneficial interest holders do not have recourse to the general credit of the primary beneficiary. We adopted such amended guiance on January 1, 2010 and separately presented the assets and liabilities of consolidated variable interest entities, based on such categories, on the face of our consolidated balance sheet as of December 31, 2010.

Fair Value Measurements and Disclosures Measuring Liabilities at Fair Value (ASC 820)

In August 2009, the FASB amended the fair value measurements accounting guidance for measuring the fair value of liabilities. The amended accounting guidance clarifies that the quoted price for an identical liability, when traded as an asset in an active market, is also a Level 1 measurement for that liability when no adjustment to the quoted price is required. In the absence of a Level 1 measurement, the amended accounting guidance clarifies that we must use a valuation technique that uses a quoted price or a valuation technique based on the amount we would pay to transfer the identical liability or receive to enter into an identical liability. The amended accounting guidance became effective in the fourth quarter 2009 with adoption applied prospectively. Our adoption of this guidance did not have a material impact on our consolidated financial condition, results of operations or cash flows.

Fair Value Measurements and Disclosures Improving Disclosures about Fair Value Measurements (ASC 820)

In January 2010, the FASB amended the disclosure guidance related to fair value measurements. The amended disclosure guidance requires new fair value measurement disclosures and clarifies existing fair value measurement disclosure requirements. The amended disclosure guidance related to disclosures about purchases, sales, issuances and settlements of Level 3 instruments became effective for fiscal years beginning after December 15, 2010, or January 1, 2011 for us. The remainder of the amended disclosure guidance is effective for annual reporting periods beginning after December 31, 2009, or January 1, 2010 for us. The amended fair value disclosures are set forth in Note 32 of the notes to our consolidated financial statements.

Scope Exception Related to Embedded Credit Derivatives (ASC 815)

In March 2010, the FASB amended the accounting guidance for derivatives and hedging to clarify the type of embedded credit derivative that is exempt from embedded derivative bifurcation requirements. An embedded credit derivative that is related only to the subordination of one financial instrument to another qualifies for such exemption. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may be required to separately account for such non-exempted embedded credit derivative feature. This new accounting guidance became effective for us on July 1, 2010. Our adoption of this accounting guidance had no impact on our consolidated financial condition, results of operations or cash flows.

Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset (ASC 310)

In April 2010, the FASB issued a new accounting guidance for modified loans when the loans are accounted for within pools. This new accounting guidance improves comparability by eliminating diversity in practice about the treatment of modifications of loans accounted for within pools. Furthermore, it clarifies guidance about maintaining the integrity of a pool as the unit of accounting for acquired loans with credit

deterioration. We adopted this statement as of January 1, 2010. Our adoption of this statement had no impact on our consolidated financial condition, results of operations or cash flows.

ASU 2010-20, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASC 310)

In July 2010, the FASB amended the disclosure guidance for financial receivables and the allowance for credit losses. The amendments require a greater level of disaggregated information about the allowance for credit losses and the credit quality of financing receivables. In January 2011, the FASB delayed the effective date of this amended disclosure guidance with respect to troubled debt restructurings. The delay is intended to allow the FASB time to complete its deliberations on what constitutes a troubled debt restructuring. Other than with respect to disclosures relating to troubled debt restructurings, the amended disclosure guidance relating to information as of the end of a reporting period became effective for us as of December 31, 2010, and the required disclosures are included in Note 11 of the notes to our consolidated financial statements.

In April 2011, the FASB amended the guidance for accounting for troubled debt restructurings. This amendment clarifies the accounting guidance on a creditor s evaluation of whether it has granted a concession and whether a debtor is experiencing financial difficulties. The new accounting guidance is effective for the first interim or annual period beginning on or after June 15, 2011 and will have no impact on our accounting for troubled debt restructurings, as we have adopted IFRS beginning in 2011 and discontinued the use of U.S. GAAP financial reporting subsequent to December 31, 2010.

Selected Financial Information Under Korean GAAP

The selected consolidated financial and other data shown below have been derived from our consolidated financial statements prepared in accordance with Korean GAAP, including financial accounting standards generally accepted for banking institutions issued by the Korean Securities and Futures Commission.

Under Korean GAAP, consolidated financial statements include the accounts of fully- or majority-owned subsidiaries and substantially controlled affiliates that have assets in excess of ₩10 billion. Substantial control is deemed to exist when the investor is the largest shareholder and owns more than 30% of the investee s voting shares.

Capital adequacy ratios have been calculated from the consolidated financial statements prepared in accordance with Korean GAAP and using the guidelines issued by the Financial Services Commission.

Consolidated income statement data under Korean GAAP

	Year ended December 31,			
	2008	2009	2010	2010[1]
	(in billions of Won, except per share data)			(in millions of US$, except per share data)
Interest and dividend income	₩ 16,937	₩ 14,554	₩ 14,257	US $ 12,610
Interest expense	10,742	8,663	7,708	6,818
Net interest income	6,195	5,891	6,549	5,792
Provision for loan losses	1,628	2,177	2,669	2,361
Net interest income after provision for loan losses	4,567	3,714	3,880	3,431
Commission income	1,778	1,665	1,654	1,463
Other non-interest income	68,186	37,843	18,789	16,619
Non-interest expense	73,417	41,838	22,485	19,888
Operating income	1,114	1,384	1,838	1,625
Non-operating income	203	288	221	195
Non-operating expense	127	191	264	234
Income before income tax expense	1,190	1,481	1,795	1,586
Income tax expense (benefit)	603	403	495	438
Income (loss) from continuing operations	587	1,078	1,300	1,148
Total income (loss) from discontinued operations		38		
Net income (loss)	₩ 587	₩ 1,116	₩ 1,300	US $ 1,148
Controlling Interest	454	1,026	1,195	1,055
Noncontrolling interests	133	90	105	93
	₩ 587	₩ 1,116	₩ 1,300	US $ 1,148
Per common share data:				
Earnings per share-basic	₩ 564	₩ 1,273	₩ 1,483	US $ 1.31
Earnings per share-diluted	564	1,273	1,483	1.31
Cash dividends per share		100	250	0.22
Stock dividends per share				

(1) Won amounts are expressed in U.S. dollars at the rate of ₩1,130.6 to US$1.00, the noon buying rate in effect on December 31, 2010 as quoted by the Federal Reserve Bank of New York in the United States.

Table of Contents

Consolidated balance sheet data under Korean GAAP

	As of December 31, 2008	2009	2010	2010[(1)] (in millions of US$)
	(in billions of Won)			
Cash and due from banks	₩ 19,968	₩ 21,134	₩ 21,380	US $ 18,910
Trading securities	16,502	18,573	17,012	15,047
Investment securities	30,213	31,703	39,915	35,304
Loans	200,585	200,609	200,304	177,166
Less: allowance for loan losses and present value discounts	(3,546)	(3,726)	(4,685)	(4,144)
Fixed assets	2,797	2,820	2,886	2,553
Other assets	24,475	13,791	14,615	12,927
Total assets	₩ 290,994	₩ 284,904	₩ 291,427	US $ 257,763
Deposits	₩ 170,225	₩ 178,661	₩ 187,009	US $ 165,407
Borrowings	34,850	34,976	36,582	32,356
Debentures, net of discounts	39,868	36,689	33,010	29,197
Other liabilities	31,743	18,591	17,907	15,838
Total liabilities	276,686	268,917	274,508	242,798
Total Equity	14,308	15,987	16,919	14,965
Total liabilities and equity	₩ 290,994	₩ 284,904	₩ 291,427	US $ 257,763

(1) Won amounts are expressed in U.S. dollars at the rate of ₩1,130.6 to US$1.00, the noon buying rate in effect on December 31, 2010 as quoted by the Federal Reserve Bank of New York in the United States.

Ratios under Korean GAAP

	Year ended December 31, 2008	2009	2010
	(Percentages)		
Woori Finance Holdings:			
Net income as a percentage of:			
Average total assets	0.17%	0.35%	0.40%
Average stockholders equity	3.47	7.93	8.45
Dividend payout ratio[(1)]		7.90	16.86
Net interest spread[(2)]	2.78	2.53	2.97
Net interest margin[(3)]	2.27	1.99	2.31
Expense-to-revenue ratio[(4)]	52.68	48.19	45.90

Average stockholders equity as a percentage of average total assets	4.76	4.36	4.78
Woori Bank:			
Net income as a percentage of:			
Average total assets	0.11	0.41	0.49
Average stockholders equity	1.90	7.32	7.98
Dividend payout ratio(1)		24.13	29.94
Net interest spread(2)	2.71	2.42	2.87
Net interest margin(3)	2.24	1.88	2.22
Expense-to-revenue ratio(4)	43.42	43.71	40.80
Average stockholders equity as a percentage of average total assets	5.81	5.59	6.40

(1) The dividend payout ratio represents the ratio of total dividends paid on common stock as a percentage of net income attributable to common stock.
(2) Net interest spread represents the difference between the yield on average interest-earning assets and cost of average interest-bearing liabilities.
(3) Net interest margin represents the ratio of net interest income to average interest-earning assets.
(4) Represents the ratio of general and administrative expenses to adjusted operating income. Adjusted operating income represents operating income before loan loss provisions and general administrative expenses.

Capital, liquidity and leverage ratios under Korean GAAP

	As of December 31,		
	2008	**2009**	**2010**
		(Percentages)	
Capital ratios:			
Consolidated capital adequacy ratio of Woori Finance Holdings(1)	10.86%	12.35%	12.53%
Total capital adequacy ratio of Woori Bank(2)	11.68	14.39	14.65
Tier I(2)	7.69	10.40	11.40
Tier II(2)	3.99	3.99	3.25
Liquidity ratios:			
Won liquidity ratio of Woori Finance Holdings(3)	650.66	263.29	707.31
Won liquidity ratio of Woori Bank(4)	110.02	121.89	129.54
Foreign currency liquidity ratio of Woori Bank(5)	97.54	105.23	109.94
Leverage ratio:			
Ratio of acquisition price to net assets of Woori Finance Holdings(6)	50.24	47.48	45.03

(1) Under guidelines of the Financial Services Commission which became applicable in 2007, we, as a bank holding company, are required to maintain a minimum consolidated capital adequacy ratio of 8%. This computation is based on our consolidated financial statements prepared in accordance with Korean GAAP. See Financial Condition Capital Adequacy.
(2) Woori Bank accounted for 78.0% of our total assets as of December 31, 2010. The capital adequacy ratio of Woori Bank is computed in accordance with the guidelines issued by the Financial Services Commission. Under the guidelines of the Financial Services Commission, Woori Bank is required to maintain a minimum capital adequacy ratio of 8%. This computation is based on Woori Bank s consolidated financial statements prepared in accordance with Korean GAAP. See Financial Condition Capital Adequacy.
(3) For 2009 and 2010, defined as the ratio of Won currency assets due within one month, including marketable securities, to Won liabilities due within one month. For 2008, defined as the ratio of Won currency assets due within three months, including marketable securities, to Won liabilities due within three months. This ratio should not be less than 100% on a non-consolidated basis, under the Regulation on Finance Holding Companies.
(4) Defined as the ratio of Won currency assets due within one month, including marketable securities, to Won liabilities due within one month. This ratio should not be less than 100% on a non-consolidated basis, under the Regulation on Supervision of Banking Business.
(5) Defined as the ratio of foreign currency assets due within three months, including marketable securities, to foreign currency liabilities due within three months. This ratio should not be less than 85% on a non-consolidated basis, under the Regulation on Supervision of Banking Business.
(6)

Defined as the ratio of the acquisition prices of all subsidiaries in aggregate to the amount of net assets. This ratio should not be more than 100%, under the Financial Holding Company Act.

Asset quality data under Korean GAAP

	December 31, 2008	December 31, 2009	December 31, 2010
	(in billions of Won)		
Woori Finance Holdings:			
Non-performing loans[1]	₩ 2,601	₩ 3,436	₩ 6,813
Allowance for loan losses	3,630	3,824	4,785
Non-performing loans as a percentage of total loans	1.24%	1.69%	3.33%
Non-performing loans as a percentage of total assets	0.89	1.21	2.34
Allowance for loan losses as a percentage of non-performing loans	139.55	111.30	70.23
Allowance for loan losses as a percentage of total loans	1.74	1.88	2.34
Woori Bank:			
Non-performing loans[1]	₩ 2,100	₩ 2,726	₩ 5,618
Non-performing loans as a percentage of total loans	1.19%	1.60%	3.34%
Non-performing loans as a percentage of total assets	0.85	1.15	2.34
Precautionary loans as a percentage of total loans	2.02	2.83	2.93
Precautionary and below loans as a percentage of total loans	3.22	4.44	6.27
Precautionary and below loans as a percentage of total assets	2.30	3.17	4.39
Allowance for loan losses as a percentage of non-performing loans	144.07	113.61	70.07
Allowance for loan losses as a percentage of precautionary and below loans	53.48	41.08	37.36
Allowance for loan losses as a percentage of total loans	1.72	1.82	2.34

(1) Non-performing loans are defined as those loans that are classified as substandard or below based on the Financial Services Commission s asset classification criteria.

Reconciliation with Korean GAAP

Our consolidated financial statements are prepared in accordance with accounting principles and policies as summarized in Note 1 of the notes to our consolidated financial statements. These principles and policies differ in some respects from generally accepted accounting principles applicable in Korea. The following are reconciliations of net income and total equity of the consolidated statements with Korean GAAP:

	As of or for the year ended December 31, 2010 (in billions of Won)
Korean GAAP net income	₩ 1,300
1. Loans	(179)
2. Securities	184
3. Derivatives	61
4. Deferred loan costs	(7)
5. Fixed assets	(4)

6. Intangible assets		
7. Tax effect of deficit equity reduction		
8. Noncontrolling interest		(158)
9. Reversal effect of Daewoo E&C sale in Korean GAAP		29
10. Goodwill impairment		41
11. Others	₩	(49)
Total of adjustments		(82)
Tax effect of adjustments	₩	11

Table of Contents

		As of or for the year ended December 31, 2010 (in billions of Won)
U.S. GAAP net income	₩	1,229
Korean GAAP total equity	₩	16,919
1. Loans		7
2. Securities		(1,046)
3. Derivatives		151
4. Deferred loan costs		80
5. Fixed assets		(126)
6. Intangible assets		
7. Tax effect of deficit equity reduction		
8. Noncontrolling interest		(2,095)
9. Reversal effect of Daewoo E&C sale in Korean GAAP		(69)
10. Goodwill impairment		9
11. Others		119
Total of adjustments		(2,970)
Tax effect of adjustments		305
U.S. GAAP total equity	₩	14,254

The following is a summary of the significant adjustments made to consolidated net income and total equity to reconcile the U.S. GAAP results with Korean GAAP. The numbered paragraphs below refer to the corresponding item numbers set forth above.

1. We have established the U.S. GAAP allowance for loan losses for impaired non-homogeneous loans based on (1) the present value of expected future cash flows discounted at the loan s effective interest rate, (2) the fair value of the collateral if the loan is collateral dependent or (3) observable market prices if available. For credit card balances and consumer loans, we have established the allowance for loan losses based on an evaluation of the historical performance of the loan portfolios. Allowance for loan losses for corporate loans that are not impaired is based principally on expected loss methodology. See Item 4B. Business Overview Assets and Liabilities Asset Quality of Loans Loan Loss Provisioning Policy.

Under Korean GAAP, the allowance for loan losses is generally established based on the classification guidelines promulgated by the Financial Services Commission, which require that the minimum allowance be established based on the classification of the loan. We have generally used these guidelines in establishing the minimum reserves and have additionally considered loan loss provisioning guidelines announced by the Financial Services Commission in November 2004. These guidelines include a requirement that banks take into account expected losses with respect to credits in establishing their allowances for loan losses.

This adjustment also reflects the effect of the consolidation of certain securitized loans and related reserves, which we recorded as sold under Korean GAAP.

2. Under U.S. GAAP, decreases in fair value with respect to securities classified as available-for-sale or held-to-maturity below the cost basis of an individual security and deemed to be other-than-temporary must be written off through a charge to income. We consider other-than-temporary impairment for a debt security to have occurred if one of the following conditions is met: (i) we intend to sell the impaired debt security, (ii) it is more-likely-than-not that we will be required to sell the impaired debt security before recovery of the security s amortized cost basis or (iii) we do not expect to recover the entire amortized cost basis of the security. Our evaluation of whether we intend to sell an impaired debt security involves consideration of whether our management has decided to sell the security as of the relevant balance sheet date. Our evaluation of whether it is more-likely-than-not that we will be required to sell an impaired debt security before recovery of the security s amortized cost basis involves consideration of the likelihood of such sale in light of the

relevant legal, regulatory or operational requirements. For an impaired debt security that we do not intend to sell and with respect to which it is not more-likely-than-not that we will be required to sell before recovery of such security s amortized cost basis, we consider both qualitative and quantitative valuation factors to evaluate whether we expect to recover the entire amortized cost basis of such security and the amount of the other-than-temporary impairment is separated into an amount representing the credit loss, which is recognized in earnings, and an amount related to all other factors, which is recognized in other comprehensive income. For marketable equity securities, other-than-temporary impairment evaluations focus on whether evidence exists that supports recovery of the unrealized loss within a timeframe consistent with temporary impairment. Factors considered in this evaluation include the length of time and extent to which fair value is less than cost, the status of the security, our intent and ability to hold the security for a period of time sufficient to allow for any recovery in market value, and the conditions of the Korean and overseas economies. If we have decided to sell a specifically identified available-for-sale equity security whose fair value is less than its cost basis and we do not expect the fair value to recover prior to the expected time of the sale, a write-down for other-than-temporary impairment is recognized in earnings in the period in which the decision to sell is made. Under Korean GAAP, when the recoverable value of available-for-sale or held-to-maturity securities is less than their amortized acquisition costs (in the case of equity securities, their acquisition costs), and there is any objective evidence of impairment, then their book value is adjusted to their recoverable amount and the amount of their amortized acquisition costs (in the case of equity securities, their acquisition costs) in excess of the recoverable amount less the amount of impairment loss already recognized in the prior periods. This is reflected in current loss as impairment loss. There are other securities which under Korean GAAP are not determined to be permanently impaired for which under U.S. GAAP the impairment has been determined to be other-than-temporary. The adjustment for the cumulative impact of this difference reduces our Korean GAAP total equity.

3. Under U.S. GAAP, to qualify for hedge accounting, derivatives must be highly effective at reducing the risk associated with the exposure being hedged. Each derivatives instrument must be designated as a hedge, with documentation of the risk management objective and strategy for the hedge, identification of the hedging instrument, the hedged item and risk exposure, and how effectiveness is assessed prospectively and retrospectively. Under Korean GAAP, the criteria that must be met in order to apply hedge accounting are less prescriptive. The majority of the derivatives hedge accounting relationships that we have established under Korean GAAP did not qualify as hedges under U.S. GAAP, except for certain derivatives which qualify as fair value hedges under the short-cut method. This adjustment reflects the effects of the reversal of the hedge accounting treatment under Korean GAAP.

4. Under U.S. GAAP, certain employee and other costs associated with originating loans are deferred and amortized as a yield adjustment over the life of the related loans, net of any related fees received. These costs relate to direct loan origination activities performed by us which include evaluating the prospective borrower s financial condition, recording guarantees, collateral and other security arrangements, negotiating loan terms, preparing and processing loan documents and closing the transaction. Prior to 2003, Korean GAAP required these origination fees to be recognized in income or expense when received or paid and did not provide for deferral. Certain origination fees and costs are required to be deferred and amortized as a yield adjustment over the life of the related loans.

5. In 1998 and 2000, we revalued certain fixed assets in accordance with Korean GAAP with the revaluation increment credited to capital surplus. As a result of this revaluation, depreciation expense on these assets was adjusted to reflect the increased basis. Under U.S. GAAP, such a revaluation is not permitted and depreciation expense should be based on historical cost. As part of our normal operations, we occasionally dispose of fixed assets. Due to the difference in carrying value under U.S. GAAP and Korean GAAP noted above, there was an adjustment to reflect the gain or loss from the U.S. GAAP historic cost basis as opposed to the Korean GAAP carrying value.

6. Under U.S. GAAP, in connection with the acquisition of subsidiaries, we recognized the amount resulting from liabilities in excess of identified assets of the acquired subsidiaries as deficit equity which has been presented as a

reduction of additional paid-in capital. Also, we recognized a core deposits intangible as identifiable intangible assets and amortized based on the estimated useful life.

Table of Contents

Under Korean GAAP, we recorded the amount resulting from liabilities in excess of identified assets of the acquired subsidiaries as goodwill and amortized based on the estimated useful life.

These adjustments reflect the offsetting effect of (1) amortization of core deposits intangible under U.S. GAAP and (2) reversal of amortization of goodwill under Korean GAAP.

7. Under U.S. GAAP, we recorded a tax expense related to the utilization of pre-acquisition net operating loss carry-forwards and deductible temporary differences, both of which were credited to a reduction of deficit equity and core deposits intangible. Under Korean GAAP, the utilization of such items results in a decrease of current income tax expense with a reduction in gross deferred tax assets.

8. Certain subsidiaries (such as Woori Investment & Securities) that are accounted for as equity method investees under U.S. GAAP are accounted for as consolidated subsidiaries under Korean GAAP.

9. In 2006, we disposed of shares of Daewoo Engineering & Construction (or Daewoo E&C) common stock, which we held as investment securities, following its conclusion of a workout program. Subsequently, we acquired shares of Daewoo E&C common stock through a co-investment in Daewoo E&C with the Kumho Asiana Group, in connection with which we were also granted put options for such Daewoo E&C shares held by us. Such put options were granted to us for no cash consideration. Such put options were recorded as part of our derivative assets in our consolidated financial statements prepared under Korean GAAP, but not in our consolidated financial statements prepared under U.S. GAAP, as such put options did not meet the definition of a derivative under U.S. GAAP due to the fact that they did not meet the net settlement requirement. In 2008, we recognized a gain from the change in fair value of such put options in our consolidated financial statements prepared under Korean GAAP, while we did not recognize such gain in our consolidated financial statements prepared under U.S. GAAP. In December 2009, we agreed with the Kumho Asiana Group to deem such put options as having been exercised while still maintaining ownership of the underlying Daewoo E&C common shares. In connection therewith, pursuant to a Korean GAAP interpretation provided by the Financial Supervisory Service of Korea, our investments in Daewoo E&C shares and the related put options were derecognized and a receivable was recorded under Korean GAAP. In 2010, we received shares of Kumho Industrial, a member of the Kumho Asiana Group, as payment for a part of such receivable and derecognized certain of the receivable under Korean GAAP. However, as such receivable is not recognized under U.S. GAAP, we recognized a gain in the amount of the fair value of the shares under U.S. GAAP. As of December 31, 2010, we continued to recognize the remainder of the receivable under Korean GAAP, but such receiveable was not recognized under U.S. GAAP, as we continued to maintain ownership of the underlying Daewoo E&C shares.

10. Under Korean GAAP, goodwill is amortized using the straight-line method over its useful life, not to exceed 20 years. Under U.S. GAAP, goodwill is not amortized but tested for impairment on an annual basis.

11. This adjustment reflects the effect of miscellaneous items, which are not individually material.

Item 5C. ***Research and Development, Patents and Licenses, etc.***

Not Applicable

Item 5D. ***Trend Information***

These matters are discussed under Item 5A and Item 5B above where relevant.

Item 5E. ***Off-Balance Sheet Arrangements***

See Item 5B. Liquidity and Capital Resources Financial Condition Contractual Obligations and Off-Balance Sheet Arrangements.

Item 5F. ***Tabular Disclosure of Contractual Obligations***

See Item 5B. Liquidity and Capital Resources Financial Condition Contractual Obligations and Off-Balance Sheet Arrangements.

Table of Contents

Item 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Item 6A. *Directors and Senior Management*

Board of Directors

Our board of directors has the ultimate responsibility for managing our affairs. The board currently comprises one standing director and seven outside directors. Standing directors are directors who are full-time executive officers of Woori Finance Holdings, while outside directors are directors who are not full-time executive officers.

Our articles of incorporation provide that the board can have no more than 15 directors. Standing directors must comprise less than 50% of the total number of directors and there must be at least three outside directors. Each standing director may be elected for a term of office not exceeding three years, as determined at the general meeting of shareholders, and may be re-elected. Each outside director may be elected for a term of office not exceeding two years, and may be re-elected for successive one-year terms, provided that the outside director may not serve in such office for more than five consecutive years. In addition, with respect to both standing and outside directors, such term of office is extended until or reduced to, as the case may be, the close of the annual general meeting of stockholders convened in respect of the last fiscal year of the director s term of office. These terms are subject to the Korean Commercial Code, the Financial Holding Company Act and related regulations. Each director may be re-elected, subject to these laws and regulations.

Our board of directors meets regularly on a quarterly basis to discuss and resolve various corporate matters. The board may also convene for additional extraordinary meetings at the request of any of the directors.

The names and positions of our directors are set forth below. The business address of all of the directors is our registered office at 203 Hoehyon-dong, 1-ga, Chung-gu, Seoul, Korea.

Standing Director

Our standing director is as follows:

Name	Age	Position	Director Since
Pal Seung Lee	67	Chairman and Chief Executive Officer	June 27, 2008

Our standing director is not involved in any significant business activities outside Woori Finance Holdings and our subsidiaries.

Pal Seung Lee was elected executive director in June 2008. Prior to that, he was the representative director of the Seoul Philharmonic Orchestra, chief executive officer of Woori Securities and executive managing director of Hanil Bank. Mr. Lee holds a Bachelor of Law from Korea University.

Outside Directors

Our outside directors are selected based on their experience and knowledge in diverse areas, which include law, finance, economics, management and accounting. We currently have seven outside directors. All were nominated by the Outside Director Candidate Recommendation Committee and approved by our shareholders.

Our outside directors are as follows:

Name	Age	Position	Director Since	Year Term Ends[1]
Yong-Man Rhee	77	Outside Director	March 25, 2011	2013
Kwang-Yie Kim	53	Outside Director	March 25, 2011	2013
John Ji Whan Park	43	Outside Director	March 25, 2011	2013
Doo-Hee Lee	54	Outside Director	March 27, 2009	2012
Hun Lee	50	Outside Director	March 27, 2009	2012
Min-Joon Bang	61	Outside Director	March 28, 2008	2012
Hi-Taek Shin	59	Outside Director	March 28, 2008	2012

Table of Contents

(1) The date on which each term will end will be the date of the general stockholders meeting in the relevant year.

Yong-Man Rhee was elected as an outside director in March 2011. He is currently a member of the National Elders Committee of Korea, and was formerly the governor of the Bank Supervisory Service and the Minister of Finance of Korea. He received a Bachelor of Public Administration from Korea University and a Master of Public Administration from Seoul National University.

Kwang-Yie Kim was elected an outside director in March 2011. He is currently the head of public relations at KDIC. He received a Bachelor of Science in Biochemistry from Yonsei University.

John Ji Whan Park was elected an outside director in March 2011. He is currently the representative director of Asia Revolution. He received a Bachelor of Arts in Economics from Brown University and a Master of Business Administration from Harvard University.

Doo-Hee Lee was elected an outside director in March 2009. He is currently the president of Asia-Pacific Association for International Education and a professor at the College of Business Administration, Korea University. He received a Bachelor of Business Administration from Korea University and a Master of and Ph.D. in Business Administration from Michigan State University.

Hun Lee was elected an outside director in March 2009. He is currently the co-head of The Lawyers for Citizens, and was formerly a lawyer at Barun Law. He received a Bachelor of Law from Chung-Ang University.

Min-Joon Bang was elected an outside director in March 2008. He is currently an executive vice president of New Daily, and was formerly the Arbitration Commissioner of the Press Arbitration Commission and the head of the editorial desk at Korea Times. He received a Bachelor of Arts degree in Korean Language and Literature from Seoul National University.

Hi-Taek Shin was elected an outside director in March 2008. He is currently a professor at the College of Law at Seoul National University. He was formerly associated with Kim & Chang. He received a Bachelor and Master of Law from Seoul National University and a J.S.D. from Yale Law School.

If any director wishes to enter into a transaction with us in his or her personal capacity, he or she must obtain the prior approval of our board of directors. The director having an interest in the transaction may not vote at the meeting during which the board approves the transaction.

Executive Officers

In addition to the standing director who is also our executive officer, we currently have the following eight executive officers.

Name	Age	Position
Hyun Jin Jung	59	Senior Managing Director
Jeong Han Kim	54	Senior Managing Director
Yang Jin Kim	55	Senior Managing Director
Rok Hwang	55	Senior Managing Director
Byoung Yoon Jeon	56	Senior Managing Director

Sung Jae Park	56	Managing Director
Seong Kook Jo	57	Managing Director
Hong Dall Kim	51	Managing Director

Hyun Jin Jung serves as a senior managing director in charge of management planning, financial planning, financial accounting, audit and management inspection, strategic planning and global business. Prior to that, he was an executive vice president of Woori Bank. He holds a Bachelor of Business Administration from Seoul National University.

Table of Contents

Jeong Han Kim serves as a senior managing director in charge of risk management. Prior to that, he was an executive vice president of Woori Bank. He holds a Bachelor of Law from Korea University and a Master of International Economics from the University of Essex.

Yang Jin Kim serves as a senior managing director in charge of synergy promotion. He also serves as an deputy president of Woori Bank. Prior to that, he was an executive vice president of Woori Bank. He holds a Bachelor of Arts in Agricultural Economics from Seoul National University.

Rok Hwang serves as a senior managing director in charge of future strategy. Prior to that, he was an executive vice president of Woori Bank. He holds a Bachelor of Business Administration from Korea University.

Byoung Yoon Jeon serves as a senior managing director in charge of management support. Prior to that, he was the head of operations of Seoul Philharmonic Ochestra. He holds a Bachelor of Arts in English Literature from Sogang University.

Sung Jae Park serves as a managing director in charge of compliance. Prior to that, he was the head of a regional sales center of Woori Bank. He holds a Bachelor of Business Administration from Korea University.

Seong Kook Jo serves as a managing director in charge of audit and management inspection. Prior to that, he was a senior general manager of Woori Bank. He holds a Bachelor of Science in Agricultural Chemistry from Korea University.

Hong Dall Kim serves as a managing director in charge of management research. Prior to that, he was a general manager of Woori Finance Holdings. He holds a Bachelor of Business Administration from Sogang University and a Master of Arts in Economics from Tsukuba University, Japan.

None of the executive officers is involved in any significant business activities outside Woori Finance Holdings and our subsidiaries.

Item 6B. *Compensation*

The aggregate remuneration and benefits-in-kind we paid in 2010 to our chairman and chief executive officer, our outside directors and our other executive officers was ₩4,048 million. In 2010, we recorded additional provisions of ₩218 million for allowances for severance and retirement benefits for those directors and officers. We do not have service contracts with any of these directors or officers that provide for benefits if employment with us is terminated.

In 2010, we did not grant any stock options and, accordingly, did not recognize any compensation expense for stock options granted under our stock option plan. As of the date of this annual report, we do not have any stock options outstanding.

Item 6C. *Board Practices*

See Item 6A. Directors and Senior Management Board of Directors and Item 6B. Compensation for information concerning the terms of office and contractual employment arrangements with our directors and executive officers.

Committees of the Board of Directors

We currently have nine committees that serve under the board:

the Management Committee;

the Business Development and Compensation Committee;

the Risk Management Committee;

the Audit Committee;

the Standing Directors Committee;

Table of Contents

the Ethics Committee;

the Outside Directors Recommendation Committee;

the MOU Evaluation Committee; and

the Audit Committee Member Candidate Recommendation Committee.

The board appoints each member of these committees except for members of the Audit Committee, who are elected by our stockholders at the annual general meeting.

Management Committee

This committee consists of one standing director and four outside directors: Pal Seung Lee, Yong-Man Rhee, Doo-Hee Lee, Min Joon Bang and Hi Taek Shin. The chairman is Pal Seung Lee. This committee, which functions as a steering committee, enables broad management oversight of our operations. It is responsible for the following:

setting rules and procedures for operations of our board and its various committees;

resolving issues relating to critical management-related matters like restructuring;

formulating management strategies and policies; and

determining policies to enhance our corporate governance structure.

This committee holds regular meetings every six months.

Business Development and Compensation Committee

This committee consists of four outside directors: Yong-Man Rhee, Min-Joon Bang, Hun Lee and John Ji Whan Park. The chairman is Yong-Man Rhee. It is responsible for all matters relating to the following:

management s performance in developing our business;

setting goals and targets with respect to and evaluating executive performance; and

fixing executive compensation, including incentives and bonuses.

This committee holds regular meetings every six months.

Risk Management Committee

This committee consists of one standing director and four outside directors: Pal Seung Lee, Kwang-Yie Kim, John Ji Whan Park, Min-Joon Bang and Hun Lee. The chairman is Pal Seung Lee. It oversees and makes determinations on all issues relating to our group-wide, standardized risk management system. It implements policies regarding, monitors and has ultimate responsibility for managing credit, market and liquidity risk and asset and liability management. The major roles of the Group Risk Management Committee include:

determining and amending risk management policies, guidelines and limits in conformity with the strategy established by the board of directors;

determining the appropriate level of risks that we should be willing to undertake;

allocating risk capital to each subsidiary and setting our subsidiaries risk limits;

reviewing our group-wide risk profile, including the level of risks we are exposed to and the status of our risk management operations; and

monitoring our subsidiaries compliance with our risk policies.

The Group Risk Management Committee regularly receives reports from the Group Risk Management Council as well as the Group Risk Management Department, which in turn receives reports from the subsidiary level risk management committees and units. See Item 11. Quantitative and Qualitative Disclosures about Market Risk. The committee holds regular meetings every three months.

Audit Committee

This committee consists of five outside directors: Yong-Man Rhee, Kwang-Yie Kim, Hun Lee, Hi-Taek Shin and Doo-Hee Lee. The chairman is Hi-Taek Shin. It reviews all audit and compliance-related matters and makes recommendations to our board. This committee also is responsible for the following:

- formulating, executing, evaluating and managing internal audit plans (including the financial and operational audits);
- approving the appointment and dismissal of the head of the audit team;
- approving the appointment of external auditors and evaluating the activities carried out by external auditors;
- formulating appropriate measures to correct problems identified from internal audits;
- overseeing the reporting systems within our holding company structure and all disclosure rules and requirements to ensure compliance with applicable regulations; and
- examining internal procedures or making decisions on material matters that are related to audits as determined by the regulatory authorities, our board or other committees.

This committee also makes recommendations on regulatory issues to the Financial Supervisory Service, if and when deemed necessary. In addition, in connection with general meetings of stockholders, the committee examines the agenda for, and financial statements and other reports to be submitted by, the board of directors to each general meeting of stockholders. The internal and external auditors report directly to the Audit Committee chairman. Our external auditor is invited to attend meetings of this committee when needed or when matters pertaining to the audit are discussed. The subsidiary-level Audit Committees, which review subsidiary-level internal practices, report to the Audit Council that in turn reports to this committee.

The committee holds regular meetings every three months.

Standing Directors Committee

This committee currently consists of our standing director, Pal Seung Lee, who is the chairman. This committee is an operational committee that oversees decisions with respect to our operational and management matters. The committee holds meetings whenever it is deemed necessary.

Ethics Committee

This committee consists of one standing director and four outside directors: Pal Seung Lee, Min-Joon Bang, Kwang-Yie Kim, Doo-Hee Lee and John Ji Whan Park. The chairman is Min-Joon Bang. It is responsible for the following:

- implementing our code of ethics and amending it when necessary;

managing our ethics policies, including developing procedures and standards of conduct to ensure compliance; and

evaluating our performance under our code of ethics.

This committee holds regular meetings every year.

Outside Directors Recommendation Committee

This committee consists of one standing director and five outside directors: Pal Seung Lee, Kwang-Yie Kim, John Ji Whan Park, Doo-Hee Lee, Hi-Taek Shin and Hun Lee. The chairman is Doo-Hee Lee. It is responsible for the following:

- searching for potential outside director candidates; and
- reviewing and nominating outside director candidates.

This committee holds meetings when an outside director needs to be appointed.

MOU Evaluation Committee

This committee consists of the entire board of directors: Pal Seung Lee, Yong-Man Rhee, Kwang-Yie Kim, John Ji Whan Park, Doo-Hee Lee, Hun-Lee, Min-Joon Bang and Hi-Taek Shin. The chairman is Pal Seung Lee. It is responsible for the following:

- evaluating MOU target attainment performances of us and our subsidiaries; and
- overseeing and managing the MOU steering committee.

This committee holds regular meetings every three months.

Audit Committee Member Candidate Recommendation Committee

This committee, which was first formed in January 2008, consists of seven outside directors: Yong-Man Rhee, Kwang-Yie Kim, John Ji Whan Park, Doo-Hee Lee, Hun Lee, Min-Joon Bang and Hi-Taek Shin. The chairman is Doo-Hee Lee. This committee holds meetings when an audit committee member needs to be appointed.

Item 6D. ***Employees***

As of December 31, 2010, we had a total of 163 full-time employees, including nine officers, at our financial holding company. The following table sets forth information regarding our employees at both our financial holding company and our subsidiaries as of the dates indicated:

	As of December 31,		
	2008	**2009**	**2010**
Full-time employees	20,283	21,108	21,483
Contractual employees	4,908	4,133	4,255
Total	25,191	25,241	25,738

At the holding company level, our employees do not currently have a union and none of such employees are members of an outside labor union. At each of our subsidiaries, our employees have a labor union, and approximately 63.1% of the employees of our subsidiaries are members of the Korea Financial Industry Union or other labor unions. Since we were established in April 2001, neither we nor any of our subsidiaries has had any significant labor disputes, although we have made certain concessions to our labor unions. See Item 3D. Risk Factors Other risks relating to our business Labor union unrest may disrupt our operations and hinder our ability to continue to reorganize and integrate our operations. We have placed a high priority on our relationship with our employees and on maintaining an atmosphere of trust and cooperation between our labor and management.

At the holding company level, our salary system with respect to our employees is based on a combination of the agreed-upon base salary and bonuses reflecting the work productivity of each employee. We believe that the salaries we pay to our employees and management are similar to those of other large financial institutions in Korea. We evaluate employees twice a year (usually in January and July), based on our business performance and evaluations provided by co-workers and superiors. With respect to our compensation program, we do not provide housing leases or loans to our employees.

We have introduced a wage peak system as a result of an agreement reached with our employees in 2005. Under the system, an employee s wages reach a certain peak and then are gradually reduced as the employee reaches retirement age. This will allow the retirement age to be extended by two years to age 60 under the new system, while our employees wages would be cut incrementally from age 55. We believe that this system is beneficial both for us and our employees as it will encourage early retirements and reduce costs, while allowing employees to defer their retirement by two years. We are also planning to extend a performance-based pay system to all of our employees, as it currently applies only to those who are in the position of vice chief of a department or higher as well as certain departments (such as the Investment Finance department).

We have an employee stock ownership association, which purchases our shares at the request of our employees using their own funds. We do not provide any compensation benefits to employees through such purchases, although the association is entitled to certain pre-emptive rights. See Item 10B. Memorandum and Articles of Association Pre-emptive Rights and Issuances of Additional Shares.

At our subsidiaries, employee compensation is based on a combination of the agreed-upon base salary and bonuses. The bonus system is based on individual performance and business unit performance. We believe that our compensation package for our subsidiaries is similar to those institutions in the same industries. We provide a wide range of benefits to our employees, including medical insurance, employment insurance, workers compensation, life insurance, financial aid for children s tuition, low-interest housing loans and pension plans.

In accordance with our internal policy and the Korean Labor Standard Law, employees with one year or more of service are entitled, upon termination of their employment, to receive a lump sum severance payment based upon the length of their service and the rate of pay at the time of termination. Such employees are entitled to receive a lump-sum equivalent to the average of 30 days pay for each year of service. We make provisions for accrued severance benefits based upon the assumption that all employees terminate their employment with us at the same time. As of December 31, 2010, accrued severance benefits were ₩197 billion, which represented 100% of the amount required under Financial Services Commission guidelines. As of December 31, 2010, approximately 76.8% of accrued severance benefits were deposited with insurance companies and other banks. Under Korean law, we may not terminate full time employees except under certain circumstances.

In 2008, 2009 and 2010 we paid ₩15 billion, ₩14 billion and ₩14 billion, respectively, for the training of our employees in specialist areas by local and foreign training institutes.

Item 6E. ***Share Ownership***

Common Stock

As of June 17, 2011, the persons who are currently our directors or executive officers, as a group, held an aggregate of 53,353 shares of our common stock. None of these persons individually held more than 1% of our outstanding common stock as of such date. The following table presents information regarding our directors and executive officers who beneficially owned our shares as of June 17, 2011.

Name of Executive Officer or Director	Number of Shares of Common Stock

Pal Seung Lee	53,000
Sung Jae Park	353
Total	53,353

Table of Contents

Stock Options

In December 2002, we granted stock options to directors and executive officers of us and certain of our subsidiaries. The exercise period for all such stock options expired on December 4, 2008 and was not extended. As of December 31, 2010, our directors and executive officers did not hold any stock options. As of the date of this annual report, we do not have any stock options outstanding.

Item 7. MAJOR STOCKHOLDERS AND RELATED PARTY TRANSACTIONS

Item 7A. *Major Stockholders*

The following table presents information regarding the beneficial ownership of our shares at June 17, 2011 by each person or entity known to us to own beneficially more than 5% of our outstanding shares:

Except as otherwise indicated, each stockholder identified by name has:

- sole voting and investment power with respect to its shares; and
- record and beneficial ownership with respect to its shares.

Beneficial Owner	Number of Shares of Common Stock	Percentage of Total Shares of Common Stock	Percentage of Total Shares on a Fully Diluted Basis
KDIC	459,198,609	56.97	56.97

As of June 17, 2011, our chairman and chief executive officer owned 53,000 shares of our common stock, our executive officers, excluding our chairman and chief executive officer, collectively owned 353 shares of our common stock, and our outside directors did not own any shares of our common stock.

Other than as set forth above, no other person or entity known by us to be acting in concert, directly or indirectly, jointly or separately, owned 5.0% or more of the outstanding shares of our common stock or exercised control or could exercise control over us as of June 17, 2011.

Item 7B. *Related Party Transactions*

We regularly engage in transactions with entities affiliated with the government, which as of June 17, 2011 owned 56.97% of our shares through the KDIC. Generally, these transactions include the extension of loans, the purchase of debt securities and other ordinary course activities relating to our banking business. For a description of such transactions, see Item 4B. Business Overview Assets and Liabilities.

We and our subsidiaries have entered into memoranda of understanding with the KDIC, under which we and our subsidiaries must meet business normalization targets or specific financial targets, or the KDIC has the right to impose sanctions on our directors or employees or to require us or our subsidiaries to take certain actions. See Item 4A. History and Development of the Company History Relationship with the Korean Government. In addition, as of December 31, 2010, we owned ₩857 billion of debentures issued by the KDIC, representing 1.8% of our investment securities.

In 2008, we entered into three loan agreements with Woori Financial, our subsidiary, to lend an aggregate of ₩170 billion. As of June 17, 2011, ₩1 billion of such loans remained outstanding to Woori Financial.

As of December 31, 2008, we had loans outstanding to our executive officers and directors in the aggregate amount of ₩29 million. As of December 31, 2009, we had loans outstanding to our executive officers and directors in the aggregate amount of ₩97 million. As of December 31, 2010, we had loans outstanding to our executive officers and directors in the aggregate amount of ₩263 million. For additional information regarding our transactions with related parties, see Note 36 of the notes to our consolidated financial statements.

All of these loans were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectibility or present other unfavorable features.

Table of Contents

None of our directors or officers have or had any interest in any transactions effected by us that are or were unusual in their nature or conditions or significant to our business which were effected during the current or immediately preceding year or were effected during an earlier year and remain in any respect outstanding or unperformed.

Item 7C. *Interest of Experts and Counsel*

Not Applicable

Item 8. FINANCIAL INFORMATION

Item 8A. *Consolidated Statements and Other Financial Information*

See Item 18. Financial Statements and pages F-1 through F-100.

Legal Proceedings

As a financial institution with diverse operations, we are subject to legal proceedings and regulatory actions in the ordinary course of our business.

Woori Bank

In connection with certain lawsuits against Hanvit Bank (the predecessor to Woori Bank) and other defendants filed in the United States by various investors regarding alleged fraud by Lernout & Hauspie Speech Products, which ended in 2006 with the dismissal of all of the plaintiffs claims, in August 2005, Lernout & Hauspie filed a lawsuit in the U.S. District Court for the Southern District of New York against Woori Bank and the other domestic banks named as defendants in the previous lawsuits, alleging that the banks non-recourse loan transaction with Lernout & Hauspie s Korean subsidiary had contributed to Lernout & Hauspie s improper accounting. In 2006, the U.S. District Court for the Southern District of New York dismissed the complaint. The plaintiff subsequently filed an amended complaint with the court, which was dismissed by the court in February 2010.

Commencing in 2005, Woori Bank marketed and sold investment fund products known as the Woori Power Income Funds, created and managed by Woori Asset Management, to customers in Korea. The funds have experienced significant declines in value, principally as a result of investments made in securities and derivative instruments of troubled financial institutions in the U.S. and elsewhere. In November 2008, in response to complaints filed by customers who suffered losses as a result of their investment in these products, the Financial Supervisory Service ruled that Woori Bank should compensate such customers for 30% to 50% of the investment losses they suffered due to its failure to adequately disclose the risks associated with an investment in the products. However, certain customers who invested in these products through Woori Bank have opted to instead file lawsuits against Woori Bank based on its alleged failure to adequately disclose such risks, in order to obtain higher levels of compensation. As of May 31, 2011, 13 such lawsuits were pending and the aggregate amount claimed against Woori Bank in such lawsuits was approximately ₩8 billion. In 12 of such lawsuits, the trial courts ruled that Woori Bank was liable for damages equal to approximately 20% to 45% of the losses suffered by the plaintiffs. These decisions were appealed to the appellate court by both the plaintiffs and Woori Bank, where they are currently pending. Through May 31, 2011, the aggregate amount of compensation payments made to customers by Woori Bank in relation to such products, including payments made in accordance with the Financial Supervisory Service s ruling as well as lawsuits filed by customers, was ₩19 billion. In addition, certain of Woori Bank s customers have filed lawsuits against it in connection with certain other investment fund products created and managed by Woori Asset Management and sold by Woori Bank to customers in Korea, including those which had invested in certain equity-linked securities issued by Lehman Brothers and incurred significant losses following the Lehman Brothers bankruptcy. See Woori Asset Management .

As of May 31, 2011, three such lawsuits were pending and the aggregate amount claimed against Woori Bank in such lawsuits was approximately ₩12 billion. The trial courts ruled for Woori Bank in two of such lawsuits, each of which has been appealed by the plaintiffs, while one lawsuit is still pending in the trial court. Additional lawsuits may be filed against Woori Bank with respect to its sales of such products, and the final outcome of such litigation remains uncertain.

In 2008, certain of Woori Bank s customers filed lawsuits against it in connection with its sales of foreign currency derivatives products known as KIKO (which stands for knock-in knock-out), which are intended to operate as hedging instruments against fluctuations in the exchange rate between the Won and the U.S. dollar. Due to the significant depreciation of the Won against the U.S. dollar in 2008 and 2009, customers who purchased KIKO products from Woori Bank were required to make large payments to it. Seven companies have filed lawsuits against Woori Bank alleging that the contracts under which the relevant KIKO products were sold by Woori Bank should be nullified and that Woori Bank should return payments received thereunder. As of May 31, 2011, two of such lawsuits were pending at the trial court, two were pending in the appellate court following appeals by the plaintiffs after trial court decisions in favor of Woori Bank and one was pending at the Supreme Court of Korea following appeal by the plaintiff after both the trial court and the appellate court decided in our favor. The aggregate amount of such claims, as of May 31, 2011, was approximately ₩47 billion, and such amount may increase as the lawsuits progress or in the event of further depreciation of the Won against the U.S. dollar. Additional lawsuits may be filed against Woori Bank with respect to KIKO products, and the final outcome of such litigation remains uncertain.

Kwangju Bank

On October 24, 2001, The Export-Import Bank of Korea filed a lawsuit in Seoul District Court against Kwangju Bank with respect to its obligations relating to a certificate of guarantee to be issued on behalf of Daewoo Corporation in favor of The Export-Import Bank of Korea in the amount of US$100 million, of which Kwangju Bank s exposure amounts to US$41 million. In December 2003, the Seoul District Court ruled against Kwangju Bank and required it to issue a certificate of guarantee on behalf of Daewoo Corporation in favor of The Export-Import Bank of Korea. Kwangju Bank appealed this decision to the Seoul High Court, which dismissed the appeal in December 2005. Kwangju Bank appealed the decision of the appellate court to the Supreme Court of Korea in January 2006, and the Supreme Court dismissed such appeal in July 2006. Subsequently, The Export-Import Bank of Korea filed an additional lawsuit in the Seoul District Court in December 2006 requesting monetary damages in satisfaction of Kwangju Bank s obligations relating to the certificate of guarantee. Following a decision by the trial court in August 2008 ordering Kwangju Bank to pay US$41 million of monetary damages to The Export-Import

Bank of Korea and Kwangju Bank s subsequent appeal of the trial court decision, the appellate court ruled in favor of The Export-Import Bank of Korea in December 2009 but reduced the amount of monetary damages payable by Kwangju Bank to US$35 million. Such appellate court decision was appealed by both The Export-Import Bank of Korea and Kwangju Bank to the Supreme Court of Korea in January 2010, where the case is currently pending.

Kyongnam Bank

From December 2008 to April 2010, certain employees of Kyongnam Bank colluded with several other parties to engage in various fraudulent transactions ostensibly on behalf of Kyongnam Bank, including providing to certain banks and companies commitments to purchase loans, guarantees for trusts and other payment guarantees. Based on our investigation, we believe that our total potential exposure under such fraudulent transactions is approximately ₩379 billion. A number of the counterparties to such fraudulent transactions have demanded that Kyongnam Bank fulfill its alleged obligations under such transactions but Kyongnam Bank has refused to accede to such demands. As of May 31, 2011, 17 counterparties had filed lawsuits against Kyongnam Bank with respect to such transactions. The aggregate amount claimed in such lawsuits was ₩316 billion. Additional lawsuits may be filed against Kyongnam Bank with respect to such transactions, and the final outcome of such litigation remains uncertain. In addition, in October 2010, as a result of such fraudulent transactions and their potential impact on Kyongnam Bank, the KDIC imposed an institutional warning on Kyongnam Bank, as well as reprimands and warnings on ten former and current executive officers of Kyongnam Bank. Furthermore, in October 2010, the Financial Services Commission suspended Kyongnam Bank from accepting new specified money trust accounts for three months and imposed reprimands and warnings on 22 executive officers and employees of Kyongnam Bank in connection with the same incident, as well as ordering the dismissal of three employees who were principally involved in the incident. See Item 3D. Risk Factors Other risks relating to our business Our failure to meet the financial and other business targets set forth in current terms of the memoranda of understanding among us, our subsidiaries and the KDIC may result in substantial harm to us or our subsidiaries and Item 3D. Risk Factors Risks relating to government regulation and policy The Financial Services Commission may impose burdensome measures on us if it deems us or one of our subsidiaries to be financially unsound.

Woori Asset Management

Commencing in 2008, certain of Woori Asset Management s customers have filed lawsuits against it in connection with certain investment fund products created and managed by Woori Asset Management and sold to customers in Korea, including those which had invested in certain equity-linked securities issued by Lehman Brothers and incurred significant losses following the Lehman Brothers bankruptcy. Woori Bank, which sold some of such products, was also named as a defendant in certain of those lawsuits. See Woori Bank . The trial court ruled in favor of the plaintiffs in two of the pending suits and in favor of Woori Asset Management in three of the pending suits, four of which (including both suits in which the trial court ruled in favor of the plaintiff) have been appealed and are currently pending before the appellate courts. One other lawsuit is currently pending before the trial court. The aggregate amount of such claims, as of May 31, 2011, was ₩26 billion. Additional lawsuits may be filed against Woori Asset Management with respect to its management of such products, and the final outcome of such litigation remains uncertain.

In addition, in connection with the Woori Power Income Funds investment fund products created and managed by Woori Asset Management and marketed and sold by Woori Bank and other financial institutions to customers in Korea, certain such customers have filed lawsuits against Woori Asset Management and, in certain of those cases, against Woori Bank as well. See Woori Bank. As of May 31, 2011, 16 such lawsuits were pending against Woori Asset Management and the aggregate amount claimed against Woori Asset Management in such lawsuits was approximately ₩6 billion. In 13 of such lawsuits, the trial courts ruled that Woori Asset Management was liable for damages equal to 15% to 40% of the losses suffered by the plaintiffs, while four of such lawsuits were ruled in favor of Woori Asset Management. All of these decisions were appealed to the appellate courts, of which six were decided in the favor of the plaintiffs in part while three were decided in the favor of Woori Asset Management by the appellate courts. All nine of such appellate court decisions were appealed and are currently pending before the Supreme Court of Korea. Additional lawsuits may be filed against Woori Asset Management with respect to its management of such products, and the final outcome of such litigation remains uncertain.

Other than the legal proceedings discussed above, we and our subsidiaries are not a party to any legal or administrative proceedings and no proceedings are known by us to be contemplated by governmental authorities or third parties, which, if adversely determined, may have a material adverse effect on our financial condition or results of operations.

Dividends

We declare our dividend annually at the annual general meeting of stockholders. We generally hold this meeting within three months after the end of each fiscal year. We must pay the annual dividend to the stockholders of record as of the end of the preceding fiscal year within one month after that meeting. We can distribute the annual dividend either in cash or in stock. Cash dividends may be paid out of retained earnings that have not been appropriated to statutory reserves. See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Financial Holding Companies Capital Adequacy.

189

Table of Contents

The table below sets forth the dividend per share of common stock and the total amount of dividends declared by us with respect to each of the five years ended December 31, 2010. The dividends set forth below with respect to each year were declared, paid and recorded in the following year.

Fiscal Year	Dividends Per Common Share	Dividends Per Preferred Share	Total Amount Of Cash Dividends Paid
	(in Won)		(in millions of Won)
2006	600		483,608
2007	250		201,503
2008			
2009	100		80,601
2010	250		201,503

Future dividends will depend upon our revenues, cash flow, financial condition and other factors. As an owner of ADSs, you will be entitled to receive dividends payable in respect of the shares of common stock represented by such ADSs.

For a description of the tax consequences of dividends paid to our shareholders, see Item 10E. Taxation United States Taxation Dividends and Korean Taxation Taxation Dividends.

Item 8B. ***Significant Changes***

Not Applicable

Item 9. THE OFFER AND LISTING

Item 9A. ***Offering and Listing Details***

Market Price Information

The principal trading market for our common stock is the KRX KOSPI Market. Our common stock, which is in registered form and has a par value of ₩5,000 per share of common stock, has been listed on the KRX KOSPI Market since June 24, 2002 under the identifying code 053000. As of the date of this annual report, we have 806,012,779 shares of common stock outstanding. Our ADSs have been listed on the New York Stock Exchange and are identified by the symbol WF since September 29, 2003 under the CUSIP number 981063100.

The table below sets forth, for the periods indicated, the high and low closing prices and the average daily volume of trading activity on the KRX KOSPI Market for our common stock, and their high and low closing prices and the average daily volume of trading activity on the New York Stock Exchange for our ADSs.

	KRX KOSPI Market			New York Stock Exchange[1]		
	Closing Price Per Common Stock		Average Daily Trading Volume	Closing Price Per ADS		Average Daily Trading Volume
	High	Low		High	Low	
		(in thousands of shares)				(in shares)
2006	22,800	16,800	1,932	74.70	52.79	8,399
2007	25,800	16,500	3,320	83.79	51.71	11,033
2008						
First Quarter	19,200	15,600	2,720	62.04	46.97	7,775
Second Quarter	20,950	16,650	2,780	61.01	49.71	4,703
Third Quarter	16,650	11,700	4,612	48.60	26.26	12,158
Fourth Quarter	13,300	5,050	11,166	32.45	8.72	26,002
2009						
First Quarter	8,770	5,770	10,051	19.29	10.56	14,764
Second Quarter	12,850	7,160	11,311	29.90	16.75	18,437
Third Quarter	16,950	10,700	5,708	43.29	25.10	7,702
Fourth Quarter	16,900	13,300	4,561	43.78	35.00	10,589
2010						
First Quarter	16,800	12,950	3,680	44.10	33.05	9,320
Second Quarter	18,300	14,600	6,719	49.68	35.02	6,327
Third Quarter	15,400	13,150	3,938	38.79	33.19	4,872
Fourth Quarter	15,700	13,300	4,716	42.50	34.34	18,390
2011						
January	15,900	14,200	5,582	42.94	38.70	9,495
February	15,150	13,650	3,598	42.00	36.45	38,237
March	14,700	13,450	4,158	39.48	36.33	8,227
April	15,400	13,600	5,038	42.37	37.62	13,500
May	14,650	13,000	3,401	40.82	35.33	8,281
June (through June 17)	13,700	12,500	2,783	38.62	34.42	48,824

Source: KRX KOSPI Market; New York Stock Exchange.

(1) Each ADS represents the right to receive three shares of our common stock. Trading of our ADSs on the New York Stock Exchange commenced on September 29, 2003.

Item 9B. ***Plan of Distribution***

Not Applicable

Item 9C. ***Markets***

The KRX KOSPI Market, formerly known as the Stock Market Division of the Korea Exchange, began its operations in 1956. Currently it is the only stock exchange in Korea. It has a single trading floor located in Seoul. The KRX KOSPI Market is a membership organization consisting of most of the Korean securities companies and some Korean branches of foreign securities companies.

Table of Contents

As of December 31, 2010, the aggregate market value of equity securities listed on the KRX KOSPI Market was approximately ₩1,141 trillion. The average daily trading volume of equity securities for 2010 was approximately 381 million shares with an average transaction value of ₩5,620 billion.

The KRX KOSPI Market has the power in some circumstances to suspend trading in the shares of a given company or to de-list a security pursuant to the Listing Regulation of the KRX KOSPI Market. The KRX KOSPI Market also restricts share price movements. All listed companies are required to file accounting reports annually, semiannually and quarterly and to release immediately all information that may affect trading in a security.

The KRX KOSPI Market publishes the KOSPI, which is an index of all equity securities listed on the KRX KOSPI Market, every ten seconds. On January 1, 1983, the method of computing KOSPI was changed from the Dow Jones method to the aggregate value method. In the new method, the market capitalizations of all listed companies are aggregated, subject to certain adjustments, and this aggregate is expressed as a percentage of the aggregate market capitalization of all listed companies as of the base date, January 4, 1980.

The following table sets out movements in KOSPI:

	Opening	High	Low	Closing
1982	123.60	134.48	105.99	128.99
1983	122.52	134.46	115.59	121.21
1984	115.25	142.46	115.25	142.46
1985	139.53	163.37	131.40	163.37
1986	161.40	279.67	153.85	272.61
1987	264.82	525.11	264.82	525.11
1988	532.04	922.56	527.89	907.20
1989	919.61	1,007.77	844.75	909.72
1990	908.59	928.82	566.27	696.11
1991	679.75	763.10	586.51	610.92
1992	624.23	691.48	459.07	678.44
1993	697.41	874.10	605.93	866.18
1994	879.32	1,138.75	855.37	1,027.37
1995	1,013.57	1,016.77	847.09	882.94
1996	888.85	986.84	651.22	651.22
1997	653.79	792.29	350.68	376.31
1998	385.49	579.86	280.00	562.46
1999	587.57	1,028.07	498.42	1,028.07
2000	1,059.04	1,059.04	500.60	504.62
2001	520.95	704.50	468.76	693.70
2002	724.95	937.61	584.04	627.55
2003	635.17	822.16	515.24	810.71
2004	821.26	936.06	719.59	895.92
2005	893.71	1,379.37	870.84	1,379.37
2006	1,389.27	1,464.70	1,203.86	1,434.46
2007	1,435.26	2,064.85	1,355.79	1,897.13
2008	1,853.45	1,888.88	938.75	1,124.47
2009	1,132.87	1,723.17	992.69	1,682.77
2010	1,681.71	2,052.97	1,548.78	2,051.00

2011 (through June 17)	2,063.69	2,228.96	1,923.92	2,031.93

Source: The KRX KOSPI Market

Table of Contents

Shares are quoted ex-dividend on the first trading day of the relevant company s accounting period. Since the calendar year is the accounting period for the majority of listed companies, this may account for the drop in KOSPI between its closing level at the end of one calendar year and its opening level at the beginning of the following calendar year.

With certain exceptions, principally to take account of a share being quoted ex-dividend and ex-rights, permitted upward and downward movements in share prices of any category of shares on any day are limited under the rules of the KRX KOSPI Market to 15% of the previous day s closing price of the shares, rounded down as set out below:

Previous Day s Closing Price (Won)	**Rounded Down to Won**
Less than 5,000	5
5,000 to less than 10,000	10
10,000 to less than 50,000	50
50,000 to less than 100,000	100
100,000 to less than 500,000	500
500,000 or more	1,000

As a consequence, if a particular closing price is the same as the price set by the fluctuation limit, the closing price may not reflect the price at which persons would have been prepared, or would be prepared to continue, if so permitted, to buy and sell shares. Orders are executed on an auction system with priority rules to deal with competing bids and offers.

Due to deregulation of restrictions on brokerage commission rates, the brokerage commission rate on equity securities transactions may be determined by the parties, subject to commission schedules being filed with the KRX KOSPI Market by financial investment companies with a dealing and/or brokerage license. In addition, a securities transaction tax of 0.15% of the sales price will generally be imposed on the transfer of shares or certain securities representing rights to subscribe for shares. See Item 3D. Risk Factors Risks relating to our common stock and ADSs. An agriculture and fishery special surtax of 0.15% of the sales prices will also be imposed on transfer of these shares and securities on the KRX KOSPI Market. See Item 10E. Taxation Korean Taxation.

The number of companies listed on the KRX KOSPI Market, the corresponding total market capitalization at the end of the periods indicated and the average daily trading volume for those periods are set forth in the following table:

		Market Capitalization on the Last Day of Each Period		**Average Daily Trading Volume, Value**		
Year	**Number of Listed Companies**	**(billions of ₩)**	**(millions of US$)(1)**	**(thousands of shares)**	**(millions of ₩)**	**(thousands of US$)(1)**
1982	334	₩ 3,001	US$ 4,279	9,704	₩ 6,667	US$ 9,507
1983	328	3,490	4,666	9,325	5,941	7,944
1984	336	5,149	6,434	14,847	10,642	13,301
1985	342	6,570	7,921	18,925	12,315	14,846
1986	355	11,994	13,439	31,755	32,870	36,830

1987	389	26,172	30,250	20,353	70,185	81,120
1988	502	64,544	81,177	10,367	198,364	249,483
1989	626	95,477	138,997	11,757	280,967	409,037
1990	669	79,020	115,610	10,866	183,692	268,753
1991	686	73,118	101,623	14,022	214,263	297,795
1992	688	84,712	110,691	24,028	308,246	402,779
1993	693	112,665	142,668	35,130	574,048	726,919

Table of Contents

Year	Number of Listed Companies	Market Capitalization on the Last Day of Each Period (billions of ₩)	(millions of US$)[1]	Average Daily Trading Volume, Value (thousands of shares)	(millions of ₩)	(thousands of US$)[1]
1994	699	151,217	185,657	36,862	776,257	953,047
1995	721	141,151	178,266	26,130	487,762	616,016
1996	760	117,370	151,289	26,571	486,834	627,525
1997	776	70,989	82,786	41,525	555,759	648,115
1998	748	137,799	81,297	97,716	660,429	389,634
1999	725	349,504	294,319	278,551	3,481,620	2,931,891
2000	704	188,042	166,703	306,163	2,602,211	2,306,925
2001	689	255,850	200,039	473,241	1,997,420	1,561,705
2002	683	258,681	217,379	857,245	3,041,598	2,308,789
2003	684	355,363	298,123	542,010	2,216,636	1,859,594
2004	683	412,588	398,597	372,895	2,232,108	2,156,418
2005	702	655,075	648,589	467,629	3,157,662	3,126,398
2006	731	704,588	757,621	279,096	3,435,180	3,693,742
2007	745	951,900	1,017,205	363,741	5,539,653	5,919,698
2008	763	576,888	457,122	355,205	5,189,644	4,112,238
2009	770	887,935	763,027	485,657	5,795,426	4,980,172
2010	777	1,141,885	981,254	380,859	5,619,768	4,829,224
2011 (through June 17)	782	1,142,098	1,051,850	328,941	7,410,750	6,825,152

Source: The KRX KOSPI Market

(1) Converted at the noon buying rate of the Federal Reserve Bank of New York on the last business day of the period indicated.

The Korean securities markets are principally regulated by the Financial Services Commission and the Financial Investment Services and Capital Markets Act, which replaced the Korean Securities and Exchange Act in February 2009. The Financial Investment Services and Capital Markets Act imposes restrictions on insider trading, price manipulation and deceptive action (including unfair trading), requires specified information to be made available by listed companies to investors and establishes rules regarding margin trading, proxy solicitation, takeover bids, acquisition of treasury shares and reporting requirements for stockholders holding substantial interests.

Protection of Customer s Interest in Case of Insolvency of Financial Investment Companies with a Brokerage License

Under Korean law, the relationship between a customer and a financial investment company with a brokerage license in connection with a securities sell or buy order is deemed to be consignment and the securities acquired by a consignment agent (i.e., the financial investment company with a brokerage license) through such sell or buy order are regarded as belonging to the customer in so far as the customer and the consignment agent s creditors are concerned. Therefore, in the event of a bankruptcy or reorganization procedure involving a financial investment company with a brokerage license, the customer of such financial investment company is entitled to the proceeds of the securities sold by such financial investment company.

When a customer places a sell order with a financial investment company with a brokerage license which is not a member of the KRX KOSPI Market, and such financial investment company places a sell order with another financial investment company with a brokerage license, which is a member of the KRX KOSPI Market, the customer is still entitled to the proceeds of the securities sold and received by the non-member company from the member company regardless of the bankruptcy or reorganization of the non-member company.

Under the Financial Investment Services and Capital Markets Act, the KRX KOSPI Market is obliged to indemnify any loss or damage incurred by a counterparty as a result of a breach by its members. If a financial investment company with a brokerage license that is a member of the KRX KOSPI Market breaches its obligation in connection with a buy order, the KRX KOSPI Market is obliged to pay the purchase price on behalf of the breaching member. Therefore, the customer can acquire the securities that have been ordered to be purchased by the breaching member.

When a customer places a buy order with a non-member company and the non-member company places a buy order with a member company, the customer has the legal right to the securities received by the non-member company from the member company because the purchased securities are regarded as belonging to the customer in so far as the customer and the non-member company s creditors are concerned.

As the cash deposited with a financial investment company with a brokerage license is regarded as belonging to such financial investment company, which is liable to return the same at the request of its customer, the customer cannot take back deposited cash from such financial investment company if a bankruptcy or reorganization procedure is instituted against such financial investment company and, therefore, can suffer from loss or damage as a result. However, the Depositor Protection Act provides that the Korea Deposit Insurance Corporation will, upon the request of the investors, pay investors an amount equal to the full amount of cash deposited with a securities company prior to August 1, 1998 in case of the securities company s bankruptcy, liquidation, cancellation of securities business license or other insolvency events. However, this indemnification was available only until the end of 2000. From 2001, the maximum amount to be paid to each customer is limited to ₩50 million. Pursuant to the Financial Investment Services and Capital Markets Act, as amended, financial investment companies with a dealing and/or brokerage license are required to deposit the cash received from its customers to the extent the amount is not covered by the insurance with the Korea Securities Finance Corporation, a special entity established pursuant to the Financial Investment Services and Capital Markets Act. Set-off or attachment of cash deposits by such financial investment companies is prohibited. The premiums related to this insurance are paid by such financial investment companies.

Reporting Requirements for Holders of Substantial Interests

Any person who directly or beneficially owns shares of our common stock that have voting rights, whether in the form of shares, ADSs, certificates representing the rights to subscribe for shares or equity-related debt securities (including convertible bonds and bonds with warrants) (which we refer to collectively as Equity Securities) that, when taken together with the Equity Securities beneficially owned by specified related persons or by any person acting in concert with that person, account for 5% or more of our total issued and outstanding shares (plus the Equity Securities other than the shares held by such persons) must report that holding to the Financial Services Commission and the KRX KOSPI Market no more than five business days after reaching 5%. That person must also report any subsequent change in the ownership interest of 1% or more of our total outstanding shares (plus the Equity Securities other than the shares held by such persons) to the same entities no more than five business days after the change.

Anyone violating these reporting requirements may suffer criminal sanctions, including fines, imprisonment and/or a loss of voting rights with respect to the ownership of Equity Securities exceeding 5% of the total issued and outstanding Equity Securities with respect to which the reporting requirements were violated. Furthermore, the Financial Services Commission may order that person to dispose of the unreported Equity Securities.

In addition to the reporting requirements described above, any person whose direct or beneficial ownership of our stock accounts for 10% or more of the total issued and outstanding stock (which we refer to as a major stockholder) must report the status of its shareholding to the Korea Securities Futures Commission and the KRX KOSPI Market within five days after it becomes a major stockholder. In addition, the major stockholder must report any subsequent change in its ownership interest to those same entities

Table of Contents

within the 5th day of the occurrence of the change. A major stockholder that violates these reporting requirements may suffer criminal sanctions, including fines or imprisonment.

Pursuant to the Financial Holding Company Act, any single stockholder (together with any person considered to be a related party to that stockholder) that acquires more than 10% of the voting stock of a Korean financial holding company will be subject to approval requirements. See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Financial Holding Companies Restriction on Ownership of a Financial Holding Company.

Restrictions Applicable to ADSs

An investor does not need Korean governmental approval to sell or purchase our ADSs in the secondary market outside Korea or to withdraw shares of our common stock from our ADS deposit facility or deliver those withdrawn shares in Korea. However, a foreign investor who intends to acquire shares must obtain an investment registration card from the Financial Supervisory Service as described below. Either the foreign investor or its standing proxy in Korea must immediately report its acquisition of the shares to the governor of the Financial Supervisory Service.

Persons who acquire shares of our common stock by withdrawing those shares from our ADS deposit facility may exercise their preemptive rights for new shares, participate in free distributions and receive dividends on shares without any further Korean governmental approval.

Restriction Applicable to Shares

As a result of amendments to the Foreign Exchange Transaction Laws and Financial Services Commission regulations (which we refer to collectively as the Investment Rules) adopted since January 1992 in connection with the opening and operation of Korea s stock market, foreign investors may generally invest, with limited exceptions and subject to procedural requirements, in all shares of Korean companies, whether listed on the KRX KOSPI Market or registered on the KRX KOSDAQ Market. Foreign investors may trade shares listed on the KRX KOSPI Market or registered on the KRX KOSDAQ Market only through the KRX KOSPI Market or the KRX KOSDAQ Market, except in limited circumstances. These circumstances include:

- odd-lot share trading;
- acquiring shares (which we refer to as Converted Shares) by exercising warrants, conversion rights or exchange rights under bonds with warrants, convertible bonds or exchangeable bonds or withdrawal rights under depositary receipts issued outside of Korea by a Korean company;
- acquiring shares through inheritance, donation, bequest or exercise of stockholders rights, including pre-emptive rights or rights to participate in free distributions and receive dividends;
- subject to certain exceptions, over-the-counter transactions between foreign investors of a class of shares for which the limit on aggregate acquisition by foreign investors, as explained below, has been reached or exceeded; and
- sale and purchase of shares at fair value between foreigners who are part of an investor group comprised of foreign companies investing under the control of a common investment manager pursuant to applicable laws or contract.

For over-the-counter transactions between foreign investors outside the KRX KOSPI Market or the KRX KOSDAQ Market involving a class of shares for which the limit on aggregate acquisition by foreign investors has been reached or exceeded, a financial investment company with a brokerage license in Korea must act as an intermediary. Odd-lot trading of shares outside the KRX KOSPI Market or the KRX KOSDAQ Market must involve a financial investment company with a dealing license in Korea as the other party. Foreign investors may not engage in margin transactions by borrowing shares from financial investment companies with a dealing and/or brokerage license with respect to shares that are subject to a foreign ownership limit.

Table of Contents

The Investment Rules require a foreign investor who wishes to invest in shares on the KRX KOSPI Market or the KRX KOSDAQ Market (including Converted Shares and shares being issued for initial listing on the KRX KOSPI Market or registration on the KRX KOSDAQ Market) to register with the Financial Supervisory Service before making an investment. This registration requirement does not apply to foreign investors who acquire Converted Shares with the intention of selling the Converted Shares within three months from the acquisition date. The Financial Supervisory Service will issue an investment registration card to each registering foreign investor. This card must be presented each time the foreign investor opens a brokerage account with a financial investment company with a brokerage license. Foreign investors eligible to obtain an investment registration card include:

- foreign nationals who have not been residing in Korea for a consecutive period of six months or more;
- foreign governments;
- foreign municipal authorities;
- foreign public institutions;
- international financial institutions or similar international organizations;
- corporations incorporated under foreign laws; and
- any person in any additional category designated by decree of the Ministry of Strategy and Finance under the Financial Investment Services and Capital Markets Act.

All Korean offices of a foreign corporation (as a group) are treated as a separate foreign investor from the offices of the corporation outside Korea for these purposes. However, a foreign corporation or depositary issuing depositary receipts may obtain one or more investment registration cards in its name in certain circumstances identified in the relevant regulations.

When a foreign investor purchases shares through the KRX KOSPI Market or the KRX KOSDAQ Market, it need not make a separate report because the investment registration card system is designed to control and oversee foreign investment through a computer system. If, however, a foreign investor acquires or sells shares outside the KRX KOSPI Market or the KRX KOSDAQ Market, that investor or its standing proxy must report that transaction to the governor of the Financial Supervisory Service at that time. In addition, if a foreign investor acquires or sells its shares in connection with a tender offer, odd-lot trading of shares or trades of a class of shares for which the aggregate foreign ownership limit has been reached or exceeded, that investor or its standing proxy must ensure that the financial investment company engaged to facilitate the transaction reports the transaction to the governor of the Financial Supervisory Service. Also, sale and purchase of shares at fair value between foreigners who are part of an investor group comprised of foreign companies investing under the common control of a common investment manager pursuant to applicable laws or contract are required to be reported to the governor of the Financial Supervisory Service. A foreign investor may appoint a standing proxy to exercise stockholders rights or perform any matters related to the foregoing activities if that investor does not perform these activities itself. A foreign investor may be exempted from complying with the standing proxy rules with the approval of the governor of the Financial Supervisory Service in cases deemed unavoidable by reason of conflict between laws of Korea and the home country of the foreign investor.

Certificates evidencing shares of Korean companies must be kept in the custody of an eligible custodian in Korea. The same entities eligible to act as a standing proxy are eligible to act as a custodian of shares for a non-resident or foreign investor. A foreign investor must ensure that its custodian deposits its shares with the Korea Securities Depository. A foreign investor may be exempted from complying with this deposit requirement with the approval of the governor of the Financial Supervisory Service in circumstances where compliance with that requirement is made impracticable, including cases where compliance would contravene the laws of the foreign investors home country.

Under the Investment Rules, with certain limitations, foreign investors may acquire shares of a Korean company without being subject to any foreign investment limit. Under one of these limitations, foreign investors may acquire no more than 40% of the outstanding share capital of designated public corporations. Designated public corporations may set a limit on the acquisition of shares by a single person in their articles of incorporation. Currently, the Korea Electric Power Corporation is the only designated public corporation that has set this limit. If a foreign investor acquires 10% or more of the outstanding shares with voting rights of a Korean company, that investment constitutes a foreign direct investment under the Foreign Investment Promotion Act of Korea. Generally, a foreign direct investment must be reported to a foreign exchange bank or the Korea Trade Investment Promotion Agency. The acquisition of a Korean company s shares by a foreign investor may be subject to certain foreign or other shareholding restrictions in the event that the restrictions are prescribed in a specific law that regulates the business of the Korean company. For a description of the restrictions applicable to Korean financial holding companies, see Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Financial Holding Companies.

Under the Foreign Exchange Transaction Laws, a foreign investor who intends to acquire shares must designate a foreign exchange bank at which he must open a foreign currency account and a Won account exclusively for stock investments. Approval is not required for remittance into Korea and deposit of foreign currency funds in the foreign currency account. Foreign currency funds may be transferred from the foreign currency account at the time required to place a deposit for, or settle the purchase price of, a stock purchase transaction to a Won account opened at a financial investment company with a dealing and/or brokerage license. Funds in the foreign currency account may be remitted abroad without any Korean governmental approval.

Dividends on shares of Korean companies are paid in Won. Korean governmental approval is not required for foreign investors to receive dividends on, or the Won proceeds from the sale of, any shares to be paid, received and retained in Korea. Dividends paid on, and the Won proceeds of the sale of, any shares held by a non-resident of Korea must be deposited either in a Won account with the investor s financial investment company with a dealing and/or brokerage license or in its own Won account. Funds in a foreign investor s Won account may be transferred to its foreign currency account or withdrawn for local living expenses up to certain limits. These funds may also be used to make future investments in shares or to pay the subscription price of new shares obtained through the exercise of pre-emptive rights.

Financial investment companies with a dealing or brokerage license may open foreign currency accounts with foreign exchange banks exclusively to accommodate foreign investors stock investments in Korea. Through these accounts, financial investment companies with a dealing or brokerage license may enter into limited foreign exchange transactions, such as converting foreign currency funds and Won funds, either as a counterparty to or on behalf of foreign investors, without the investors having to open their own accounts with foreign exchange banks.

Item 9D. ***Selling Shareholders***

Not Applicable

Item 9E. ***Dilution***

Not Applicable

Item 9F. ***Expenses of the Issuer***

Not Applicable

Item 10. ADDITIONAL INFORMATION

Item 10A. ***Share Capital***

Not Applicable

Table of Contents

Item 10B. *Memorandum and Articles of Association*

Description of Capital Stock

We have set forth below information relating to our capital stock, including brief summaries of some of the provisions of our articles of incorporation, the Korean Commercial Code, Financial Investment Services and Capital Markets Act, and other related laws of Korea. These summaries do not purport to be complete and are subject to our articles of incorporation, and the applicable provisions of the Financial Investment Services and Capital Markets Act, the Korean Commercial Code and those related laws.

Our authorized share capital is 2,400,000,000 shares. Our articles of incorporation authorize us to issue:

- shares of common stock, par value ₩5,000 per share;
- shares of non-voting preferred stock, par value ₩5,000 per share;
- shares of non-voting redeemable preferred stock, par value ₩5,000 per share; and
- shares of non-voting convertible preferred stock, par value ₩5,000 per share.

Subject to applicable laws and regulations, our articles of incorporation authorize us to issue a number of shares of preferred stock equal to as much as one-half of all of the issued and outstanding shares.

As of the date of this annual report, 806,015,340 shares of common stock were issued and 806,012,779 shares of common stock were outstanding. There are no shares of preferred stock currently outstanding. All of the issued and outstanding shares are fully paid and non-assessable and are in registered form. As of the date of this annual report, our authorized but unissued share capital was 1,593,984,660 shares. We may issue the unissued shares without further stockholder approval, but these issuances are subject to a board resolution as provided in the articles of incorporation. See Pre-emptive Rights and Issuances of Additional Shares and Dividends and Other Distributions Distribution of Free Shares. For a discussion of the history of our share capital, see Note 21 of the notes to our consolidated financial statements and Item 4A. History and Development of the Company History Establishment of Woori Finance Holdings.

Our articles of incorporation allow our stockholders, by special resolution, to grant to our officers, directors and employees stock options exercisable for up to 15% of the total number of our issued and outstanding shares. Our board of directors may also grant stock options exercisable for up to 1% of our issued and outstanding shares. However, any grant by our board of directors must be approved by our stockholders at their next general meeting convened immediately after the grant date. As of December 31, 2010, our officers, directors and employees did not hold any options to purchase shares of common stock. See Item 6E. Share Ownership.

We issue share certificates in denominations of one, five, ten, 50, 100, 500, 1,000 and 10,000 shares.

Organization and Register

We are a financial holding company established under the Financial Holding Company Act. We were incorporated under the laws of Korea on March 27, 2001 and commenced operations on April 2, 2001. We are registered with the commercial registry office of Seoul District Court. We maintain the register of our stockholders at our principal office in Seoul, Korea. We register transfers of shares on the register of stockholders upon presentation of the share certificates.

Interests of Directors

Our articles of incorporation provide that any director who has a material interest in the subject matter of a resolution to be taken by the board of directors cannot vote on such resolution. Our articles of incorporation also provide that the remuneration of our directors is to be determined by the resolution of the general meeting of shareholders.

Our articles of incorporation do not contain any special provisions with respect to the borrowing powers exercisable by directors, their retirement age or a requirement to hold any shares of our capital stock.

See Item 6A. Board Practices for more information on our directors.

Dividends and Other Distributions

Dividends. We distribute dividends to stockholders in proportion to the number of shares of the relevant class of capital stock they own. Subject to the requirements of the Korean Commercial Code and other applicable laws and regulations, we expect to pay full annual dividends on newly issued stock for the year in which it is issued.

We declare our dividend annually at the annual general meeting of stockholders. We generally hold this meeting within three months after the end of each fiscal year. We must pay the annual dividend to the stockholders of record as of the end of the preceding fiscal year within one month after that meeting. We can distribute the annual dividend either in cash or in stock. However, if we distribute stock, that stock must be distributed at par value and, if the market price of the stock is less than their par value, stock dividends cannot exceed one-half of the annual dividend. In addition, we may declare, and distribute in cash, interim dividends once a year pursuant to a board resolution.

Under the Korean Commercial Code and our articles of incorporation, we do not have an obligation to pay any annual or interim dividend unclaimed for five years from the payment date.

The Financial Holding Company Act and related regulations require that each time a Korean financial holding company pays an annual dividend, it must set aside in its legal reserve to stated capital an amount equal to at least one-tenth of its net income after tax until the amount set aside reaches at least the aggregate amount of its stated capital. Unless it sets aside this amount, a Korean financial holding company may not pay an annual dividend. We intend to set aside allowances for loan losses and reserves for severance pay in addition to this legal reserve.

For information regarding taxation of dividends, see Item 10E. Taxation United States Taxation Dividends and Korean Taxation Taxation of Dividends.

Distribution of Free Shares. The Korean Commercial Code permits us to pay dividends in the form of shares out of retained or current earnings. It also permits us to distribute to our stockholders, in the form of free shares, an amount transferred from the capital surplus or legal reserve. We would be required to distribute those free shares pro rata to all stockholders.

Pre-emptive Rights and Issuances of Additional Shares

We may issue authorized but unissued shares as our board of directors may determine, unless otherwise provided in the Korean Commercial Code. We must, however, offer any new shares on uniform terms to all stockholders who have preemptive rights and are listed on our stockholders register as of the applicable record date. Those stockholders are entitled to subscribe for any newly issued shares in proportion to their existing shareholdings. Our articles of incorporation provide, however, that we may issue new shares to persons other than existing stockholders if those shares are:

- publicly offered pursuant to Article 165-6 of the Financial Investment Services and Capital Markets Act (where the number of shares so offered may not exceed 50% of our total number of issued shares);

- issued to directors or employees as a result of the exercise of stock options we granted to them pursuant to Article 542-3 of the Korean Commercial Code;

- issued to the members of our employee stock ownership association pursuant to Article 165-7 of the Financial Investment Services and Capital Markets Act;

issued to specified foreign investors or foreign or domestic financial institutions for managerial needs, strategic technology alliances, emergency financing or debt-to-equity swaps by those financial institutions (where the number of shares so offered may not exceed 50% of our total number of issued shares); or issued to a depositary for the purpose of issuing depositary receipts pursuant to Financial Investment Services and Capital Markets Act (where the number of shares so offered may not exceed 50% of our total number of issued shares).

We must give public notice of pre-emptive rights for new shares and their transferability not less than two weeks before the record date (excluding the period during which the stockholders register is closed). We will notify the stockholders who are entitled to subscribe for newly issued shares of the deadline for subscription at least two weeks prior to the deadline. If a stockholder fails to subscribe on or before the deadline, its pre-emptive rights will lapse. Our board of directors may determine how to distribute shares in respect of which preemptive rights have not been exercised or where fractions of shares occur.

Under the Financial Investment Services and Capital Markets Act, each member of our employee stock ownership association, whether or not they are stockholders, has a preemptive right, subject to certain exceptions, to subscribe for up to 20% of any shares we publicly offer. This right is exercisable only so long as the total number of shares so acquired and held by the member does not exceed 20% of the total number of shares then outstanding. As of December 31, 2010, none of our employees owned any shares of our common stock through the employee stock ownership association.

In addition, our articles of incorporation permit us to issue convertible bonds or bonds with warrants, each up to an aggregate principal amount of ₩2 trillion, to persons other than existing stockholders. Under the Korean Commercial Code, we are permitted to distribute convertible bonds or bonds with warrants to persons other than existing stockholders only when we deem that this distribution is necessary for managerial purposes, such as obtaining new technology or improving our financial condition. In the event we issue new shares, the foregoing provision would be applicable notwithstanding any provision in the articles of incorporation allowing issuance of new shares to persons other than existing stockholders. As of December 31, 2010, we had no convertible bonds or bonds with warrants outstanding.

Voting Rights

Each outstanding share of our common stock is entitled to one vote. However, voting rights may not be exercised for shares that we hold or shares that a corporate stockholder holds, if we directly or indirectly own more than one-tenth of the outstanding capital stock of that stockholder. Our articles of incorporation do not prohibit cumulative voting. Accordingly, the Korean Commercial Code permits holders of an aggregate of 1% or more of our outstanding shares with voting rights to request cumulative voting when electing two or more directors.

The Korean Commercial Code and our articles of incorporation provide that an ordinary resolution may be adopted if the holders of at least a majority of those shares of common stock present or represented at a meeting approve the resolution and the majority also represents at least one-fourth of the total of our issued and outstanding shares of common stock. Holders of non-voting shares (other than enfranchised non-voting shares) are not entitled to vote on any resolution or to receive notice of any general meeting of stockholders, unless the meeting agenda includes considering a resolution on which they are entitled to vote. If our annual general meeting resolves not to pay to holders of preferred stock the annual dividend determined by the board of directors when we issued those shares, those holders will be entitled to exercise voting rights from the general meeting following the meeting adopting that resolution until the end of a meeting where a resolution is passed declaring payment of a dividend on the preferred stock. Holders of the enfranchised preferred stock will have the same rights as holders of common stock to request, receive notice of, attend and vote at a general meeting of stockholders.

The Korean Commercial Code provides that the holders of at least two-thirds of those shares present or represented at a meeting must approve the adoption of a special resolution, and the special majority must represent at least one-third of the total issued and outstanding shares with voting rights of the company. Special resolutions are required to:

- amend the articles of incorporation;
- change the authorized share capital of the company;

remove a director;

dissolve, merge or consolidate us;

transfer of the whole or a significant part of our business;

acquire all of the business of another company;

acquire a part of the business of another company that has a material effect on our business of the company; and

issue new shares at a price lower than their par value.

In addition, the holders of our preferred stock must adopt a separate resolution in connection with an amendment to our articles of incorporation, any merger or consolidation or in certain other cases where their rights or interests are adversely affected. Holders of at least two-thirds of the preferred stock present or represented at a meeting must approve the adoption of that resolution, and those holders must hold preferred stock representing at least one-third of our total issued and outstanding preferred stock.

A stockholder may exercise its voting rights by proxy given to another person. The proxy must present the power of attorney before the start of the meeting.

Liquidation Rights

If we are liquidated, the assets remaining after the payment of all our debts, liquidation expenses and taxes will be distributed to stockholders in proportion to the number of shares they hold. Holders of preferred stock have no preferences in liquidation.

General Meetings of Stockholders

There are two types of general meetings of stockholders: annual general meetings and extraordinary general meetings. We are required to convene our annual general meeting within three months after the end of each fiscal year. Subject to a board resolution or court approval, an extraordinary general meeting of stockholders may be held:

when we deem one necessary;

at the request of the holders of an aggregate of 3% or more of our outstanding shares;

at the request of the holders of an aggregate of 0.75% or more of our outstanding shares with voting rights who have held those shares for at least six months; or

at the request of our audit committee.

Holders of non-voting shares are entitled to request a general meeting only if their non-voting shares have become enfranchised. Meeting agendas will be determined by our board of directors or proposed by holders of an aggregate of 3% or more of our outstanding shares with voting rights or by holders of an aggregate of 0.25% or more of those shares who have held those shares for at least six months by way of a written proposal to our board of directors at least six weeks before the meeting. We must give stockholders written notices or e-mail notices stating the date, place and agenda of the meeting at least two weeks before the date of the meeting. However, we may give notice to holders of

1% or less of the total number of issued and outstanding shares that are entitled to vote by placing at least two public notices at least two weeks in advance of the meeting in at least two daily newspapers. Stockholders who are not on the stockholders register as of the record date will not be entitled to receive notice of the general meeting of stockholders or to attend or vote at the meeting. Unless their non-voting shares have been enfranchised, holders of non-voting shares are not entitled to receive notice of or vote at general meetings of stockholders. Holders of enfranchised non-voting shares who are on the stockholders register as of the record date will be entitled to receive notice of the general meeting of stockholders and to attend and vote at the meeting.

We will generally hold our general meeting of stockholders at our head office, which is our registered head office. If necessary, we may hold the meeting anywhere in the vicinity of our head office.

Rights of Dissenting Stockholders

Pursuant to the Financial Investment Services and Capital Markets Act and the Law on the Improvement of the Structure of the Financial Industry, in certain limited circumstances dissenting holders of shares of our common stock and our preferred stock will have the right to require us to purchase their shares. These circumstances include:

- if we transfer all or any significant part of our business;
- if we acquire a part of the business of any other company and the acquisition has a material effect on our business; or
- if we merge or consolidate with another company.

To exercise this right, stockholders must submit to us a written notice of their intention to dissent prior to the general meeting of stockholders called to approve the transaction in question. Within 20 days (or ten days, in the case of a merger or consolidation under the Law on Improvement of the Structure of the Financial Industry) after the date on which stockholders pass the relevant resolution at the general meeting, the dissenting stockholders must request in writing that we purchase their shares. We must purchase those shares within one month after the end of the request period (within two months after the receipt of the request in the case of a merger or consolidation under the Law on Improvement of the Structure of Financial Industry) at a negotiated price. If we cannot agree with the stockholder on a purchase price through negotiations, the price will be the arithmetic mean of the weighted average of the daily stock prices on the KRX KOSPI Market for:

- the two-month period prior to the date the relevant board of directors resolution was adopted;
- the one-month period prior to the date the relevant board of directors resolution was adopted; and
- the one-week period prior to the date the relevant board of directors resolution was adopted.

Pursuant to the Financial Investment Services and Capital Markets Act, if we or the dissenting stockholders do not accept the purchase price, either party may bring a claim in court.

In the case of a merger or consolidation pursuant to the Law on the Improvement of the Structure of Financial Industry where the Korean government or the KDIC provides financial support, procedures different from those in the case of a merger or consolidation pursuant to the Financial Investment Services and Capital Markets Act will apply. For example, if the relevant parties cannot agree on a purchase price, the price will be determined by an accounting expert and not by the Financial Services Commission. However, a court may adjust this price if we or holders of at least 30% of the shares we must purchase do not accept the purchase price determined by the accounting expert and request an adjustment no later than 30 days from the date of the determination of the purchase price.

Required Disclosure of Ownership

Under Korean and U.S. law, stockholders who beneficially hold more than a certain percentage of our common stock, or who are related to or are acting in concert with other holders of certain percentages of our common stock or our other equity securities, must report their holdings to various governmental authorities. For a description of the required disclosure of ownership, see Item 9C. Markets Reporting Requirements for Holders of Substantial Interests and Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Financial Holding Companies Restriction on Ownership of a Financial Holding Company.

Other Provisions

Record Date. The record date for annual dividends is December 31. For the purpose of determining the holders of shares entitled to annual dividends, we may close the register of our stockholders for the period from January 1 until January 31. Further, the Korean Commercial Code and our articles of incorporation permit us, upon at least two weeks public notice, to set a record date and/or close the register of stockholders for not more than three months for the purpose of determining the stockholders entitled to certain rights pertaining to the shares. The trading of shares and the related delivery of share certificates may continue while the register of stockholders is closed.

Annual and Interim Reports. At least one week before the annual general meeting of stockholders, we must make our annual report and audited financial statements available for inspection at our head office and at all of our branch offices. We must make copies of our annual reports, our audited financial statements and any resolutions adopted at the general meeting of stockholders available to our stockholders.

Under the Financial Investment Services and Capital Markets Act, we must file with the Financial Services Commission and the KRX KOSPI Market:

- an annual report within 90 days after the end of each fiscal year;
- a half-year report within 45 days after the end of the first six months of each fiscal year; and
- quarterly reports within 45 days after the end of the first three months and nine months of each fiscal year.

Copies of these reports will be available for public inspection at the Financial Services Commission and the KRX KOSPI Market.

Transfer of Shares. Under the Korean Commercial Code, share transfers are effected by the delivery of share certificates. The Financial Investment Services and Capital Markets Act provides, however, that in case of a company listed on the KRX KOSPI Market (like us), share transfers can be effected using a book-entry system. The transferee must have its name and address registered on our register of stockholders in order to assert its stockholder s rights. For this purpose, stockholders must file their name, address and seal with us. Non-resident stockholders must tell us the name of their proxy in Korea to which we can send notices. Under current Korean regulations, the following entities may act as agents and provide related services for foreign stockholders:

- the Korea Securities Depository;
- internationally recognized foreign custodians;
- financial investment companies with a dealing license (including domestic branches of foreign financial investment companies with such license);
- financial investment companies with a brokerage license (including domestic branches of foreign financial investment companies with such license);
- foreign exchange banks (including domestic branches of foreign banks); and
- financial investment companies with a collective investment license (including domestic branches of foreign financial investment companies with such license).

Foreign stockholders may appoint a standing proxy from the foregoing and generally may not allow any person other than the standing proxy to exercise rights to the acquired shares or perform any tasks related thereto on their behalf.

Foreign exchange controls and securities regulations apply to the transfer of shares by non-residents or non-Koreans. See Item 9C. Markets.

Except as provided in the Financial Holding Company Act, the maximum aggregate shareholdings of a single stockholder or a person in a special relationship with any stockholder is 10% of our issued and outstanding voting shares. See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Financial Holding Companies Restriction on Ownership of a Financial Holding Company.

Table of Contents

Our Acquisition of Our Shares. We generally may not acquire our own capital stock except in certain limited circumstances, including a reduction in capital.

Notwithstanding the foregoing restrictions, pursuant to the Financial Investment Services and Capital Markets Act and after submission of certain reports to the Financial Services Commission, we may purchase our own capital stock on the KRX KOSPI Market or through a tender offer. We may also acquire interests in our capital stock through agreements with trust companies, securities investment companies or investment trust management companies. The aggregate purchase price of our capital stock may not exceed the total amount available for distribution of dividends at the end of the preceding fiscal year.

In general, subsidiaries of which we own 50% or more are not permitted to acquire our capital stock.

Item 10C. *Material Contracts*

In connection with the receipt of public funds by us and our subsidiaries, we entered into memoranda of understanding with the KDIC. Under the current terms of the memoranda of understanding entered into among us, Woori Bank, Kyongnam Bank, Kwangju Bank and the KDIC, we and our subsidiaries are required to meet financial and business targets and recapitalization goals on a semi-annual and/or quarterly basis until the end of 2011. See Item 4A. History and Development of the Company History Relationship with the Korean Government.

Item 10D. *Exchange Controls*

General

The Foreign Exchange Transaction Act of Korea and the Presidential Decree and regulations under that Act and Decree regulate investment in Korean securities by non-residents and issuance of securities outside Korea by Korean companies. We collectively refer to these laws and regulations as the Foreign Exchange Transaction Laws. Non-residents may invest in Korean securities only to the extent specifically allowed by the Foreign Exchange Transaction Laws or otherwise permitted by the Ministry of Strategy and Finance. The Financial Services Commission has also adopted regulations that restrict foreign investment in Korean securities and regulate the issuance of securities outside Korea by Korean companies, pursuant to its authority under the Financial Investment Services and Capital Markets Act.

Under the Foreign Exchange Transaction Laws, if the Korean government deems that:

- the need to do so is inevitable due to the outbreak of natural calamities, wars, conflict of arms or grave and sudden changes in domestic or foreign economic circumstances or other similar situations, the Ministry of Strategy and Finance may temporarily suspend payment, receipt or the whole or part of transactions to which the Foreign Exchange Transaction Laws apply, or impose an obligation to safe-keep, deposit or sell means of payment in or to certain Korean governmental agencies or financial institutions; and

- international balance of payments and international finance are confronted or are likely to be confronted with serious difficulty or the movement of capital between Korea and abroad brings or is likely to bring about serious obstacles in carrying out its currency policies, exchange rate policies and other macroeconomic policies, the Ministry of Strategy and Finance may take measures to require any person who intends to perform capital transactions to obtain permission or to require any person who performs capital transactions to deposit part of the payments received in these transactions at certain Korean governmental agencies or financial institutions.

Both of these actions are subject to limitations specified by the Foreign Exchange Transaction Laws.

Restrictions Applicable to Shares

Under the Foreign Exchange Transaction Laws, a foreign investor who intends to acquire shares must designate a foreign exchange bank at which he must open a foreign currency account and a Won account exclusively for stock investments. Approval is not required for remittance into Korea and deposit of foreign currency funds in the foreign currency account. Foreign currency funds may be transferred from the foreign currency account at the time required to place a deposit for, or settle the purchase price of, a stock purchase transaction to a Won account opened at a financial investment company with a dealing and/or brokerage license. Funds in the foreign currency account may be remitted abroad without any Korean governmental approval.

Dividends on shares of Korean companies are paid in Won. Korean governmental approval is not required for foreign investors to receive dividends on, or the Won proceeds from the sale of, any shares to be paid, received and retained in Korea. Dividends paid on, and the Won proceeds of the sale of, any shares held by a non-resident of Korea must be deposited either in a Won account with the investor s financial investment company with a dealing and/or brokerage license or in its own Won account. Funds in a foreign investor s Won account may be transferred to its foreign currency account or withdrawn for local living expenses up to certain limits. These funds may also be used to make future investments in shares or to pay the subscription price of new shares obtained through the exercise of pre-emptive rights.

Financial investment companies with a dealing and/or brokerage license may open foreign currency accounts with foreign exchange banks exclusively to accommodate foreign investors stock investments in Korea. Through these accounts, such financial investment companies may enter into limited foreign exchange transactions, such as converting foreign currency funds and Won funds, either as a counterparty to or on behalf of foreign investors, without the investors having to open their own accounts with foreign exchange banks.

Item 10E. ***Taxation***

United States Taxation

This summary describes certain material U.S. federal income tax consequences for a U.S. holder (as defined below) of acquiring, owning, and disposing of common shares or ADSs. This summary applies to you only if you hold the common shares or ADSs as capital assets for tax purposes. This summary does not apply to you if you are a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a bank;
- a life insurance company;
- a tax-exempt organization;
- a person that holds common shares or ADSs that are a hedge or that are hedged against interest rate or currency risks;
- a person that holds common shares or ADSs as part of a straddle or conversion transaction for tax purposes;
- a person whose functional currency for tax purposes is not the U.S. dollar; or
- a person that owns or is deemed to own 10% or more of any class of our stock.

This summary is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations promulgated thereunder, and published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

Please consult your own tax advisers concerning the U.S. federal, state, local, and other tax consequences of purchasing, owning, and disposing of common shares or ADSs in your particular circumstances.

For purposes of this summary, you are a U.S. holder if you are the beneficial owner of a common share or an ADS and are:

- a citizen or resident of the United States;

a U.S. domestic corporation; or

otherwise subject to U.S. federal income tax on a net income basis with respect to income from the common share or ADS.

In general, if you are the beneficial owner of ADSs, you will be treated as the beneficial owner of the common shares represented by those ADSs for U.S. federal income tax purposes, and no gain or loss will be recognized if you exchange an ADS for the common share represented by that ADS.

Dividends

The gross amount of cash dividends that you receive (prior to deduction of Korean taxes) generally will be subject to U.S. federal income taxation as foreign source dividend income and will not be eligible for the dividends received deduction. Dividends paid in Won will be included in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date that you receive the dividend (or the depositary receives the dividend, in the case of ADSs), regardless of whether the payment is in fact converted into U.S. dollars. If such a dividend is converted into U.S. dollars on the date of receipt, you generally should not be required to recognize foreign currency gain or loss in respect of the dividend income.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual prior to January 1, 2013 with respect to the ADSs will be subject to taxation at a maximum rate of 15% if the dividends are qualified dividends. Dividends paid on the ADSs will be treated as qualified dividends if (i) the ADSs are readily tradable on an established securities market in the United States and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company as defined for U.S. federal income tax purposes (PFIC). The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on our audited financial statements, we believe that we were not a PFIC in our 2009 or 2010 taxable year. In addition, based on our audited financial statements and current expectations regarding our income, assets and activities, we do not anticipate becoming a PFIC for our 2011 taxable year.

Distributions of additional shares in respect of common shares or ADSs that are made as part of a pro-rata distribution to all of our stockholders generally will not be subject to U.S. federal income tax.

Sale or Other Disposition

For U.S. federal income tax purposes, gain or loss you realize on a sale or other disposition of common shares or ADSs generally will be treated as U.S. source capital gain or loss, and will be long-term capital gain or loss if the common shares or ADSs were held for more than one year. Your ability to offset capital losses against ordinary income is limited. Long-term capital gain recognized by an individual U.S. holder generally is subject to taxation at reduced rates.

Foreign Tax Credit Considerations

You should consult your own tax advisers to determine whether you are subject to any special rules that limit your ability to make effective use of foreign tax credits. If no such rules apply, you may claim a credit against your U.S. federal income tax liability for Korean taxes withheld from dividends on the common shares or ADSs at the rate provided for under the income tax treaty between the United States and Korea, so long as you have owned the common shares or ADSs (and not entered into specified kinds of hedging transactions) for at least a 16-day period that includes the ex-dividend date. Instead of claiming a credit, you may, if you so elect, deduct such Korean taxes in computing your taxable income, subject to generally applicable limitations under U.S. tax law. Korean taxes withheld from a distribution of additional shares that is not subject to U.S. tax may be treated for U.S. federal income tax purposes as imposed on general category income. Such treatment could affect your ability to utilize any available foreign tax credit in respect of such taxes.

Any Korean securities transaction tax or agriculture and fishery special surtax that you pay will not be creditable for foreign tax credit purposes.

Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions in securities and may not be allowed in respect of arrangements in which a U.S. holder s expected economic profit is insubstantial.

The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions involve the application of complex rules that depend on a U.S. holder s particular circumstances. You should consult your own tax advisers regarding the creditability or deductibility of such taxes.

U.S. Information Reporting and Backup Withholding Rules

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the holder (i) is a corporation or other exempt recipient and demonstrates this when required or (ii) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non-U.S. status in connection with payments received within the United States or through a U.S.-related financial intermediary.

Korean Taxation

The following summary of Korean tax considerations applies to you so long as you are not:

- a resident of Korea;
- a corporation organized under Korean law; or
- engaged in a trade or business in Korea through a permanent establishment or a fixed base to which the relevant income is attributable or with which the relevant income is effectively connected.

Taxation of Dividends on Common Shares or ADSs

We will deduct Korean withholding tax from dividends paid to you (whether payable in cash or in shares) at a rate of 22.0% (inclusive of resident surtax). If you are a beneficial owner of the dividends in a country that has entered into a tax treaty with Korea, you may qualify for a reduced rate of Korean withholding tax. See Tax Treaties below for a discussion on treaty benefits. If we distribute to you shares representing a transfer of earning surplus or certain capital reserves into paid-in capital, that distribution may be subject to Korean withholding tax.

In order to obtain a reduced rate of withholding tax pursuant to an applicable tax treaty, you must submit to us, prior to the dividend payment date, such evidence of tax residence as the Korean tax authorities may require in order to establish your entitlement to the benefits of the applicable tax treaty (which will include a certificate of your tax residency issued by a competent authority of your country of tax residence).

If you hold ADSs, evidence of tax residence may be submitted to us through the depositary.

Taxation of Capital Gains From Transfer of Common Shares or ADSs

As a general rule, capital gains earned by non-residents upon transfer of our common shares or ADSs are subject to Korean withholding tax at the lower of (1) 11% (inclusive of resident surtax) of the gross proceeds realized or (2) subject to the production of satisfactory evidence of acquisition costs and certain direct transaction costs of the common shares or ADSs, 22.0% (inclusive of resident surtax) of the net realized gain, unless exempt from Korean income taxation under the applicable Korean tax treaty with the non-resident s country of tax residence. See Tax Treaties below for a discussion on treaty benefits. Even if you do not qualify for an exemption under a tax treaty, you will not be subject to the foregoing withholding tax on capital gains if you qualify under the relevant Korean domestic tax law exemptions discussed in the following paragraphs.

Table of Contents

In regard to the transfer of our common shares through the Korea Exchange, you will not be subject to the withholding tax on capital gains (as described in the preceding paragraph) if you (1) have no permanent establishment in Korea and (2) did not own or have not owned (together with any shares owned by any entity with which you have a certain special relationship) 25% or more of our total issued and outstanding shares, which may include the common shares represented by the ADSs, at any time during the calendar year in which the sale occurs and during the five calendar years prior to the calendar year in which the sale occurs.

Capital gains earned by you (regardless of whether you have a permanent establishment in Korea) from the transfer of ADSs outside Korea will be exempt from Korean income taxation by virtue of the Special Tax Treatment Control Law of Korea, or the STTCL, provided that the issuance of the ADSs is deemed to be an overseas issuance under the STTCL. However, capital gains from transfers of ADSs outside Korea will not be exempt from Korean income taxation under the STTCL if you owned our common shares prior to the issuance of the ADSs upon the deposit of such common shares and you retain ownership of such ADSs until the date of their transfer.

If you are subject to tax on capital gains with respect to the sale of ADSs, or of common shares you acquired as a result of a withdrawal, the purchaser or, in the case of the sale of common shares on the Korea Exchange or through a financial investment company with a brokerage license in Korea, the financial investment company, is required to withhold Korean tax from the sales price in an amount equal to the lower of (1) 11% (inclusive of resident surtax) of the gross realization proceeds or (2) subject to the production of satisfactory evidence of acquisition costs and certain direct transaction costs of the common shares or ADSs, 22.0% (inclusive of resident surtax) of the net realized gain, and to make payment of these amounts to the Korean tax authority, unless you establish your entitlement to an exemption under an applicable tax treaty or domestic tax law. To obtain the benefit of an exemption from tax pursuant to an applicable tax treaty, you must submit to the purchaser or the financial investment company, or through the ADR depositary, as the case may be, prior to or at the time of payment, such evidence of your tax residence as the Korean tax authorities may require in support of your claim for treaty benefits. See the discussion under Tax Treaties below for an additional explanation on claiming treaty benefits.

Tax Treaties

Korea has entered into a number of income tax treaties with other countries (including the United States), which would reduce or exempt Korean withholding tax on dividends on, and capital gains on transfer of, the common shares or ADSs. For example, under the Korea-United States income tax treaty, reduced rates of Korean withholding tax of 16.5% or 11.0% (depending on your shareholding ratio and inclusive of resident surtax) on dividends and an exemption from Korean withholding tax on capital gains are available to residents of the United States that are beneficial owners of the relevant dividend income or capital gains, subject to certain exceptions. However, under Article 17 (Investment of Holding Companies) of the Korea-United States income tax treaty, such reduced rates and exemption do not apply if (i) you are a United States corporation, (ii) by reason of any special measures, the tax imposed on you by the United States with respect to such dividend income or capital gains is substantially less than the tax generally imposed by the United States on corporate profits and (iii) 25% or more of your capital is held of record or is otherwise determined, after consultation between competent authorities of the United States and Korea, to be owned directly or indirectly by one or more persons who are not individual residents of the United States. Also, under Article 16 (Capital Gains) of the Korea-United States income tax treaty, the exemption on capital gains does not apply if you are an individual and (a) you maintain a fixed base in Korea for an aggregate of 183 days or more during a given taxable year and your ADSs or common shares giving rise to capital gains are effectively connected with such fixed base or (b) you are present in Korea for an aggregate of 183 days or more during a given taxable year.

You should inquire for yourself whether you are entitled to the benefit of a tax treaty between Korea and the country where you are a resident. It is the responsibility of the party claiming the benefits of an income tax treaty in respect of dividend payments or capital gains to submit to us, the purchaser or the financial investment company, as applicable, a certificate as to his tax residence. In the absence of sufficient proof, we, the purchaser or the financial investment company, as applicable, must withhold tax at the normal rates. Furthermore, in order for you to obtain the benefit of a tax exemption on certain Korean source income (such

Table of Contents

as dividends or capital gains) under an applicable tax treaty, Korean tax law requires you (or your agent) to submit an application for tax exemption along with a certificate of your tax residency issued by a competent authority of your country of tax residence, subject to certain exceptions. Such application should be submitted to the relevant district tax office by the ninth day of the month following the date of the first payment of such income.

Inheritance Tax and Gift Tax

If you die while holding an ADS or donate an ADS, it is unclear whether, for Korean inheritance and gift tax purposes, you will be treated as the owner of the common shares underlying the ADSs. If the tax authority interprets depositary receipts as the underlying share certificates, you may be treated as the owner of the common shares and your heir or the donee (or in certain circumstances, you as the donor) will be subject to Korean inheritance or gift tax presently at the rate of 10% to 50%, provided that the value of the ADSs or common shares is greater than a specified amount.

If you die while holding a common share or donate a common share, your heir or donee (or in certain circumstances, you as the donor) will be subject to Korean inheritance or gift tax at the same rate as indicated above.

At present, Korea has not entered into any tax treaty relating to inheritance or gift taxes.

Securities Transaction Tax

If you transfer our common shares on the Korea Exchange, you will be subject to securities transaction tax at the rate of 0.3% (including an agriculture and fishery special surtax) of the sale price of the common shares. If your transfer of the common shares is not made on the Korea Exchange, subject to certain exceptions, you will be subject to securities transaction tax at the rate of 0.5% and will not be subject to an agriculture and fishery special surtax.

Under the Securities Transaction Tax Law of Korea, last amended in December 2008, depositary receipts (such as American depositary receipts evidencing the ADSs) constitute share certificates subject to the securities transaction tax. However, the transfer of depositary receipts listed on the New York Stock Exchange, the Nasdaq Global Market, or other qualified foreign exchanges is exempt from the securities transaction tax.

In principle, the securities transaction tax, if applicable, must be paid by the transferor of the common shares or ADSs. When the transfer is effected through a securities settlement company, such settlement company is generally required to withhold and pay the tax to the tax authorities. When such transfer is made through a financial investment company only, such financial investment company is required to withhold and pay the tax. Where the transfer is effected by a non-resident without a permanent establishment in Korea, other than through a securities settlement company or a financial investment company, the transferee is required to withhold the securities transaction tax.

Item 10F. ***Dividends and Paying Agents***

Not Applicable

Item 10G. ***Statements by Experts***

Not Applicable

Item 10H. ***Documents on Display***

We are subject to the information requirements of the U.S. Securities Exchange Act of 1934, as amended, and, in accordance therewith, are required to file reports, including annual reports on Form 20-F, and other information with the U.S. Securities and Exchange Commission. These materials, including this annual report and the exhibits thereto, may be inspected and copied at the Commission s public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the Commission at 1-800-SEC-0330 for further information on the public reference rooms. As a foreign private issuer, we are also required to make filings with the Commission by electronic means. Any filings we make electronically will be available to the public over the Internet at the Commission s web site at *http://www.sec.gov.*

Item 10I. ***Subsidiary Information***

Not Applicable

Item 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Overview

Our lending and trading businesses, our deposit taking activities and our operating environment expose us to various risks. Our risk management goal is to understand, measure and monitor these risks and to ensure that our employees strictly adhere to the policies and procedures that we establish. We seek to take a conservative approach to risk management in order to better insulate our operations from adverse events. Risks we face include:

- credit risk;

- market risk (primarily interest rate risk, equity risk, foreign exchange risk and commodity risk);

- liquidity risk; and

- operational and business risk (including legal risk).

In 2004, we completed the implementation of a group-wide, standardized risk management system (except with respect to credit risk management and operational and business risk management). This system has enhanced our risk management capabilities by enabling us to exchange information among our and our subsidiaries risk management operations. With respect to credit risk management systems, we have completed implementing standardized credit risk management systems based on Woori Bank s system in all of our banking subsidiaries in 2007. With respect to operational risk management systems, we completed implementation of various aspects of the operational risk management system (not including the business risk management system) at Kyongnam Bank, Kwangju Bank and Woori Finance Information System (which changed its name to Woori FIS in May 2011) in 2006, and also completed the implementation of such aspects of the operational risk management system at Woori Investment & Securities by the end of 2008. Furthermore, following the global financial crisis, we undertook a group-wide review of our credit risk management procedures with outside consultants in 2009, as well as undertaking further group-wide reviews of our risk management infrastructure and systems in 2009 and 2010, in order to develop and implement various measures to further standardize and improve our risk management procedures and systems. We use our risk management systems to manage our risks within acceptable limits and to otherwise ensure the soundness of our assets and the stability of our operations.

Standardization Strategy

We began the process of implementing a group-wide, standardized risk management system in connection with the establishment of our financial holding company structure in 2001. At that time, with the assistance of a third-party consultant, we established a task force to review and evaluate the risk management systems that our subsidiaries were using. Following this review, we determined our basic structure of risk management governance and established basic risk management policies and guidelines for our group. This required us to establish a new risk management system, including a centralized risk control system, in order to better measure and address the risks we face and to anticipate potential risks more precisely. In 2007, we completed the implementation of a group-wide, standardized risk management system (except with respect to operational risk), which we further refined and updated through our group-wide review of risk management procedures, infrastructure and systems undertaken in 2009 and 2010 in the wake of the global financial crisis.

Table of Contents

We allocate our total risk capital in accordance with the guidelines set by our Group Risk Management Committee. As described in more detail below, the committee allocates:

risk capital with respect to credit risk, market risk, interest rate risk and operational and business risk with respect to each of our banking subsidiaries;

risk capital with respect to credit risk, market risk, operational and business risk with respect to Woori Investment & Securities;

risk capital with respect to insurance risk with respect to Woori Aviva Life Insurance; and

operational and business risk with respect to our asset management subsidiaries.

Through our group-wide, standardized risk management system we allocate our risk capital:

with respect to credit risk on the basis of our banking subsidiaries standardized credit risk management systems, which are based on Woori Bank s CREPIA system as well as other portfolio credit models developed by third party vendors;

with respect to our market risk based on a market value at risk, or VaR, system; and

with respect to our interest rate risk based on a historical simulation method, which simulates the current portfolio s net present value at a 99.9% confidence level for a one-year holding period.

We allocate our risk capital with respect to operational risk through a standardized approach in accordance with Basel II. We also apply business risk when allocating such risk capital which is based on earnings at risk (a measurement of the relativity of our total earnings).

Our risk capital allocation as a percentage of available capital, on a non-consolidated basis, with respect to 2011 is as follows:

	Available capital	Risk capital	Risk appetite	Credit	Market	Interest rate	Operational	Insurance	Business	Correlation Effect	Buf
	(in billions of Won, except percentages)										
i Finance ngs	₩ 19,316	₩ 16,732	86.6%	67.8%	7.4%	5.6%	5.7%		6.2%	(6.1)%	1
i Bank	16,585	13,100	79.0	65.4	3.9	5.4	4.6		4.5	(4.7)	2
ngju Bank	1,151	1,028	89.3	80.5	1.7	2.6	6.5		3.1	(5.2)	1
gnam Bank	1,646	1,071	65.1	55.3	3.1	5.5	6.1		0.6	(5.5)	3
i tment & ities	2,579	2,022	78.4	28.3	36.1	1.4	4.9		14.3	(6.6)	2
i Asset gement[1]	62	33	53.8				7.0		46.8		4
i Financial	236	226	95.9	89.4		3.0	11.4			(7.9)	
i Aviva Life ance	172	143	83.3	57.0		29.1	1.5	29.1		(14.1)	1

(1) Formerly known as Woori Credit Suisse Asset Managerment.

Organization

We have a multi-tiered risk management governance structure. Our Group Risk Management Committee is ultimately responsible for group-wide risk management, and directs the various subordinate risk management entities. The Group Risk Management Council answers directly to the Group Risk Management Committee and coordinates the execution of these directives with the risk management units of our subsidiaries. Each Subsidiary Risk Management Committee, based on the Group Risk Management Committee s directives, determines risk management strategies and implements risk management policies and guidelines for the relevant subsidiary, sets the subsidiary s operational and business risk management policies and guidelines and directs the subsidiary s risk management units with support from the applicable Subsidiary Risk Management Council, but must keep within the group s risk guidelines. The Subsidiary Risk Management Committees generally receive input from their respective Subsidiary Risk Management Councils and subsidiary risk management units, which also report directly to the Group Risk Management Council.

Table of Contents

The following chart sets out our risk management governance structure as of the date of this annual report:

From July 2004, we instituted a double report system with respect to our risk management procedures. Each of our subsidiary risk management units is required to submit risk management reports directly to the Group Risk Management Department. Through this internal reporting system, we are able to better ascertain and strengthen the monitoring of our subsidiaries risk management and are able to quickly address any deviation from our group-wide risk policies. From March 2010, following a group-wide review of our enterprise risk management procedures with outside consultants in 2009, we further supplemented our double report system by strengthening the role and independence of chief risk officers in our subsidiaries (including the appointment of dedicated chief risk officers in all of our subsidiaries) and expanding the role of subsidiary risk management units. Each subsidiary risk management unit is required to report directly to such subsidiary s chief risk officer on all material risk management issues as well as following the procedures under the double report system.

The Group Risk Management Committee, the Group Risk Management Council, the Subsidiary Risk Management Committees and the Subsidiary Risk Management Councils are responsible for managing risks relating to credit, markets, asset and liability management and liquidity. A number of other entities are responsible for managing our operational risks, including the following:

the Audit Council, which reports to our board-level Audit Committee, coordinates the execution of our operational and business risk management policy, particularly with regard to internal subsidiary practices;

the Legal and Compliance Department monitors compliance risk and makes suggestions regarding regulatory issues to the Financial Supervisory Service; and

each Subsidiary Risk Management Committee manages operational risks at the relevant subsidiary.

Group Risk Management Committee

The Group Risk Management Committee is our highest decision-making body with respect to our risk management operations. Our board of directors has delegated to it the authority and responsibility for ensuring effective executive-level management of the risks we face. The committee s major activities include:

- determining and amending risk management strategies, policies, guidelines and limits in conformity with the strategy established by our board of directors;
- determining the appropriate level of risks that we should be willing to undertake;
- allocating risk capital to each subsidiary and approving our subsidiaries risk limit requests;
- reviewing our group-wide risk profile, including the level of risks we are exposed to and the status of our risk management operations; and
- monitoring our subsidiaries compliance with our risk policies.

The Group Risk Management Committee is comprised of our chief executive officer and four outside directors. It operates independently from all business units and individual board members, and reports directly to our board of directors. In addition, since our chief executive officer is a member of the committee, he is kept aware of risk-related issues. Our Group Risk Management Committee convenes at least quarterly, and makes decisions by majority vote of the attending members. At least a majority of the committee members must attend to constitute a quorum.

Group Risk Management Council

Our Group Risk Management Council is responsible for coordinating with the risk management units of our subsidiaries to ensure that they execute the policies, guidelines and limits established by the Group Risk Management Committee. The council s major activities include:

- analyzing our risk status using information provided by our subsidiary-level risk management units;
- adjusting the integrated risk-adjusted capital allocation plan and risk limits for each of our subsidiaries;
- reviewing the key decisions of each Subsidiary Risk Management Committee, and discussing and resolving any risk management issues raised by those committees;
- coordinating issues relating to the integration of our risk management functions; and
- performing any other duties delegated by the Group Risk Management Committee.

The Group Risk Management Council is comprised of our chief risk management officer and the head of our risk management department and the managing directors of the risk management units of all of our operating subsidiaries. It operates independently from all business units, and reports directly to the Group Risk Management Committee. Our Group Risk Management Council convenes on a monthly basis.

Our subsidiaries, in most cases through their respective risk management units, provide a variety of information to the Group Risk Management Council, including:

reports regarding the status of overall risk management, the status of limit compliance, and analysis and results of quarterly credit reviews, stress testing and back testing; and

reports regarding asset and liability management matters, including changes in risk-weighted assets and the status of our credit portfolio on a periodic basis.

Subsidiary Risk Management Committees

Each of our subsidiaries has delegated risk management authority to its Subsidiary Risk Management Committee. Each Subsidiary Risk Management Committee measures and monitors the various risks faced by the relevant subsidiary and reports to that subsidiary s board of directors regarding decisions that it makes on risk management issues. It also makes strategic decisions regarding the operations of the relevant subsidiary, such as allocating credit risk limits, setting total exposure limits and market risk-related limits and determining which market risk derivatives instruments the subsidiary can trade. The major activities of each Subsidiary Risk Management Committee include:

determining and monitoring risk policies, guidelines, limits and tolerance levels and the level of subsidiary risk in accordance with group policy;

reviewing and analyzing the subsidiary s risk profile;

setting limits for and adjusting the risk-adjusted capital allocation plan and risk levels for each business unit within the subsidiary; and

monitoring compliance with our group-wide risk management policies and practices at the business unit and subsidiary level.

Each Subsidiary Risk Management Committee is comprised of the subsidiary s chief executive officer, the non-standing members of its board of directors and the director of its risk management unit.

Subsidiary Risk Management Council

Our subsidiaries generally have a Subsidiary Risk Management Council, which is responsible for supporting the relevant Subsidiary Risk Management Committee in the implementation of its risk management policies and guidelines for such subsidiary, including by reviewing and reporting on agenda items to be discussed at meetings of the relevant Subsidiary Risk Management Committee, reviewing reports from the relevant subsidiary risk management units and performing any other duties delegated by the relevant Subsidiary Risk Management Committee.

Each Subsidiary Risk Management Council is generally comprised of the subsidiary s chief risk management officer, the head of its risk management unit and other executive officers responsible for such subsidiary s risk management-related functions. It operates independently from all business units, and reports directly to the Subsidiary Risk Management Committee.

Woori Bank, Kyongnam Bank and Kwangju Bank have each established a similar multi-tiered risk management governance structure for its own operations. For example, Woori Bank s Subsidiary Risk Management Committee is ultimately responsible for risk management for that subsidiary. It provides subsidiary board-level direction regarding risk management strategies and policies to the risk management bodies that are subordinate to it. Woori Bank s Executive Risk Management Committee, which reports directly to Woori Bank s Subsidiary Risk Management Committee and chief executive officer, implements the execution of these strategies and policies. The Executive Risk Management Committee works with various Woori Bank business units, including its risk management unit and its individual business units. The risk management unit directly implements and ensures compliance with Woori Bank s risk policies and guidelines at an operational level. It monitors market risk and liquidity risk on a daily basis and credit risk and interest rate repricing gap risk on a monthly basis and makes quarterly reports to the Subsidiary Risk Management Committee and to the Group Risk Management Council.

Our non-banking subsidiaries generally have more simplified risk management governance structures.

Credit Risk Management

Our credit risk management policy objectives are to improve our asset quality, reduce our non-performing loans and minimize our concentration risk through a diversified, balanced and risk-weighted loan portfolio. Through our subsidiaries, we manage credit risk and continually monitor and improve our credit risk-related policies and guidelines to reflect changing risks in our business and the industries and sectors in which our customers operate.

We believe that an essential part of achieving our credit risk management objectives is utilizing a group-wide, standardized risk management system so that we can identify and manage the risks generated by our businesses using a standardized system. Each of Woori Bank, Kyongnam Bank and Kwangju Bank is currently using a standardized credit risk management system based on Woori Bank s centralized credit risk management system called the CREPIA system. Woori Bank, together with several external consultants, completed the development and implementation of the CREPIA system in September 2004. CREPIA is a credit risk management system which combines credit risk management and the credit approval process on a transactional level with respect to individual borrowers and approval with respect to each individual loan or credit. Following upgrades to the CREPIA system completed in 2007, including the implementation of a credit risk measurement engine, the system quantifies credit risk with respect to corporate borrowers using a mark-to-market methodology, which reflects both the likelihood of a default by a borrower as well as the likelihood of a change in such borrower s credit rating, and quantifies credit risk with respect to retail borrowers using a default mode methodology, which reflects the likelihood of a default by a borrower. We believe that CREPIA is a systematic and efficient credit evaluation system and that our banking subsidiaries have expedited their loan review process and improved their ability to monitor and evaluate its overall risk profile by using this system. The main characteristics of CREPIA are as follows:

automation of credit risk management system, which allows us to centralize and automate many tasks relating to our credit risk management system;

automatic recognition and processing of different forms of credit, which allows us to process and approve different types of credit, such as new applicants, renewing applicants and changes in the condition of the loan or credit approved;

incorporation of credit risk management prior to approval of credit, which allows us to consider individualized characteristics of a borrower and enables us to calculate a more accurate price with respect to the loan or credit approved;

automatic credit risk monitoring after approval of credit, which allows us to evaluate and re-rate the loan or credit on a real-time basis as a result of any change in the characteristics of the borrower (including the condition of the underlying collateral, change in borrowing limit and early warning characteristics); and

automatic verification of internal procedures and regulations with respect to approval of credit, which reduces our operational risk and ensures that there are no material deviations from our loan and credit policies.

From 2004, we also established a credit risk limit for each of our banking subsidiaries with respect to large exposures. We aim to avoid concentrations of exposure with respect to any single corporate borrower or affiliated group of corporate borrowers. Accordingly, we have established aggregate exposure limits based on each of our banking subsidiaries capital adequacy levels and, with respect to individual corporate borrowers, established limits by dividing the expected loss with respect to companies affiliated with such corporate borrower with the unexpected loss (a measurement of credit risk) of such borrower and converting that into an exposure amount. We use this as the basis for our large exposure limits with respect to such corporate borrower.

From 2005, we also established a similar credit risk limit for each of our banking subsidiaries, Woori Investment & Securities and Woori Private Equity with respect to investment in private equity funds. Much like large exposure limits with respect to corporate borrowers, we aim to avoid concentrations of exposure with respect to any single private equity fund or affiliated group of funds. Accordingly, we have established aggregate investment limits based on the capital adequacy levels of each of our banking subsidiaries, Woori Investment & Securities and Woori Private Equity and, with respect to limits on each opportunity to invest, established limits depending on whether the target fund is an affiliate, or our participation or the participation by our subsidiaries is as a limited or general partner. In 2006, we also established a principal investment limit for investment activities that any of our banking subsidiaries, Woori Investment & Securities, Woori F&I and Woori Private Equity undertakes as a principal (as opposed to as an agent). Such principal investment limit was also established for Woori Aviva Life Insurance in 2009. The principal investment limit for each subsidiary is set as a certain percentage of the capitalization of such subsidiary.

We use our credit risk management systems to measure and control credit risk, to evaluate and approve new credit and to review and monitor outstanding credit. We conduct various quantitative and qualitative analyses to establish acceptable risk levels that provide what we believe are appropriate levels of return on investments. The credit risk management systems that we use to do this integrate various data, including customers financial and economic condition, limits on loans and guarantee amounts, cash flow evaluations, collateral levels, our desired profit margin and the likelihood of unexpected loan losses.

Each subsidiary monitors its level of risk, determines how that level compares to our target optimized level of risk on a monthly basis and produces risk analysis reports and optimization reports on a monthly basis and stress test reports on an ad hoc basis. These reports, which are sent monthly to the respective Subsidiary Risk Management Committees and quarterly to the Group Risk Management Committee, provide a basis to set risk limits for, and allocate capital to, a subsidiary s business units.

Credit Evaluation and Approval

Our subsidiaries evaluate the credit of every loan applicant and guarantor before approving any loans, except for:

- loans guaranteed by letters of guarantee issued by the Korea Credit Guarantee Fund, the Korea Technology Credit Guarantee Fund or certain other specified Korean government-controlled funds;
- loans guaranteed by highly rated banks;
- loans fully secured by deposits with us; and
- loans against commercial promissory notes issued by creditworthy companies at a discount to the face value of the note determined by the issuer s creditworthiness.

The evaluation and approval process differs depending on whether the loan is a corporate loan, a general household consumer loan, or a mortgage or home equity loan, and there is a separate process for credit card applications. Although each of our commercial banking subsidiaries currently uses slightly different credit scoring and approval systems in determining whether to approve a loan, we are currently in the process of implementing a standardized expected loss and unexpected loss credit risk system at each of our operating subsidiaries. Implementing a standardized system will enable us to better allocate risk capital on a group-wide basis by evaluating unexpected loss (a measurement of credit risk), VaR (a measurement of market risk) and earnings at risk (a measurement of whether our assets and liabilities are mismatched). We also intend to standardize our risk-adjusted performance measurement system and implement that system on a group-wide basis.

Our subsidiaries have undertaken a number of initiatives to develop credit evaluation and loan approval procedures that are more systematic and efficient. We prefer to use credit rating systems in our credit evaluation and loan approval process because they:

- yield a uniform result regardless of the user;
- can be used effectively by employees who do not have extensive experience in credit evaluation;
- can be easily updated to reflect changing market conditions by changing how factors are weighted;
- significantly limit the scope of employee discretion in the loan assessment and approval process; and

improve loan processing times while generally resulting in declines in delinquencies among new borrowers.

For example, in September 2004 Woori Bank introduced its CREPIA credit evaluation system for corporate loans (including small- and medium-sized enterprise loans) and a consumer credit evaluation system for consumer loans. Following the introduction of its consumer credit evaluation system, Woori Bank substantially reduced the authority of branch managers and loan officers to approve consumer loans based solely on their own judgment. Woori Bank s consumer loan approval process historically took as long as three days, but now generally takes less than 24 hours even when applications are reviewed by headquarters

217

personnel. Kyongnam Bank and Kwangju Bank have a similar evaluation and approval process, and are currently using standardized credit evaluation systems based on the CREPIA system following the completion of upgrades to standardize such systems in 2007.

Customers apply for loans by submitting a loan application through one of our subsidiaries branches. These applications are initially reviewed using the appropriate credit evaluation system and, in the case of applications for a small amount or involving applicants with little or no credit risk, are approved by the branch manager or a relationship manager acting in concert with a credit officer based on the credit risk rating they receive under that system. Applications for larger loans and loans which are determined to involve greater credit risk are approved by bodies with greater authority, depending on where those loans fall in a matrix of size, collateral and credit risk. These loan applications will be referred to a credit officer committee at a bank office located near the customer, which may or may not be at the subsidiary s headquarters. Every credit officer committee is made up of credit officers from headquarters and has the same level of authority. Applications that cannot be approved by a credit officer committee are referred to a senior credit officer committee or the Loan Committee of the relevant subsidiary, depending on loan size, collateral and credit risk. The following table sets forth as an example the various Woori Bank committees and personnel involved in its credit evaluation and loan approval process:

Committee	Members	Approval Process
Headquarters Approval		
Loan Committee	Head of the credit support unit, head of the risk management unit and other members selected by the bank chief executive officer (no more than seven persons, with at least a majority of them being risk management personnel)	2/3 required for approval; 2/3 required to participate
Headquarters/Regional Approval		
Senior Credit Officer Committee	One head senior credit officer and four to six other senior credit officers (five to seven persons)	2/3 required for approval; 2/3 required to participate
Credit Officer Committee	At least one senior credit officer and two other credit officers (at least three persons)	2/3 required for approval; 2/3 required to participate
Individual Approval		
Senior Relationship Manager	Individual	Approval of the individual
Relationship Manager	Individual	Approval of the individual
Branch Manager	Individual	Approval of the individual

Different individuals or committees review and approve loan applications depending on various factors, including:

the size and type of the loan;

the level of credit risk established by the credit rating system;

whether the loan is secured by collateral; and

if the loan is secured, an assessment of the collateral.

Table of Contents

Loan applications are generally reviewed only by the highest-level committee required to approve the loan, although multiple reviews, including separate reviews at the branch, regional and headquarters level, may occur depending on the size and terms of any particular loan or a borrower s credit risk.

Corporate Loan Approval Process

Each of our banking subsidiaries branches reviews corporate loan applications using a credit evaluation system for corporate borrowers. Although these systems historically differed among our subsidiaries, our banking subsidiaries currently use standardized credit evaluation systems (including standardized credit risk measurement engines) following the completion of upgrades in 2007 to standardize these systems as part of our group-wide, standardized risk management system. Each corporate credit evaluation system measures various quantitative and qualitative factors. The model used by the credit evaluation system to review an application depends, however, on certain characteristics of the potential borrower. For example, Woori Bank s credit risk management department, together with its large corporate loan department and small- and medium-sized enterprise loan department, has developed separate credit evaluation models for large corporate borrowers that are subject to external audit under the External Audit Act of Korea, large corporate borrowers that are not subject to external audit, medium-sized enterprises and SOHO borrowers that either have outstanding loans, or are applying for a loan, in excess of ₩1 billion. In general, each model uses scores from both a computerized evaluation of quantitative financial factors, such as cash flow and income, and more qualitative factors which are scored using judgments by the credit officer or officers reviewing the application to produce an overall credit risk rating. These credit evaluation systems provide our subsidiaries with tools to make consistent credit decisions and assist them in making risk-based pricing decisions. For example, Woori Bank s CREPIA system, depending on whether the borrower is audited by independent auditors and its size, produces two separate scores based on one of 14 rating models: one for quantitative current financial factors, which is weighted 60% in determining the CREPIA credit risk rating, and another for the more qualitative factors that the judgment of our credit officers plays a more significant part in determining, which is weighted 40%. The CREPIA credit risk rating estimates the probability that Woori Bank will recover extended credits and the likelihood that borrowers will default. Qualitative factors included in CREPIA include:

- a customer s future financial condition;
- its competitive position in the industry;
- its industry situation;
- the quality of its management;
- its technological merits;
- its operations;
- the nature and the location of any collateral; and
- our level of priority in that collateral to estimate non-recovery risks.

These qualitative factors are input into the CREPIA system by the credit officer, and are scored based on his or her historical experience and that of the bank.

The CREPIA system produces separate credit risk ratings for each borrower and for each loan requested by that borrower. Woori Bank s credit analysis and approval center evaluates and approves corporate loan applications based on these credit risk ratings. The CREPIA system assigns each borrower and facility one of the following fourteen credit risk rating grades from AAA to D, which are classified as follows: AAA (extremely strong), AA (very strong), A+ (strong), A− (good), BBB+ (more adequate), BBB (adequate), BBB− (less adequate), BB+ (less susceptible), BB (susceptible), BB− (more susceptible), B+ (slightly weak), B− (weak), C (very weak) and D (default). Certain loans are subject to review by the Loan Committee depending on the size of the loan and the determined credit risk rating. Examples of this include loan applications for secured loans in excess of ₩60 billion regardless of the borrower s or facility s credit risk rating, and, at the other extreme for unsecured loans, loan applications in excess of ₩4 billion for a borrower or facility with a credit risk rating of BB− to C. Applications from borrowers with loans on a subsidiary s watch list (see Credit Review and Monitoring below) are also automatically reviewed by its Loan Committee.

Our subsidiaries use the same systems to evaluate and approve applications from small- and medium-sized enterprises that they use to evaluate other corporate borrowers, but use different credit evaluation models. For example, Woori Bank implemented its current credit evaluation models for small- and medium-sized enterprise customers in September 2004. These models, which are incorporated into the CREPIA system, use the same quantitative and qualitative factors that Woori Bank uses to evaluate other corporate customers. However, the small- and medium-sized enterprise models apply a 50% weighting to the score derived from quantitative factors and a 50% weighting to the score derived from the more flexible qualitative factors in determining the credit risk rating. In September 2004, Woori Bank introduced a separate credit evaluation model to evaluate newly opening small-and medium-sized enterprises that relies solely on qualitative factors. Woori Bank has also adopted a separate credit evaluation system for SOHOs (such as pharmacies, clinics and restaurants) which either have outstanding loans, or are applying for a loan, of ₩1 billion or less that uses simpler credit evaluation models and resembles our application scoring system for new retail customers. In December 2006, Woori Bank implemented a new credit evaluation model, which reflects Woori Bank s new capital adequacy requirements and apply to consumer and corporate loans (including loans to small-and medium-sized enterprises). Woori Bank also introduced a new corporate rating model dedicated to evaluating large corporate borrowers in July 2008.

Woori Bank supplements the CREPIA evaluation by testing potential exposures with another separate model that is an element of its portfolio management system. This model analyzes information based primarily on current factors, such as a potential borrower s stock price. This model provides a check on potential lending, including potential deterioration of outstanding credits, in cases where there have been significant changes in a borrower s status that may not be fully reflected in its most recently available quantitative or qualitative data.

We have set credit limits for our corporate customers. Some of these limits, particularly those imposed by Korean banking regulations, apply to all of our subsidiaries, and are aimed at preventing loan concentrations relating to any single customer. See Item 4B. Business Overview Supervision and Regulation Principal Regulations Applicable to Banks Financial Exposure to Any Individual Customer and Major Shareholder. In certain cases, our subsidiaries have introduced even stricter exposure limits than required by regulation, including additional limitations on providing credit to certain borrowers. For example, Woori Bank has introduced and implemented internally developed large exposure limits that are stricter than the applicable Financial Services Commission requirements.

In evaluating applications, credit officers or the Loan Committee will often, in addition to reviewing ratings from these credit evaluation models, also refer to corporate information gathered or ratings assigned by external credit rating agencies, such as the Korea Federation of Banks, Korea Information Service, Korean government-released information on bankruptcy rates, National Information & Credit Evaluation Inc. and Korea Management Consulting & Credit Rating Corporation. They review the information we obtain from these sources and compare it to the information we have developed internally with respect to our customers to improve the accuracy of our internal credit ratings.

Consumer Loan Approval Process

The consumer loan department of each of our banking subsidiaries evaluates and approves consumer loan applications using dedicated consumer credit evaluation systems. Although these systems historically differed among our subsidiaries, our banking subsidiaries currently use standardized credit evaluation systems (including standardized credit risk measurement engines) following the completion of upgrades in 2007 to standardize these systems as part of our group-wide, standardized risk management system. Each of the consumer credit evaluation systems currently in use uses a standardized credit scoring system to evaluate and approve consumer loan applications and determine the appropriate pricing for the loan. Each consumer credit evaluation system measures various quantitative factors to produce a credit score for each application. As similarly situated consumer loan customers generally have similar performance profiles when evaluated collectively, these systems enable us to better evaluate individual customers using group characteristics.

Woori Bank, for example, began using its consumer credit evaluation system to review consumer loan applications in September 2004. That system assigns a credit score to each application based on its evaluation of various factors. These factors include any loan and guarantee limits we have set for particular borrowers or groups of borrowers and our evaluation of their cash flows and credit profiles. The system gives each customer s loan application a score from one to ten. From March 2006, Woori Bank also added another scoring system based on the external ratings provided by the Korea Credit Bureau. Applications are classified as automatically approved, automatically rejected and subject to further evaluation based on a combination of the scores of these two systems. For example, applications scoring between one to six under Woori Bank s internal system that also score between one to eight in the external ratings provided by the Korea Credit Bureau are automatically accepted, while applications scoring ten under Woori Bank s internal system and nine or above in the external ratings provided by the Korea Credit Bureau are automatically rejected. Woori Bank uses this system to evaluate all new consumer loan applications, except for loans fully secured by deposits with Woori Bank.

Woori Bank augments its consumer credit evaluation system with a behavioral scoring system. The behavioral scoring system enhances the consumer credit evaluation system by enabling the consideration of factors not previously evaluated, including the customer s spending history and credit behavior. By the nature of the information it analyzes, however, the behavioral scoring system can only be used for applications of persons who are existing borrowers, generally consisting of roll-overs of outstanding amounts or increases to existing credit limits.

We also evaluate any collateral to which a loan application relates. At the time of the initial loan, we will review the proposed collateral using both internal review processes and outside parties that provide automated property evaluation services. For example, Woori Bank automatically re-evaluates the underlying collateral for secured loans and mortgages every two weeks (with respect to apartments) or semi-annually (with respect to other buildings). If the value of the collateral declines, we may have the ability to require that the borrower provide more collateral or to change the payment terms of the relevant loan.

Credit Card Approval Process

We have worked to ensure that risk management and credit extension policies with respect to our credit card operations reflect our group-wide risk management policies and guidelines. Although Woori Credit Card merged with Woori Bank in March 2004, we maintain those credit card operations as a separate business unit within Woori Bank, and that business unit maintains separate credit risk management policies and procedures.

Woori Bank s credit card business unit reviews each new card application for completeness, accuracy and creditworthiness. It bases this review on various factors that assess the applicant s ability to repay borrowed amounts. The review process involves three stages:

Initial Application Process. The credit card business unit verifies basic information by requesting certain documents from the applicant, generally contacts the applicant directly (usually by telephone, although there are personal visits to some applicants) and statistically analyzes the applicant s personal credit history together with financial and default information gathered from third-party sources and its internal database. The analysis considers various factors including employment, default status and historical relationships with Woori Bank and any delinquency history with other credit card companies. The credit card business unit also reviews information about an applicant obtained from external databases maintained by the Korea Federation of Banks, Korea Information Service Inc., Korea Credit Bureau Inc. and a consortium of seven Korean credit card providers.

Application Scoring System Process. The application scoring system at the credit card business unit is a standardized evaluation tool used to determine the probability of a credit card applicant defaulting during the one-year period following issuance. The application scoring system, using a statistical model, assigns risks to factors that indicate a probability of non-payment. The model analyzes credit

221

history, occupation and income data to develop a combined risk score. The applicant s eligibility to receive a credit card and credit limit is determined by its anticipated delinquency ratio over 90 days within one year.

Credit Assessment. If the application is approved, then the application scoring system assessment is used to determine the applicant s credit limit. The aggregate credit limit for a new applicant who is an individual rarely exceeds ₩20 million. There is a separate but similar system for determining the credit limit available to corporate card applicants, which will generally be higher than limits available to individual applicants but will not provide for the ability to obtain cash advances.

The initial application process is handled at Woori Bank s branch level. Final credit approval is subject to the application scoring system review conducted at Woori Bank s headquarters. The entire approval process generally takes two to three days and the applicant receives the new card within one week after making an application. The credit card business unit evaluates and updates the application scoring system on a monthly basis (or more frequently as required) to incorporate new data or adjust the importance placed on existing data or market conditions.

Kyongnam Bank and Kwangju Bank currently operate a similar application process, although in the case of Kyongnam Bank, the approval process itself takes place within BC Card.

Credit Review and Monitoring

Our credit review and monitoring procedures are designed to reduce the risks of deterioration in our asset quality and to maintain acceptable levels of portfolio risk. These procedures include:

confirming a borrower s credit rating or score;

ensuring the accuracy of the credit analysis done by our credit officers; and

ensuring compliance with internal policies relating to loan approval.

We believe that these procedures enable us to identify potential non-performing loans as soon as possible and minimize the possibility of approving in advance loans that will become non-performing. These procedures also enable us to manage credit risk more effectively and set interest rates to more accurately reach our targeted level of return.

Loan Review and Monitoring

Each of our banking subsidiaries monitors credit risk with respect to its borrowers using its own loan review system. Each banking subsidiary has a loan review department that oversees its review and monitoring efforts. After a loan has been approved, the relevant materials or the results generated by the subsidiary s relevant credit evaluation system, together with any supporting data, are reviewed by an officer in that department. There are three types of reviews that our subsidiary loan review units undertake:

Desk review. Desk reviews are the most common and are generally done within five days after a loan has been approved. Although the process is similar, different loans are automatically reviewed by our subsidiaries based on the size of the loan. At Woori Bank, for example, the loan review department will initiate a desk review of loans approved by a credit officer committee or the Loan Committee of the subsidiary, for any corporate loan that exceeded ₩5 billion, any consumer loan that exceeded W1 billion, any loan to a housing applicant group that exceeded ₩5 billion or any loan where the loan terms were adjusted. For loans originating from a branch, the loan review department will initiate a desk review for new domestic loans or credit limit increases that exceed ₩300 million. For new overseas loans, desk reviews are conducted for amounts that exceed US$300,000.

Periodic review. Periodic reviews are done on a quarterly, semi-annual or annual basis with respect to loans that are current and exceed W10 billion or with respect to borrowers who are on a watch list with respect to possible insolvency. Quarterly periodic reviews are done for certain corporate borrowers, depending on their size and the borrower s industry.

Ad hoc review. Ad hoc reviews can be done at any time. The head of the subsidiary risk management department or the chief executive officer or chief financial officer of the respective subsidiary can initiate ad hoc reviews. Loan review officers who are responsible for desk and periodic reviews also conduct ad hoc reviews.

Following a review, the subsidiary s sales office may hold additional meetings with the borrower and adjust the loan amount or the borrower s credit rating. The loan review department may also direct sales office personnel to institute early collections or to adjust a borrower s credit rating, total exposure and asset portfolio without consulting the borrower. The loan review officer may request that the credit officer adjust a borrower s credit ratings based on various factors, including asset quality, credit limits, applied interest rates and our credit policies. We also continually review other factors, such as industries in which borrowers operate and their domestic and overseas assets and operations, to ensure that our ratings are appropriate.

Woori Bank monitors and manages its exposures to and credit limits for corporations and *chaebols* on a daily basis. Woori Bank uses its Total Exposure Management System to make real-time inquiries regarding its exposures, either by company or by *chaebol*, and to manage the credit limits for all kinds of business transactions. Woori Bank monitors and analyzes these exposures on a monthly basis. Corporate borrowers on Woori Bank s watch list are monitored more closely and with respect to additional aspects of their relationships with us. Woori Bank places borrowers on its watch list when it believes that any impediment on a borrower s ability to meet its financial obligations exists or is pending. Woori Bank may also monitor newly extended credits or any additional credits extended to a previous borrower more frequently if it believes additional monitoring is necessary after reviewing the loan approval process. Credits outstanding to a particular industry or region that Woori Bank believes are higher risk are monitored even more frequently. Based on the results of such monitoring, the loan review department of each of our subsidiary banks provides monthly reports to its chief executive officer and its Subsidiary Risk Management Committee. Kyongnam Bank and Kwangju Bank also monitor their exposures to corporate borrowers but only on a monthly basis and using less advanced systems.

The consumer loan department of each of our banking subsidiaries has the ability to conduct daily surveillance on the status of its retail borrowers through an on-line system established by the Korea Federation of Banks. This system, which tracks consumer loans at all major Korean banks and non-banking institutions, permits us to track all loan defaults by any borrower. We evaluate the need to monitor consumer loans by using our consumer credit evaluation system, including, in the case of Woori Bank, its behavioral scoring system, and make adjustments to the credit scoring formula based on the results of that process.

Each subsidiary s loan review department in its risk management unit is required to submit monthly loan review reports and quarterly deficiency reports to the chief executive officer and the head of the risk management unit of that subsidiary. The chief executive officer then provides feedback to the relevant sales offices of the banking subsidiary s branches through that subsidiary s auditing team or relevant business unit. Based on these reports, we or our subsidiaries may, for example, stop lending to particular borrowers, change credit limits or modify our loan approval procedures. We do not monitor loans to certain borrowers, such as loans to government entities such as the KDIC or to companies in workout proceedings.

Credit Card Review and Monitoring

Woori Bank s credit card business unit monitors its risk exposure to individual accounts on a regular basis. It monitors each customer s card usage trends and negative credit data such as delinquency information through both its own credit risk management system (which was developed with the assistance of an outside consultant) and BC Card s similar system (which BC Card maintains for its member banks). These systems monitor the behavior of users of credit cards issued by Woori Bank or Woori Credit Card, using both internally generated information and information from external sources. The credit card business unit statistically analyzes this information to estimate each customer s creditworthiness on a monthly basis. The credit risk management system is an integral part of the credit practices at the credit card business unit and is used to determine increases or decreases in credit limits, reset interest rates, set fee levels, authorize special transactions and approve card loans using criteria such as:

how much credit each customer has incurred in the past (i.e., frequency and amount of payments);

whether a customer uses his card to make credit card purchases or to get cash advances;

internal credit scores; and

whether the customer has been delinquent in making payments.

After assigning appropriate weightings to each factor, the system computes a behavior score and uses that score to classify each cardholder. Each customer s credit limit is subject to adjustment in accordance with the monthly updated score. The credit card business unit uses these results and the results of its application scoring system to evaluate its credit risk management system and make adjustments to its credit scoring formula based on the results of that process.

The credit card business unit s credit risk management system has also been able to run various simulations in connection with monitoring its operations, including:

new product simulations, which predict a customer s likely spending pattern when using a new credit card product and analyzes that pattern to predict the new product s costs, delinquencies and profitability; and

credit use limit simulations, which test whether a customer s credit limit has been properly set by simulating an increase or decrease of that limit.

The credit card business unit s credit administration team manages customer credit risk for users of credit cards issued by Woori Bank. It reviews and updates its underwriting, credit evaluation, collection, servicing and write-off procedures, and the terms and conditions of card agreements, from time to time in accordance with its business practices, applicable law and guidelines issued by regulatory authorities. Kyongnam Bank currently operates customer credit risk with respect to its credit card business using the BC Card system.

Early Warning Systems

Each of our banking subsidiaries and Woori Bank s credit card business unit have developed separate early warning systems that monitor the status of both commercial and retail borrowers and evaluate all of a customer s outstanding credits. These systems monitor various factors, including the financial status, financial transaction status, industry rating and management status of borrowers. They enable our subsidiaries to find defaults and signs of potential delinquency in advance, monitor these problematic credits properly before any default or delayed payment occurs and keep track of information on the credit status of borrowers. Updated information is input as it becomes available, either automatically from internal and external sources or manually. This information includes data relating to:

credit evaluation and monitoring system results, which determine if a borrower should be put on a watch list;

loan transactions, such as a borrower s remaining line of credit and whether it has any dishonored notes, overdue loans or setoffs with respect to collateral deposits which have not matured;

deposit transactions, such as any decrease in a borrower s average deposit balance, requests for large volumes of promissory notes or checks, or the inability to pay immediately available funds owed when due;

foreign exchange transactions, such as unpaid amounts of a borrower s purchased export bills that have exceeded the maturity date; and

other information, such as a borrower s management and employees, business operations, production operations, financial affairs and accounting operations and bank transactions.

We also monitor borrowers credits through on-line credit reports that are provided by Korea Information Service and National Information & Credit Evaluation, Inc., which are Korean credit reporting agencies.

After gathering this information, for example at Woori Bank, the CREPIA system reviews such information to monitor any changes that could affect the credit rating of the borrower, approval conditions with respect to the loan or credit, underlying collateral or assigned credit limit of the borrower. Depending on the likelihood of the change, the system automatically sends a signal to the responsible credit officer. The officer then evaluates the information and formulates an action plan, which could result in an adjustment in the borrower s credit rating or loan pricing, a re-evaluation of the loan or the taking of other preventative measures.

Credit Remediation

We believe that by centralizing the management of our non-performing credits within each subsidiary, we can implement uniform policies for non-performing credit resolution, pool institutional knowledge and create a more specialized (and therefore more efficient) work force. Each of our subsidiaries has one or more units that are responsible for managing non-performing loans. At Woori Bank, for example, the Credit Management and Collection Department and the Corporate Restructuring Department generally oversee the process for resolving non-performing loans transferred to them by other Woori Bank business units. When a loan becomes non-performing, the units at our banking subsidiaries that are responsible for monitoring non-performing loans will begin a due diligence review of the borrower s assets, send a notice demanding payment or stating that the unit will take legal action, and prepare for legal action. At the same time, we initiate our non-performing loan management process. Once we have confirmed the details of a non-performing loan, we make efforts to recover amounts owed to us. Methods for resolving non-performing loans include commencing collection proceedings or legal actions and writing off such loans, transferring them to subsidiaries in charge of collection and authorizing those subsidiaries to recover what they can. We have also disposed of a number of non-performing credits to KAMCO, as well as through non-performing loan joint ventures with several financial institutions and in other asset securitization transactions. See Item 4B. Business Overview Assets and Liabilities Asset Quality of Loans Non-Performing Loans Non-Performing Loan Strategy.

Market Risk Management

The principal market risks to which we are exposed are interest rate risk, equity risk and, to a lesser extent, foreign exchange risk and commodity risk. We divide market risk into risks arising from trading activities and risks relating to management of our assets and liabilities. The financial instruments that expose us to market risks are primarily trading and available-for-sale securities and financial derivatives and, with respect to commodity risk, commodity derivatives.

Our Group Risk Management Committee establishes our risk capital allocation and risk limits for our trading activities. The Group Risk Management Committee has delegated the responsibility for coordinating market risk management for trading activities to the Group Risk Management Council. The risk management units of each of our subsidiaries coordinates with the Group Risk Management Council. These units review on a daily basis reports that include trading profits and losses, position reports, stress test results and value at risk results for our trading activities. Any violations of such risk limits are reported to the Group Risk Management Department.

Market Risk Management for Trading Activities

We measure market risk from trading activities to monitor and control the risk of our business groups and teams that perform those activities. Our trading activities consist of:

- trading activities for our own account to realize short-term trading profits in debt (primarily Won-denominated), equity and foreign exchange markets based on our forecasts of changes in market situation and customer demand; and

Table of Contents

trading activities involving derivatives transactions, including interest rate and foreign exchange swaps, forwards, futures and options and, to a lesser extent, commodity derivatives, primarily to sell derivatives products to our customers and to hedge our own market risk.

Market risk arising from our trading activities can be subdivided into interest rate risk, equity risk, foreign exchange risk and commodity risk:

Interest rate risk is a significant risk to which our trading activities are exposed. This risk arises primarily from our debt securities (which are primarily held by Woori Bank). We set different risk limits for our interest rate risk for our trading and non-trading debt portfolios.

Equity risk arises from price and volatility fluctuations in equity securities and derivatives.

Foreign exchange risk arises from foreign currency-denominated assets and liabilities in both our trading and non-trading accounts and financial derivatives involving foreign currencies, which are not controlled separately on a trading and asset/liability management basis.

Commodity risk arises from price and volatility fluctuations in commodity derivatives.

The Group Risk Management Committee monitors market risk both for the group and for each subsidiary individually. See Standardization Strategy. The Group Risk Management Committee has established a maximum market risk appetite for each subsidiary, which is defined as the risk capital of a particular subsidiary divided by its available capital. Risk capital is a benchmark figure that determines the VaR limits, accumulated loss limits (for trading portfolios) and present value of a basis point (or PVBP) limits (for non-trading available-for-sale assets) for each subsidiary. Available capital generally consists of stockholder s equity. Using this benchmark, as of December 31, 2010, we have established market risk limits with respect to our subsidiaries as shown in the following table:

	Trading Portfolio			Non-Trading Portfolio
		Accumulated Loss Limit		
	VaR Limit	Quarter	Annual	PVBP Limit
		(in billions of Won)		
Woori Bank	₩ 30.0	₩ 145.0	₩ 290.0	₩ 1.853
Kyongnam Bank	2.2	8.0	15.9	0.260
Kwangju Bank	1.1	3.6	7.1	0.198

Each of our subsidiaries generally manages its market risk at the portfolio level, rather than on a credit-by-credit basis. To control its exposure, each of our subsidiaries takes into consideration the VaR limits, accumulated loss limits and PVBP limits set by the Group Risk Management Committee in determining its internal allocation of risk among its various portfolios. Each subsidiary also sets its own stop loss limits with respect to particular types of transactions. Each subsidiary uses an integrated market risk management system to manage market risks for its debt and equity trading operations. This system enables each subsidiary to generate consistent VaR numbers for all of its trading activities.

In addition, in connection with our adoption of SFAS No. 157, Fair Value Measurements (ASC 820-10), we have implemented internal processes which include a number of key controls designed to ensure that fair value is measured appropriately, particularly where a fair value model is internally developed and used to price a significant product. See Item 5A. Operating Results Critical Accounting Estimates Valuation of Securities and Financial Instruments and Notes 1 and 33 of the notes to our consolidated financial statements. For example, Woori Bank s Risk Management Department reviews the existing pricing and valuation models on a regular basis, with a focus on their underlying modeling assumptions and restrictions, to assess the appropriateness of their continued use. In consultation with Woori Bank s Trading Department, the Risk Management Department recommends potential valuation models to Woori Bank s Fair Value Evaluation Committee. Upon approval by Woori Bank s Fair Value Evaluation Committee, the selected valuation models are reported to its Risk Management Committee.

Value at Risk analysis. We use daily VaR to measure market risk. Our daily VaR is a statistically estimated maximum amount of loss that can occur for a day. We use a 99% confidence level to measure our daily VaR, which means the actual amount of loss may exceed the VaR, on average, once out of 100 business days. We use the variance-covariance method which takes into account the diversification effects among different risk factors. This method is based on two assumptions: first, that the distribution of risk factors is normal; and, second, that profit and loss is a quadratic function of the returns. Different VaR methodologies and distributional assumption could produce a materially different VaR.

Although VaR is a commonly used market risk management technique, it has some inadequacies. Since it is a statistical approach, VaR estimates possible losses over a certain period at a particular confidence level using past market movement data. Past market movements, however, are not necessarily a good indicator of future events. Another problem with VaR is that the time periods used for the model, generally one or ten days, are assumed to be a sufficient holding period before liquidating the relevant underlying positions. If these holding periods are not sufficient, or too long, VaR may understate or overstate the potential loss. VaR is most appropriate as a risk measure for trading positions in liquid financial markets and will understate the risk associated with severe events, such as a period of extreme liquidity.

The following table shows our daily VaR for each of Woori Bank, Kyongnam Bank and Kwangju Bank as of December 31, 2008, 2009 and 2010 at a 99% confidence level for a one-day holding period, for interest rate risk, equity risk, foreign exchange risk and commodity risk relating to our trading activities.

	Interest Rate Risk	Equity Risk	Foreign Exchange Risk	Commodity Risk	Less: Diversification	VaR for Overall Trading Activities
			(in millions of Won)			
As of December 31, 2008						
Woori Bank	3,920	4,461	2,255	1,673	4,788	7,520
Kyongnam Bank	158	11	31		19	181
Kwangju Bank	178	12	37		25	203
As of December 31, 2009						
Woori Bank	24,819	10,611	22,167	1,365	39,182	19,780
Kyongnam Bank	148	43	25		64	152
Kwangju Bank	122	18	13		30	123
As of December 31, 2010						
Woori Bank	3,770	2,005	4,042	13	5,452	4,377
Kyongnam Bank	70	298	27		76	319
Kwangju Bank	86	2	7		8	88

Stress test. In addition to VaR, we perform stress testing to measure market risk. As VaR assumes normal market situations, we assess our market risk exposure to abnormal market fluctuations through stress testing. Stress testing is an important way of supporting VaR since VaR is a statistical expression of possible loss under a given confidence level and holding period. It does not cover potential loss if the market moves in a manner that is outside our normal expectations. Stress testing projects the anticipated change in value of holding positions under certain scenarios assuming that we take no action during a stress event to change the risk profile of a portfolio. The following table shows, for each identified subsidiary, the loss that would have occurred in its trading portfolio as of December 31, 2010 for assumed short-term extreme changes of a +/−20% change in the equity market and a +/−60 basis point change from interest rates prevailing in the market on that date, under an abnormal stress environment.

	(in billions of Won, except percentages)					
Equity Market Chart Market fluctuation amount	**(20)%**	**(10)%**	**(5)%**	**5%**	**10%**	**20%**
Woori Bank	₩ (2.2)	₩ (4.5)	₩ (4.3)	₩ 5.7	₩ 2.3	₩ 13.1
Kyongnam Bank	(2.5)	(1.2)	(0.6)	0.6	1.2	2.5
Kwangju Bank	0.0	0.0	0.0	0.0	0.0	0.0

(in billions of Won, except basis points)

Interest Rate Chart Basis point fluctuation amount	**(60) basis points**	**(40) basis points**	**(20) basis points**	**20 basis points**	**40 basis points**	**60 basis points**
Woori Bank	₩18.5	₩14.8	₩6.2	₩(7.0)	₩(12.2)	₩(22.9)
Kyongnam Bank	0.7	0.5	0.2	(0.2)	(0.4)	(0.6)
Kwangju Bank	0.6	0.4	0.2	(0.2)	(0.5)	(0.7)

Stop loss limits. Our Subsidiary Risk Management Committees also approves total accumulated loss limits, and the heads of the relevant trading departments in each of our subsidiaries sets its own stop loss limits with respect to particular types of transactions. For example, Woori Bank has stop loss limits for various trading activities, including:

for trading equity securities in Won, within 25% of the purchase price of such securities;

for trading fixed income securities in Won, within a specified range of increase in market interest rates (from 30 basis points to 250 basis points, depending on the time remaining until maturity of the relevant fixed income securities);

for available-for-sale equity securities in Won, within 35% of the book value of such securities;

for available-for-sale fixed income securities in Won, within 10% of the book value of such securities;

for trading equity or fixed income securities in foreign currencies, within 5% of the purchase price of such securities; and

for available-for-sale equity or fixed income securities in foreign currencies, within 15% of the purchase price of such securities.

Interest Rate Risk

Interest rate risk from trading activities arises mainly from our trading of Won-denominated debt securities. Our trading strategy is to benefit from short-term movements in the prices of debt securities arising from changes in interest rates. As our subsidiaries trading accounts are marked-to-market daily, each of our subsidiaries manages its interest rate risk related to our trading accounts using market value-based tools such as VaR. See Asset and Liability Management Interest Rate Risk.

Equity Risk

Equity price risk and equity volatility risk result from our subsidiaries equity portfolios, which consist mainly of futures contracts and options and Won-denominated equity securities, as a result of the strict limits we have imposed with respect to VaR and accumulated loss imposed by our Subsidiary Risk Management Committees within the overall limits imposed by the Group Risk Management Committee, stop loss limits set by the heads of the relevant trading departments of our subsidiaries, and stress test limits. Equity risk arises in the context of trading activities for our own accounts to realize short-term trading profits with respect to equity and trading activities involving certain derivatives transactions.

Foreign Exchange Risk

Foreign exchange risk arises because we have assets, liabilities and off-balance sheet items such as foreign exchange forwards and currency swaps that are denominated in non-Won currencies. The difference between each of our subsidiaries foreign currency assets and liabilities is offset against forward foreign exchange positions to obtain its net foreign currency open position. We then net the positions of our subsidiaries against each other to derive our net exposure. Each of our subsidiaries determines its maximum foreign exchange exposure for both trading and asset and liability management purposes by establishing a limit for this net foreign currency open position. Each Subsidiary Risk Management Committee also establishes VaR limits for the foreign exchange business of its respective subsidiary and exposure limits for the business units of that subsidiary.

Assets and liabilities denominated in U.S. dollars account for the majority of our foreign currency assets and liabilities. Those denominated in Japanese yen and the euro account for most of the remainder, the majority of which have been swapped into U.S. dollars.

Each of our subsidiaries monitors changes in, and matches of, foreign-currency assets and liabilities in order to reduce exposure to currency fluctuations. Most of our foreign exchange risk arises in connection with the operations of Woori Bank. Our subsidiaries also manage risks relating to exchange rate fluctuations through foreign exchange dealing, including by their overseas branches. However, we conduct foreign exchange dealings primarily on behalf of our customers. Counterparties are restricted to domestic and foreign financial institutions and banks with respect to which our subsidiaries have established a foreign exchange dealing limit. Our subsidiaries deal primarily in the Won/U.S. dollar market and their dealings are subject to what we believe are conservative daily maximum and closing limits and stop loss limits. By way of illustration, the following table sets forth information concerning Woori Bank s limits on proprietary foreign exchange dealings as of December 31, 2010:

	Won/U.S. Dollar Dealing Headquarters		Dealings in other currencies (in millions of US$) Headquarters		Overseas Branches	
	Total	Individual	Total	Individual	Total	Individual
Open position						
Daily maximum limit	US $ 1,000	US $ 200	US $ 200	US $ 50	US $ 60	US $ 15
Daily closing limit	200	50	100	20	30	6
Stop loss:						
Daily	2.00	0.50	0.80	0.15	0.24	0.05
Monthly	3.00	0.80	2.00	0.50	0.60	0.15

The following table shows the non-consolidated net open positions of Woori Bank, Kyongnam Bank and Kwangju Bank at the end of 2008, 2009 and 2010. Positive amounts represent long exposures and negative amounts represent short exposures.

	As of December 31, (in millions of US$) 2008			2009			2010		
	Woori Bank	Kyongnam Bank	Kwangju Bank	Woori Bank	Kyongnam Bank	Kwangju Bank	Woori Bank	Kyongnam Bank	Kwangju Bank
Currency									
U.S. dollar	US$ 164.0	US$ (1.8)	US$ 0.4	US$ 7.6	US$ (0.6)	US$ 0.2	US$ (102.0)	US$ (3.0)	US$ 0.0
Japanese yen	1.7	0.1	0.0	13.7	(0.6)	(0.1)	(3.8)	0.3	0.2
Euro	5.8	(0.8)	(0.2)	7.4	(0.8)	0.0	35.0	0.1	(0.1)
Others	25.9	2.7	0.1	13.0	2.3	0.1	16.3	2.1	0.1
Total	US$ 197.4	US$ 0.2	US$ 0.3	US$ 41.6	US$ 0.4	US$ 0.3	US$ (54.5)	US$ (0.5)	US$ 0.2

Commodity Risk

Commodity risk represents exposures to instruments traded in the metals, petroleum, natural gas and other commodities markets, and arises principally from Woori Bank s trading of U.S. dollar-denominated commodity derivatives. Under applicable Korean laws, Woori Bank may only engage in commodity derivative transactions on behalf of its corporate customers for hedging purposes. Woori Bank manages its commodity risk using VaR, accumulated loss and stress test limits.

Derivatives-Related Market Risk

The Foreign Exchange Transaction Regulations of Korea provide that a foreign exchange bank (such as Woori Bank) may generally enter into derivatives transactions without restriction so long as those transactions are not linked with credit risks of a party to the transaction or any third party. If they are, the bank must report the transaction to the Bank of Korea.

Most of the derivatives products that our subsidiaries trade are on behalf of their customers or to hedge their own positions. Our derivatives activities include interest rate and cross-currency swaps, foreign exchange forwards, stock index and interest rate futures, forward rate agreements and currency and over-the-counter equity options.

Asset and Liability Management

Our principal market risk with respect to managing our assets and liabilities is interest rate risk. Interest rate risk arises due to mismatches in the maturities or re-pricing periods of rate-sensitive assets and liabilities, such as loans and deposits. Any imbalance of the maturity of our interest rate-sensitive assets and liabilities and the gap resulting from that imbalance may cause net interest income to be affected by changes in the prevailing level of interest rates. Our principal asset and liability management objectives are to generate stable net interest revenues and protect our asset value against interest rate fluctuations.

Each of our commercial banking subsidiaries uses a standardized asset and liability management system for its Won- and foreign currency-denominated assets and liabilities. In addition, Woori Bank s system also allows it to manage the assets and liabilities in its trust accounts. Prior to 2009, this system used roll-over modeling to mitigate the difficulty of predicting maturity with respect to customers purchases and cash advances and to calculate actual cash flow of customers based on pre-payment, extension of payments, delinquencies, bankruptcies and recoveries at each of our commercial banking subsidiaries. In January 2009, this system was integrated among our commercial banking subsidiaries and upgraded to include a new statistical analysis system to calculate statistically estimated maximum amount of loss, as well as an integrated user-interface operated by Woori FIS. As a part of this upgrade, we also changed our methodology to determine interest rate VaR from the Hull-White model using Monte-Carlo simulation to the historical scenario method.

Interest Rate Risk

We manage interest rate risk based on rational interest rate forecasts, using gap analysis to measure the difference between interest-sensitive assets and interest-sensitive liabilities, using simulations to calculate the effect of changing interest rates on income. Since Korea does not currently have a well-established derivatives market, we principally manage this risk by managing maturity and duration gaps between our interest-earning assets and interest-bearing liabilities.

We measure interest rate risk for Won and foreign currency assets and liabilities in our bank accounts (including derivatives) and, in the case of Woori Bank, assets and liabilities in our principal guaranteed trust accounts. Most of our interest-earning assets and interest-bearing liabilities are denominated in Won and our foreign currency-denominated assets and liabilities are mostly denominated in U.S. dollars. We believe, however, that our interest rate sensitivity is limited with respect to our Won-denominated assets. Deposits in Won generally bear fixed rates of interest for fixed time periods (other than deposits payable on demand which constituted approximately 35.7% of our total deposits in Won as of December 31, 2010). We generally adjust the interest rates on these deposits when they are rolled over. In addition, as of December 31, 2010, 93.3% of those deposits had current maturities of one year or less. As of December 31, 2010, approximately 80.0% of our Won-denominated loans bore floating rates of interest, and 57.8% of those loans had current maturities of one year or less.

Interest rate gap analysis measures expected changes in net interest revenues by calculating the difference in the amounts of interest-earning assets and interest-bearing liabilities at each maturity and interest resetting date. Woori Bank, Kyongnam Bank and Kwangju Bank each performs interest rate gap analysis for Won and foreign currency-denominated assets (and, in the case of Woori Bank, trust assets), on a monthly basis. Our subsidiaries report these results to the Group Risk Management Committee on a quarterly basis.

Table of Contents

Interest Rate Gap Analysis. For interest rate gap analysis we use or assume the following maturities for different assets and liabilities:

With respect to maturities of assets, for prime rate-linked loans, we apply the actual maturities of each loan; furthermore, we assume the reserves with the Bank of Korea and loans and securities classified as substandard or below to have maximum remaining maturities.

With respect to maturities of liabilities, for demand deposits with no fixed maturities held by the banks, a portion of the demand deposits are recognized to have maturities of less than three months as calculated in accordance with Financial Services Commission guidelines.

From July 2004, our Group Risk Management Committee established the interest rate risk limit for each of our subsidiaries by directing that the earnings at risk for each subsidiary should be within 5% of the estimated net interest income of such subsidiary for a one-year period. We calculate VaR through our group-wide, standardized asset and liability management system, which uses the historical scenario method to simulate the current portfolio s net asset value for a one-year holding period at a 99.9% confidence level.

The following tables show, for each of Woori Bank, Kyongnam Bank and Kwangju Bank on a non-consolidated basis pursuant to the guidelines of the Financial Supervisory Service, the interest rate gap for Won-denominated accounts and foreign currency-denominated accounts as of December 31, 2010:

Woori Bank

	As of December 31, 2010 (in billions of Won)					
	0-3 Months	**3-6 Months**	**6-12 Months**	**1-3 Years**	**Over 3 Years**	**Total**
Won-denominated accounts:						
Interest rate-sensitive assets						
Free interest rate	₩ 4,033	₩ 2,550	₩ 2,287	₩ 1,784	₩ 776	₩ 11,430
Market interest rate	127,945	11,944	8,127	11,551	10,361	169,929
Interest rate pegged to customer deposit	66	48	83	7	1	205
Total	₩ 132,044	₩ 14,541	₩ 10,498	₩ 13,342	₩ 11,138	₩ 181,564
Interest rate-sensitive liabilities						
Free interest rate	₩ 11,161	₩ 3,220	₩ 3,767	₩ 7,777	₩ 6,136	₩ 32,061
Market interest rate	73,628	12,341	25,902	5,923	18,939	136,733
Total	₩ 84,789	₩ 15,562	₩ 29,669	₩ 13,700	₩ 25,075	₩ 168,794
Sensitivity gap	47,255	(1,020)	(19,171)	(358)	(13,937)	12,770
Cumulative gap	47,255	46,235	27,064	26,706	12,770	12,770
% of total assets[(1)]	23.74%	(0.51)%	(9.63)%	(0.18)%	(7.00)%	6.42%
Total assets in Won						₩ 199,004

Table of Contents

	As of December 31, 2010											
	0-3 Months		3-6 Months		6-12 Months		1-3 Years		Over 3 Years		Total	
	(in millions of US$)											
Foreign currency-denominated accounts:												
Interest rate-sensitive assets												
Free interest rate	US$	0	US$	0	US$	0	US$	0	US$	0	US$	0
Market interest rate		11,452		1,472		40		4		73		13,041
Interest rate pegged to customer deposit		0		0		0		0		0		0
Total	US$	11,452	US$	1,472	US $	40	US$	4	US$	73	US$	13,041
Interest rate-sensitive liabilities												
Free interest rate	US$	0	US$	0	US$	0	US$	0	US$	0	US$	0
Market interest rate		4,369		2,311		1,138		727		4,270		12,816
Total	US$	4,369	US$	2,311	US$	1,138	US$	727	US$	4,270	US$	12,816
Sensitivity gap		7,083		(839)		(1,099)		(723)		(4,197)		225
Cumulative gap		7,083		6,244		5,145		4,432		225		225
% of total assets[1]		33.46%		(3.96)%		(5.19)%		(3.42)%		(19.82)%		1.07%
Total assets in US$											US$	21,168

Kyongnam Bank

	As of December 31, 2010											
	0-3 Months		3-6 Months		6-12 Months		1-3 Years		Over 3 Years		Total	
	(in billions of Won)											
Won-denominated accounts:												
Interest rate-sensitive assets												
Free interest rate	₩	583	₩	343	₩	633	₩	624	₩	1,220	₩	3,403
Market interest rate		10,329		705		961		2,075		933		15,004
Interest rate pegged to customer deposit		34		14		15		4		1		67
Total	₩	10,947	₩	1,061	₩	1,609	₩	2,703	₩	2,154	₩	18,474
Interest rate-sensitive liabilities												

Free interest rate	₩ 5,189	₩ 2,183	₩ 2,955	₩ 999	₩ 2,266	₩ 13,592
Market interest rate	715	309	481	304	1,293	3,103
Total	₩ 5,904	₩ 2,492	₩ 3,436	₩ 1,304	₩ 3,559	₩ 16,695
Sensitivity gap	5,043	(1,430)	(1,827)	1,399	(1,405)	1,779
Cumulative gap	₩ 5,043	₩ 3,613	₩ 1,786	₩ 3,185	₩ 1,779	₩ 1,779
% of total assets[1]	24.50%	(6.95)%	(8.88)%	6.80%	(6.83)%	8.64%
Total assets in Won						₩ 20,584

232

Table of Contents

	As of December 31, 2010											
	0-3 Months		3-6 Months		6-12 Months		1-3 Years		Over 3 Years		Total	
	(in millions of US$)											
Foreign currency-accounts:												
Interest rate-sensitive assets												
Free interest rate	US $	780	US $	123	US $	0	US $	0	US $	6	US $	909
Market interest rate		58		2		0		0		0		60
Interest rate pegged to customer deposit		0		0		0		0		0		0
Total	US $	839	US $	124	US $	0	US $	0	US $	6	US $	969
Interest rate-sensitive liabilities												
Free interest rate	US $	637	US $	193	US $	1	US $	0	US $	0	US $	831
Market interest rate		7		0		0		0		0		7
Total	US $	645	US $	193	US $	1	US $	0	US $	0	US $	838
Sensitivity gap		194		(69)		0		0		6		131
Cumulative gap		194		125		125		125		131		131
% of total assets(1)		18.05%		(6.43)%		(0.03)%		0.00%		0.55%		12.14%
Total assets in US $											US $	1,076

Kwangju Bank

	As of December 31, 2010											
	0-3 Months		3-6 Months		6-12 Months		1-3 Years		Over 3 Years		Total	
	(in billions of Won)											
Won-denominated accounts:												
Interest rate-sensitive assets												
Free interest rate	₩	794	₩	198	₩	410	₩	298	₩	621	₩	2,322
Market interest rate		7,580		765		665		1,593		1,303		11,907
Interest rate pegged to customer deposit		78		24		37		6		1		148
Total	₩	8,453	₩	987	₩	1,113	₩	1,897	₩	1,926	₩	14,376
Interest rate-sensitive liabilities												
Free interest rate	₩	3,900	₩	1,403	₩	1,369	₩	432	₩	1,610	₩	8,714
Market interest rate		1,711		452		712		262		511		3,648

Total	₩ 5,611	₩ 1,854	₩ 2,082	₩ 694	₩ 2,121	₩ 12,362
Sensitivity gap	2,842	(867)	(969)	1,203	(196)	2,014
Cumulative gap	2,842	1,975	1,006	2,209	2,014	2,014
% of total assets[(1)]	18.55%	(5.66)%	(6.32)%	7.85%	(1.27)%	13.15%
Total assets in Won						₩ 15,318

233

Table of Contents

	As of December 31, 2010					
	0-3 Months	3-6 Months	6-12 Months	1-3 Years	Over 3 Years	Total
	(in millions of US$)					
Foreign currency-accounts:						
Interest rate-sensitive assets						
Free interest rate	US$ 0	US$ 0	US$ 0	US$ 0	US$ 1	US$ 1
Market interest rate	792	9	0	0	0	801
Interest rate pegged to customer deposit	0	0	0	0	0	0
Total	US$ 792	US$ 9	US$ 0	US$ 0	US$ 1	US$ 803
Interest sensitive liabilities						
Free interest rate	US$ 15	US$ 2	US$ 2	US$ 2	US$ 5	US$ 25
Market interest rate	280	170	311	37	50	848
Total	US$ 295	US$ 172	US$ 313	US$ 38	US$ 55	US$ 873
Sensitivity gap	497	(163)	(313)	(38)	(54)	(71)
Cumulative gap	497	334	21	(17)	(71)	(71)
% of total assets[(1)]	23.98%	(7.84)%	(15.14)%	(1.83)%	(2.58)%	(3.41)%
Total assets in US$						US$ 1,122

(1) Represents the cumulative gap as a percentage of total assets.

Duration Gap Analysis. Each of Woori Bank, Kyongnam Bank and Kwangju Bank also performs a duration gap analysis to measure and manage its interest rate risk. Duration gap analysis is a more long-term risk indicator than interest rate gap analysis, as interest rate gap analysis focuses only on accounting income and not on the market value of the assets and liabilities. We emphasize duration gap analysis because, in the long run, our principal concern with respect to interest rate fluctuations is the net asset value rather than net interest revenue changes.

For duration gap analysis, we use or assume the same maturities for different assets and liabilities that we use or assume for our interest rate gap analysis.

The following table shows, for Woori Bank, Kyongnam Bank and Kwangju Bank on a combined basis, with respect to Won-denominated assets and liabilities, duration gaps and net asset value changes when interest rate increases by one percentage point as of the specified dates:

Date	Interest-earning asset duration (in years)	Interest-bearing liability duration (in years)	Total asset/liability duration gap (in years)	Net asset value change (in billions of Won)

December 31, 2007	0.57	0.80	(0.18)	373
June 30, 2008	0.56	0.80	(0.18)	415
December 31, 2008	0.58	0.86	(0.23)	564
June 30, 2009	0.52	0.81	(0.20)	539
December 31, 2009	0.47	0.79	(0.27)	633
June 30, 2010	0.51	0.80	(0.25)	604
December 31, 2010	0.54	0.75	(0.18)	459

We set interest rate risk limits using the historical simulation method, which uses actual historical price, volatility and yield changes in comparison with the current position to generate hypothetical portfolios and calculate a distribution of position and portfolio market value changes. The following table shows our interest

Table of Contents

rate VaR with respect to our Won-denominated assets and liabilities for each of the quarters since the fourth quarter of 2009:

	Fourth Quarter 2009	First Quarter 2010	Second Quarter 2010	Third Quarter 2010	Fourth Quarter 2010	First Quarter 2011
	(in billions of Won, except percentages)					
Woori Finance Holdings	₩ 443.0	₩ 386.7	₩ 440.9	₩ 397.8	₩ 387.1	₩ 588.3
Woori Bank	460.1	409.1	442.9	333.4	327.9	546.4
Kyongnam Bank	29.8	26.8	14.1	10.9	12.8	6.1
Kwangju Bank	8.3	3.4	26.7	24.9	27.1	47.1
Volatility						
Mean reversion						

The Group Risk Management Committee reviews gap analysis reports, duration gap analysis reports and interest rate limit compliance reports prepared by our subsidiary risk management units on a quarterly basis.

Foreign Exchange Risk

We manage foreign exchange rate risk arising in connection with the management of our assets and liabilities together with such risks arising from our trading operations. See Market Risk Management for Trading Activities Foreign Exchange Risk above.

Liquidity Risk Management

Liquidity risk is the risk of insolvency or loss due to disparity between inflow and outflow of funds such as maturity mismatch, including having to obtain funds at a high price or to dispose of securities at an unfavorable price due to lack of available funds. We manage our liquidity in order to meet our financial liabilities from withdrawals of deposits, redemption of matured debentures and repayments at maturity of borrowed funds. We also require sufficient liquidity to fund loans and extend other forms of credits, as well as to make investments in securities. Each of our Subsidiary Risk Management Committees establishes liquidity policies for its respective subsidiary and monitors liquidity on an on-going basis. Our subsidiaries make constant adjustment to take into account variables affecting their liquidity levels. Our subsidiary risk management units review the uses and sources of funds on a daily basis, taking into consideration the various goals of their respective business units.

Our liquidity management goal is to be able, even under adverse conditions, to meet all our liability repayments on time and fund all investment opportunities. Since the formation of the holding company structure, neither we nor our subsidiaries have experienced significant liquidity risk.

We maintain diverse sources of liquidity to facilitate flexibility in meeting our funding requirements. We fund our operations principally by accepting deposits from retail and corporate depositors, accessing the call loan market (a short-term market for loans with maturities of less than one month), issuing debentures and borrowing from the Bank of Korea. We use the majority of funds raised by us to extend loans or purchase securities. Generally, deposits are of shorter average maturity than loans or investments.

In managing liquidity risk, each of our subsidiaries currently determines gap limits, implements those limits and monitors maturity gaps using its asset and liability management system. We also establish group-wide gap limits for liquidity management purposes. Each subsidiary has set a total limit in order to manage liquidity risk. For example, Woori Bank s three-month accumulated gap limits for banking and trust accounts are between (10)% and 10%. In the foreign currency account, the limit for a one-week gap has been set as (3)% or higher and as (10)% or higher for a one-month gap.

Liquidity is maintained by holding sufficient quantities of assets that can be liquidated to meet actual or potential demands for funds from depositors and others. Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any period is kept to manageable levels relative to the amount of funds we believe we can raise by issuing securities when required. We seek to minimize our liquidity costs

Table of Contents

by managing our liquidity position on a daily basis and by limiting the amount of cash at any time that is not invested in interest-earning assets or securities.

The Financial Services Commission requires each Korean bank to maintain a Won liquidity ratio of not less than 100% (deemed an advisory ratio) and to make monthly reports to the Financial Services Commission. The Financial Services Commission defines the Won liquidity ratio as Won-denominated liquid assets (including marketable securities) due within one month divided by Won-denominated liabilities due within one month.

The following table shows the liquidity status and limits for Won accounts of each of our banking subsidiaries on a non-consolidated basis and for Woori Finance Holdings on a combined basis as of December 31, 2010 in accordance with Financial Services Commission regulations:

	1 month or less			
	Woori Finance Holdings	**Woori Bank**	**Kyongnam Bank**	**Kwangju Bank**
	(in billions of Won)			
Assets (A)	₩ 64,586	₩ 54,813	₩ 5,915	₩ 3,858
Liabilities (B)	49,322	42,313	4,009	3,000
Liquidity gap	15,264	12,500	1,906	858
Liquidity ratio (A/B)	130.9%	129.5%	147.6%	128.6%
Limit	100%	100%	100%	100%

The following table shows the liquidity status on a cumulative basis and limits for foreign currency accounts of each of our banking subsidiaries on a non-consolidated basis and for Woori Finance Holdings on a combined basis as of December 31, 2010 in accordance with the Bank of Korea s regulations:

s or less		7 days-1 month					
Kyongnam Bank	**Kwangju Bank**	**Woori Finance Holdings**	**Woori Bank**	**Kyongnam Bank**	**Kwangju Bank**	**Woori Finance Holdings**	**W… B…**
			(in millions of US$)				
US$ 340	US$ 131	US$ 13,324	US$ 12,548	US$ 608	US$ 168	US$ 23,171	US$ 2
348	35	12,438	11,743	604	91	21,364	1

	(7)	96	886	805	4	77	1,806	
	(7)	96	2,112	1,942	(4)	174	3,918	
	2,399	1,067	53,747	50,281	2,399	1,067	53,747	5
%	(0.31)%	9.00%	3.93%	3.86%	(0.16)%	16.31%	108.5%[1]	
%	(3)%	(3)%	(10)%	(10)%	(10)%	(10)%	85%	

(1) Liquidity ratio, calculated as a ratio of foreign currency assets as percentage of foreign currency liabilities.

Our Subsidiary Risk Management Committees receive reports from our subsidiaries regarding their respective liquidity ratios and liquidity gap ratios on a monthly basis. Based on those reports, each subsidiary s risk management department reports these results to the Group Risk Management Committee on a quarterly basis.

Operational and Business Risk Management

Operational risk is difficult to quantify and subject to different definitions. We define our operational risk as the risk related to the overall management of the group other than credit risk, market risk, interest rate risk and liquidity risk. These include risks arising from system failure, human error or non-adherence to systems and procedures, or from fraud or inadequate internal controls and procedures, resulting in financial loss. Woori Bank successfully established its operational risk management system in 2005. In 2006, we completed implementation of various aspects of the operational risk management system (not including the business risk management system) at Kyongnam Bank, Kwangju Bank and Woori FIS, and also completed the

Table of Contents

implementation of such aspects of the operational risk management system at Woori Investment & Securities by the end of 2008.

To monitor and control operational risks, we maintain a system of comprehensive policies and have put in place a control framework designed to provide a stable and well-managed operational environment throughout our organization. Several bodies are responsible for managing our operational risk, including our Audit Council (which reports to our group-level Audit Committee), our group-level legal and compliance department and the Subsidiary Risk Management Committees and their respective risk management units. In particular, our group-level Audit Committee monitors our subsidiaries compliance with our internal policies and guidelines relating to the issuance of credit and ongoing review of a borrower s ability to meet its obligations. We have established group-wide internal guidelines with respect to our subsidiaries audit reporting requirements. Our subsidiaries review their operations and their level of compliance with our risk management policies and guidelines on an annual basis. As part of this process, they report any problems discovered and any remedial actions taken to our group-level Audit Committee. Based on the results of these reports, or on an ad hoc basis in response to any problem or potential problem that it identifies, the Audit Committee may direct a subsidiary to conduct an audit of its operations or, if it chooses to do so, conduct its own audit of those operations. The Audit Committee and the Audit Council interact on a regular basis with our legal and compliance department and our risk management department.

We consider legal and business risk as a part of our operational risk. The uncertainty of the enforceability of the obligations of our customers and counterparties, including foreclosure on collateral, creates legal risk. Business risk includes the risk of changes in laws and regulations, which could also adversely affect us. Legal and business risk is higher in new areas of business where the law is often untested in the courts although such risk can also increase in our traditional business to the extent that the legal and regulatory landscape in Korea is changing and many new laws and regulations governing the banking industry remain untested. Our subsidiaries legal departments seek to minimize legal and business risk by using stringent legal documentation, employing procedures designed to ensure that transactions are properly authorized and consulting legal advisers. Each of our subsidiaries internal auditors also review loan documentation to ensure that these are correctly drawn up to withstand scrutiny in court should such scrutiny occur.

In connection with our disaster recovery capabilities, we are in the process of meeting the guidelines suggested by the Financial Services Commission. These generally require that our disaster and recovery capabilities enable us to recover data and resume operations within three hours with respect to our banking and securities subsidiaries.

The majority of our information technology systems are operated by our subsidiary, Woori FIS. We currently have a mirror site in operation with respect to Woori Bank, Kyongnam Bank, Kwangju Bank and Woori Investment & Securities, which backs up transaction information on a real-time basis. We also have a back-up site in operation with respect to these subsidiaries, which backs up transaction information on a daily basis. In September 2008, Woori Bank completed its implementation of a business continuity plan to prepare for emergency situations and disasters. See Item 3D. Risk Factors Other risks relating to our business We may experience disruptions, delays and other difficulties from our information technology systems.

Table of Contents

Item 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Fees and Charges

Under the terms of the deposit agreement, as a holder of our ADSs, you are required to pay the following service fees to the depositary:

Services	Fees
Issuance of ADSs	Up to $0.05 per ADS issued
Cancellation of ADSs	Up to $0.05 per ADS canceled
Distribution of cash dividends or ADSs pursuant to stock dividends	Up to $0.02 per ADS held
Distribution of cash proceeds or free shares in the form of ADSs	Up to $0.02 per ADS held
Distribution of securities other than ADSs or rights to purchase additional ADSs	Up to $0.05 per securities distributed
Depositary Services	Up to $0.02 per ADS held as of the last day of each calendar year, except to the extent any cash dividend fee is charged (as described above) during the applicable calendar year
Distribution of ADSs pursuant to exercise of rights to purchase additional ADSs	Up to $0.02 per ADS held

As a holder of our ADSs, you are also responsible for paying certain fees and expenses incurred by the depositary and certain taxes and governmental charges such as:

Fees for the transfer and registration of shares charged by the registrar and transfer agent for the shares in Korea (*i.e.*, upon deposit and withdrawal of shares).

Expenses incurred for converting foreign currency into U.S. dollars.

Expenses for cable, telex and fax transmissions and for delivery of securities.

Taxes and duties upon the transfer of securities (*i.e.*, when shares are deposited or withdrawn from deposit).

Fees and expenses incurred in connection with the delivery or servicing of shares on deposit.

Depositary fees payable upon the issuance and cancellation of ADSs are typically paid to the depositary by the brokers (on behalf of their clients) receiving the newly issued ADSs from the depositary and by the brokers (on behalf of their clients) delivering the ADSs to the depositary for cancellation. The brokers in turn charge these fees to their clients. Depositary fees payable in connection with distributions of cash or securities to ADS holders and the depositary services fee are charged by the depositary to the holders of record of ADSs as of the applicable ADS record date.

The depositary fees payable for cash distributions are generally deducted from the cash being distributed. In the case of distributions other than cash (i.e., stock dividend, rights), the depositary charges the applicable fee to the ADS record date holders concurrent with the distribution. In the case of ADSs registered in the name of the investor (whether certificated or uncertificated in direct registration), the depositary sends invoices to the applicable record date ADS holders. In the case of ADSs held in brokerage and custodian accounts (via the Depository Trust Company, or DTC), the depositary generally collects its fees through the systems provided by DTC (whose nominee is the registered holder of the ADSs held in DTC) from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients ADSs in DTC accounts in turn charge their clients accounts the amount of the fees paid to the depositary.

In the event of refusal to pay the depositary fees, the depositary may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary fees from any distribution to be made to such holder of ADSs.

Table of Contents

Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. You will receive prior notice of such changes.

Fees and Payments from the Depositary to Us

In 2010, we received payments from the depositary of approximately $13,153 in the aggregate in connection with proxy process expenses (including printing, postage and distribution expenses), contributions towards investor relations efforts (including investor relations agency fees) and other standard out-of-pocket maintenance costs relating to our American Depositary Receipt, or ADR, facility for which the depositary has agreed to reimburse us.

In addition, as part of its service to us, the depositary waives its fees for the standard costs and operating expenses associated with the administration of the ADR facility.

Item 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not Applicable

Item 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not Applicable

Item 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We have evaluated, with the participation of our chief executive officer and principal financial officer, the effectiveness of our disclosure controls and procedures as of December 31, 2010. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our chief executive officer and principal financial officer concluded that our disclosure controls and procedures as of December 31, 2010 were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our chief executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Management s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements in accordance with U.S. GAAP. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management s authorization, assets are safeguarded, and financial records are reliable. Our management also takes steps to ensure that information and communication flows are effective and to monitor performance, including performance of internal control procedures.

Table of Contents

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2010 based on the criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this assessment, management believes that, as of December 31, 2010, our internal control over financial reporting is effective.

The effectiveness of our internal control over financial reporting as of December 31, 2010 has been audited by Deloitte Anjin LLC, an independent registered public accounting firm, as stated in its report included herein which expressed an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2010.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16. RESERVED

Item 16A. *Audit Committee Financial Expert*

Our board of directors has determined that we do not have an audit committee financial expert serving on our Audit Committee as defined by the U.S. Securities and Exchange Commission, as none of our Audit Committee members have the familiarity with U.S. GAAP required by the U.S. Securities and Exchange Commission, which is the GAAP of the financial statements included in this annual report. Our board believes that the interests of our stockholders can be adequately served for the time being by the current members but intends to add such an expert to the board once a suitable candidate can be identified and recruited.

Item 16B. *Code of Ethics*

We have adopted a code of ethics, as defined in Item 16B of Form 20-F under the Securities Exchange Act of 1934, as amended. Our code of ethics applies to our chief executive officer, principal financial officer and persons performing similar functions as well as to our outside directors and other officers and employees. Our code of ethics is available on our website at *http://www.woorifg.com*. If we amend the provisions of our code of ethics that apply to our chief executive officer and principal financial officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address.

Item 16C. *Principal Accountant Fees and Services*

The following table sets forth the fees billed to us by our independent registered public accountants, Deloitte Anjin LLC, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, Deloitte), during the fiscal years ended December 31, 2009 and 2010:

	Year ended December 31,	
	2009	2010
	(in millions of Won)	

Audit fees	₩ 5,436	₩ 7,847
Audit-related fees	212	263
Tax fees	144	285
All other fees		
Total fees	₩ 5,792	₩ 8,395

Audit fees in the above table are the aggregate fees billed or expected to be billed by Deloitte in connection with the audit of our annual financial statements, the review of our interim financial statements, the review of filings with the U.S. Securities and Exchange Commission and audit of the effectiveness of our internal control over financial reporting.

Audit-related fees in the above table are the aggregate fees billed or expected to be billed by Deloitte for agreed upon procedures related to the issuance of comfort letters in connection with the issuance of debt securities.

Tax fees in the above table are fees billed or expected to be billed by Deloitte for assistance in the preparation of certain tax returns and other tax advice.

Audit Committee Pre-Approval Policies and Procedures

Our audit committee pre-approves the engagement of our independent auditors for audit services with respect to our U.S. GAAP financial statements. Our audit committee has implemented a policy regarding pre-approval of certain other services provided by our independent auditors that the audit committee has deemed as not affecting their independence. Under this policy, pre-approvals for the following services have been granted by our audit committee: (i) services related to the audit of our financial statements prepared in accordance with Korean GAAP and our internal controls under Korean laws and regulations; (ii) general tax advisory services; and (iii) service contracts required to be entered into with us under applicable laws and regulations or pursuant to requests from relevant governmental agencies.

Any other audit or permitted non-audit service must be pre-approved by the audit committee on a case-by-case basis. In the event that immediate approval is necessitated by the circumstances, the chairman of our audit committee or a member of the audit committee designated by such chairman may pre-approve the relevant service, subject to a subsequent report of such pre-approval being made to the audit committee.

Our audit committee did not pre-approve any non-audit services under the *de minimis* exception of Rule 2-01(c)(7)(i)(C) of Regulation S-X as promulgated by the Securities and Exchange Commission.

Item 16D. ***Exemptions from the Listing Standards for Audit Committees***

Under the listed company audit committee rules of the New York Stock Exchange and the U.S. Securities and Exchange Commission, we must comply with Rule 10A-3 under the Exchange Act, which requires that we establish an audit committee composed of members of the board of directors that meets specified requirements. In reliance on the exemption in Rule 10A-3(b)(iv)(E), we have designated one member to our audit committee, Kwang-Yie Kim, who is an employee of KDIC. KDIC, which is controlled by the Korean government, is our controlling shareholder and, therefore, one of our affiliates. In our assessment, Mr. Kim acts independently in performing the responsibilities of an audit committee member under the Sarbanes-Oxley Act and satisfies the other requirements of Rule 10A-3 under the Exchange Act

Item 16E. ***Purchase of Equity Securities by the Issuer and Affiliated Purchasers***

Neither we nor any affiliated purchaser, as defined in Rule 10b-18(a)(3) of the Exchange Act, purchased any of our equity securities during the period covered by this annual report.

Item 16F. ***Change in Registrant s Certifying Accountant***

Not Applicable

Item 16G. ***Corporate Governance***

Differences in Corporate Governance Practices

Pursuant to the rules of the New York Stock Exchange applicable to foreign private issuers like us that are listed on the New York Stock Exchange, we are required to disclose significant differences between the New York Stock Exchange s corporate governance standards and those that we follow under Korean law. The following is a summary of such significant differences.

Table of Contents

NYSE Corporate Governance Standards	Woori Finance Holdings
Director independence Listed companies must have a majority of independent directors.	The majority of our board of directors is independent (as defined in accordance with the New York Stock Exchange s standards), as seven of our eight directors are outside directors.
Executive Session Listed companies must hold meetings solely attended by non-management directors to more effectively check and balance management directors.	Our outside directors hold quarterly meetings, which coincide with the quarterly audit committee meetings, to discuss matters relating to management issues. The audit committee is comprised of five outside directors.
Nomination/Corporate Governance Committee Listed companies must have a nomination/corporate governance committee composed entirely of independent directors.	We have established a separate outside directors recommendation committee.
Compensation Committee Listed companies must have a compensation committee composed entirely of independent directors.	We maintain a business development and compensation committee composed of four outside directors.
Audit Committee Listed companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act.	We maintain an audit committee comprised of five outside directors. Accordingly, we are in compliance with Rule 10A-3 under the Exchange Act.
Audit Committee Additional Requirements Listed companies must have an audit committee that is composed of more than three directors.	Our audit committee has five members, as described above.
Shareholder Approval of Equity Compensation Plan Listed companies must allow its shareholders to exercise their voting rights with respect to any material revision to the company s equity compensation plan.	We currently have one equity compensation plan, providing for the grant of stock options to officers and directors. All material matters related to the granting of stock options are provided in our Articles of Incorporation, and any amendments to the Articles of Incorporation are subject to shareholders approval.
Corporate Governance Guidelines Listed companies must adopt and disclose corporate governance guidelines.	We have adopted a corporate governance charter, a Korean-language copy of which is available on our website.
Code of Business Conduct and Ethics	

Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers.	We have adopted a Code of Ethics and Business Conduct for Employees, a copy of which is available on our website.

242

Item 17. FINANCIAL STATEMENTS

Not Applicable

Item 18. FINANCIAL STATEMENTS

Reference is made to Item 19(a) for a list of all financial statements filed as part of this annual report.

Item 19. EXHIBITS

(a) List of financial statements:

	Page
Audited consolidated financial statements of Woori Finance Holdings and subsidiaries prepared in accordance with U.S. GAAP	
Report of Independent Registered Public Accounting Firm	F-1
Consolidated balance sheets as of December 31, 2009 and 2010	F-3
Consolidated statements of income and comprehensive income for the years ended December 31, 2008, 2009 and 2010	F-5
Consolidated statements of changes in total equity for the years ended December 31, 2008, 2009 and 2010	F-8
Consolidated statements of cash flows for the years ended December 31, 2008, 2009 and 2010	F-10
Notes to consolidated financial statements	F-13

(b) Exhibits

Pursuant to the rules and regulations of the U.S. Securities and Exchange Commission, Woori Finance Holdings has filed certain agreements as exhibits to this Annual Report on Form 20-F. These agreements may contain representations and warranties made by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may be intended not as statements of fact, but rather as a way of allocating the risk to one of the parties to such agreements if those statements turn out to be inaccurate, (ii) may have been qualified by disclosures that were made to such other party or parties and that either have been reflected in the company s filings or are not required to be disclosed in those filings, (iii) may apply materiality standards different from what may be viewed as material to investors and (iv) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments. Accordingly, these representations and warranties may not describe Woori Finance Holdings actual state of affairs at the date of this annual report.

Number	Description
1.1	Articles of Incorporation of Woori Finance Holdings (translation in English).
2.1*	Form of Stock Certificate of Woori Finance Holdings common stock, par value ₩5,000 per share (translation in English).
2.2* *	Form of Deposit Agreement among Woori Finance Holdings, Citibank, N.A., as depositary, and all holders and beneficial owners of American depositary shares evidenced by American depositary receipts, including the form of American depositary receipt.
4.1*	Memorandum of understanding between the KDIC and Woori Finance Holdings dated July 2, 2001, as amended.
4.2*	Memorandum of understanding between the KDIC and Hanvit Bank (since renamed Woori Bank) dated December 30, 2000, as amended.
4.3*	Memorandum of understanding between the KDIC and Kyongnam Bank dated December 30, 2000, as amended.
4.4*	Memorandum of understanding between the KDIC and Kwangju Bank dated December 30, 2000, as amended.
4.5*	Memorandum of understanding between Woori Finance Holdings and Hanvit Bank (since renamed Woori Bank) dated July 12, 2001, as amended.
4.6*	Memorandum of understanding between Woori Finance Holdings and Kyongnam Bank dated July 31, 2001, as amended.
4.7*	Memorandum of understanding between Woori Finance Holdings and Kwangju Bank dated July 31, 2001, as amended.
8.1* ***	List of subsidiaries of Woori Finance Holdings.
11.1* **	Code of Ethics.
12.1	Section 302 certifications.
13.1	Section 906 certifications.

* Incorporated by reference to the exhibits to the Registration Statement on Form 20-F (File No. 001-31811), filed on September 25, 2003

** Incorporated by reference to exhibit (a) to the Registration Statement on Form F-6 (File No. 333-109106), filed on September 25, 2003.

*** Incorporated by reference to exhibits to the Annual Report on Form 20-F (File No. 001-31811), filed on June 30, 2004.

**** Incorporated by reference to Note 37 of the notes to the consolidated financial statements of the registrant included in this Annual Report.

Table of Contents

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Woori Finance Holdings Co., Ltd.
(Registrant)

/s/ Pal Seung Lee
(Signature)

Pal Seung Lee
Chairman and Chief Executive Officer
(Name/Title)

Date: June 27, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Woori Finance Holdings Co., Ltd. and subsidiaries (collectively referred to as the Company) as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2010 of the Company and our report dated June 20, 2011 expressed an unqualified opinion on those consolidated financial statements and included explanatory paragraphs related to the Company s adoption of new accounting standards and the translation of financial statement amounts into United States dollars for the convenience of readers in the United States of America.

/s/ DELOITTE ANJIN LLC

June 20, 2011

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Woori Finance Holdings Co., Ltd. and subsidiaries (collectively referred to as the Company) as of December 31, 2009 and 2010, and the related consolidated statements of income and comprehensive income, changes in total equity, and cash flows for each of the three years in the period ended December 31, 2010 (all expressed in Korean Won). These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Woori Finance Holdings Co., Ltd. and subsidiaries as of December 31, 2009 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company adopted the accounting standard: *Fair Value Measurements and Disclosures,* as of January 1, 2008; and *Noncontrolling Interest in Consolidated Financial Statements* and *Recognition and Presentation of Other-Than-Temporary Impairments,* as of January 1, 2009; and *Amendments to FASB Interpretation No. 46(R)* and *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses,* as of January 1, 2010.

Our audits also comprehended the translation of Korean Won amounts into United States dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 20, 2011, expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ DELOITTE ANJIN LLC

June 20, 2011

Table of Contents

WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2009 AND 2010

	Korean Won		U.S. Dollars
	2009	2010	2010
	(in millions)		(in thousands) (Note 1)
ASSETS			
Cash and cash equivalents	16,581,001	15,957,641	14,114,312
Restricted cash	588,350	478,167	422,932
Interest bearing deposits in other banks	2,206,892	2,874,620	2,542,561
Call loans and securities purchased under resale agreements	6,524,407	4,464,814	3,949,066
Trading assets:			
Korea Deposit Insurance Corporation	20,393	20,782	18,381
Unrelated parties	14,204,886	13,079,322	11,568,479
Available-for-sale securities:			
Korea Deposit Insurance Corporation	91,136	100,907	89,251
Unrelated parties	15,968,130	18,919,417	16,733,961
Held-to-maturity securities (fair value of 16,020,691 million Won at 2009 and 20,158,157 million Won at 2010):			
Korea Deposit Insurance Corporation	289,592	734,812	649,931
Unrelated parties	15,684,172	19,170,414	16,955,965
Other investment assets	2,565,159	2,601,124	2,300,658
Loans (net of allowance for loan and lease losses of 3,556,946 million Won at 2009 and 4,873,942 million Won at 2010):			
Directors	97	263	233
Employees	238,505	239,373	211,722
Unrelated parties	183,819,636	186,091,500	164,595,347
Due from customers on acceptances	790,989	667,204	590,133
Premises and equipment, net	2,611,130	2,469,368	2,184,122
Accrued interest and dividends receivable	955,388	1,028,030	909,278
Assets held-for-sale	591,227	135,129	119,520
Goodwill	113,530	88,410	78,197
Other intangible assets, net	123,291	98,152	86,814
Other assets:			
Trust	5,320	7,067	6,251
Unrelated parties	3,050,364	3,711,442	3,282,719
Total assets	267,023,595	272,937,958	241,409,833

The following table presents certain assets of consolidated variable interest entities (VIEs), which are included in the consolidated balance sheet at December 31, 2010 above. Intercompany assets have been eliminated.

	Korean Won 2010 (in millions)	U.S. Dollars 2010 (in thousands) (Note 1)
Assets of consolidated VIEs that can only be used to settle obligations of the consolidated VIEs		
Investments	3,847,033	3,402,647
Loans, net of allowance for loan losses	799,166	706,852
Other assets	940,574	831,924
Total assets of consolidated VIEs	5,586,773	4,941,423

(continued)

Table of Contents

WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2009 AND 2010

	Korean Won		U.S. Dollars
	2009	2010	2010
	(in millions)		(in thousands) (Note 1)
LIABILITIES			
Deposits:			
Interest bearing	170,547,111	180,206,653	159,390,282
Non-interest bearing	7,026,580	6,118,985	5,412,157
Call money	5,687,349	4,649,652	4,112,553
Trading liabilities	4,131,241	3,337,199	2,951,706
Acceptances outstanding	790,989	667,204	590,133
Other borrowed funds:			
Trust	2,603,490	1,848,768	1,635,210
Unrelated parties	10,231,767	10,533,015	9,316,305
Secured borrowings	2,276,809	3,998,070	3,536,237
Long-term debt	43,339,863	39,486,929	34,925,640
Accrued interest and payable	2,554,162	2,817,990	2,492,473
Other liabilities	4,612,594	5,019,935	4,440,064
Total liabilities	253,801,955	258,684,400	228,802,760
Commitments and contingencies (Notes 3 and 34)			
EQUITY			
Stockholders Equity			
Common stock (5,000 Won par value, authorized 2,400 million shares, 806,015,340 shares issued and 806,012,780 and 806,012,779 shares outstanding at 2009 and 2010)	4,030,077	4,030,077	3,564,547
Additional paid-in capital	4,968,267	4,966,058	4,392,409
Retained earnings	3,501,615	4,608,572	4,076,218
Accumulated other comprehensive income, net of tax	366,077	363,444	321,461
Less: treasury stock, at cost, 2,560 and 2,561 shares at 2009 and 2010	(18)	(18)	(16)
Total Stockholders Equity	12,866,018	13,968,133	12,354,619
Noncontrolling interest	355,622	285,425	252,454
Total equity	13,221,640	14,253,558	12,607,073
Total liabilities and equity	267,023,595	272,937,958	241,409,833

The following table presents certain liabilities of consolidated VIEs, which are included in the consolidated balance sheet at December 31, 2010 above. Intercompany liabilities have been eliminated.

	Korean Won 2010 (in millions)	**U.S. Dollars 2010 (in thousands) (Note 1)**
Liabilities of consolidated VIEs for which creditors or beneficial interest holders do not have recourse to the general credit of the Company		
Secured borrowings	355,427	314,370
Other liabilities	2,085,176	1,844,310
Total liabilities of consolidated VIEs	2,440,603	2,158,680

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010

	Korean Won			U.S. Dollars
	2008	2009	2010	2010
	(in millions, except per share data)			(in thousands, except per share data) (Note 1)
Interest and dividend income				
Loans:				
Korea Deposit Insurance Corporation	1,593	852		
Directors	1	1	5	4
Employees	12,984	11,439	11,769	10,410
Unrelated parties	12,513,547	10,751,970	10,561,814	9,341,778
Deposits in other banks	267,028	194,673	223,552	197,729
Trading assets:				
Korea Deposit Insurance Corporation	747	893	996	881
Unrelated parties	523,578	408,032	369,255	326,601
Investment securities:				
Korea Deposit Insurance Corporation	22,437	23,037	22,294	19,719
Unrelated parties	2,079,699	1,750,410	1,578,394	1,396,067
Call loans and securities purchased under resale agreements	131,251	131,248	150,826	133,404
Total interest and dividend income	15,552,865	13,272,555	12,918,905	11,426,593
Interest expense				
Deposits	6,916,737	5,480,844	5,070,818	4,485,068
Call money	137,301	86,941	49,168	43,488
Other borrowed funds:				
Trust	252,124	103,712	65,563	57,990
Unrelated parties	474,539	366,739	95,918	84,838
Secured borrowings	191,736	142,980	144,304	127,635
Long-term debt	2,429,946	2,404,297	2,234,487	1,976,373
Total interest expense	10,402,383	8,585,513	7,660,258	6,775,392
Net interest income	5,150,482	4,687,042	5,258,647	4,651,201
Provisions				
Provision for loan and lease losses	1,608,284	2,408,037	3,077,550	2,722,050
Provision for credit-related commitments	157,421	43,939	169,318	149,759
Other provision	70,815	102,728	170,577	150,873

Total provisions	1,836,520	2,554,704	3,417,445	3,022,682
Net interest income after provisions for loan and lease losses, credit-related commitments and other	3,313,962	2,132,338	1,841,202	1,628,519

(continued)

Table of Contents

WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010

	Korean Won			U.S. Dollars
	2008	2009	2010	2010
	(in millions, except per share data)			(in thousands, except per share data) (Note 1)
Non-interest income				
Trust fees, net	33,835	22,397	33,501	29,631
Fees and commission income	1,992,686	1,888,230	1,921,916	1,699,908
Trading revenue, net:				
Korea Deposit Insurance Corporation	1,153	(283)	674	596
Unrelated parties	(449,491)	277,597	609,550	539,139
Other-than-temporary impairment losses on debt securities:				
Total other-than-temporary impairment losses	(508,490)	(186,035)	(129,023)	(114,119)
Less : Unrealized other-than-temporary impairment losses recognized in OCI				
Net impairment losses recognized in earnings	(508,490)	(186,035)	(129,023)	(114,119)
Investment securities gain (loss), net:				
Korea Deposit Insurance Corporation	196	63	206	182
Unrelated parties	(2,052)	1,022,242	1,089,688	963,815
Other non-interest income	239,520	427,620	402,957	356,410
Total non-interest income	1,307,357	3,451,831	3,929,469	3,475,562
Non-interest expenses				
Salaries and employee benefits	1,182,170	1,230,966	1,254,767	1,109,824
Depreciation and amortization	339,834	281,594	253,130	223,890
Other administrative expenses	1,181,168	1,150,962	1,225,004	1,083,499
Fees and commissions	446,636	461,437	471,319	416,875
Other non-interest expenses	985,767	967,566	922,525	815,960
Total non-interest expenses	4,135,575	4,092,525	4,126,745	3,650,048
Net income before income tax expense	485,744	1,491,644	1,643,926	1,454,033
Income tax expense	357,857	379,689	415,129	367,176
Net income	127,887	1,111,955	1,228,797	1,086,857

Less: Net income (loss) attributable to the noncontrolling interest	(22,418)	(22,612)	(52,929)	(46,815)
Net income attributable to stockholders	150,305	1,134,567	1,281,726	1,133,672

(continued)

Table of Contents

WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010

	Korean Won			U.S. Dollars
	2008	2009	2010	2010
	(in millions, except per share data)			(in thousands, except per share data) (Note 1)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	206	(32,588)	(6,414)	(5,673)
Net unrealized losses on investment securities	(139,083)	(125,713)	(8,743)	(7,733)
Total other comprehensive loss, net of tax	(138,877)	(158,301)	(15,157)	(13,406)
Comprehensive income (loss)	(10,990)	953,654	1,213,640	1,073,451
Less: Comprehensive loss attributable to the noncontrolling interest	(20,635)	(19,936)	(65,453)	(57,892)
Comprehensive income attributable to stockholders	9,645	973,590	1,279,093	1,131,343
Earnings per common share				
Basic:	187	1,408	1,590	1.41
Diluted:	187	1,408	1,590	1.41
Weighted average basic common shares outstanding (in thousands)	805,927	806,013	806,013	806,013
Weighted average diluted common shares outstanding (in thousands)	805,927	806,013	806,013	806,013

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

	Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive income, net of tax	Treasury stock	Noncontrolling Interest	Total equity
	Shares	Amount						
	Korean Won (in millions, except share data)							
Balance at January 1, 2008	805,988,800	4,030,077	5,000,970	2,413,271	670,010	(501)	356,009	12,469,836
Disposal of treasury stock	23,980					483		483
Net change in valuation of available-for-sale securities					(140,199)		1,116	(139,083)
Net change in foreign currency translation adjustments					(461)		667	206
Capital transactions of affiliates			(2,376)				25,813	23,437
Net income				150,305			(22,418)	127,887
Dividends(1)				(201,500)			(20,357)	(221,857)
Balance at December 31, 2008	806,012,780	4,030,077	4,998,594	2,362,076	529,350	(18)	340,830	12,260,909
Cumulative adjustment for accounting change				4,972	(4,972)			
Adjusted balance at January 1, 2009	806,012,780	4,030,077	4,998,594	2,367,048	524,378	(18)	340,830	12,260,909
Net change in valuation of available-for-sale securities					(125,713)		4,169	(121,544)

Net change in foreign currency translation adjustments					(32,588)		(1,493)	(34,081)
Capital transactions of affiliates			(30,327)				39,572	9,245
Net income				1,134,567			(22,612)	1,111,955
Dividends[1]							(4,844)	(4,844)
Balance at December 31, 2009	806,012,780	4,030,077	4,968,267	3,501,615	366,077	(18)	355,622	13,221,640
Cumulative adjustment for accounting change				(94,072)			(88)	(94,160)
Adjusted balance at January 1, 2010	806,012,780	4,030,077	4,968,267	3,407,543	366,077	(18)	355,534	13,127,480
Acquisition of treasury stock	(1)							
Net change in valuation of available-for-sale securities					3,192		(11,935)	(8,743)
Net change in foreign currency translation adjustments					(5,825)		(589)	(6,414)
Capital transactions of affiliates			(2,209)	(96)			2,602	297
Net income				1,281,726			(52,929)	1,228,797
Dividends[1]				(80,601)			(7,258)	(87,859)
Balance at December 31, 2010	806,012,779	4,030,077	4,966,058	4,608,572	363,444	(18)	285,425	14,253,558

(continued)

Table of Contents

WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010

	Common stock Shares	Common stock Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income, net of tax	Treasury stock	Noncontrolling Interest	Total equity
	U.S. Dollars (in thousands, except share data) (Note 1)							
Balance at December 31, 2009	806,012,780	3,564,547	4,394,363	3,097,129	323,790	(16)	314,543	11,694,356
Cumulative adjustment for accounting change				(83,206)			(78)	(83,284)
Adjusted balance at January 1, 2010	806,012,780	3,564,547	4,394,363	3,013,923	323,790	(16)	314,465	11,611,072
Acquisition of treasury stock	(1)							
Net change in valuation of available-for-sale securities					2,823		(10,556)	(7,733)
Net change in foreign currency transaction adjustments					(5,152)		(521)	(5,673)
Capital transactions of affiliates			(1,954)	(86)			2,301	261
Net income				1,133,672			(46,815)	1,086,857
Dividends[(1)]				(71,291)			(6,420)	(77,711)
Balance at December 31, 2010	806,012,779	3,564,547	4,392,409	4,076,218	321,461	(16)	252,454	12,607,073

(1) Dividends paid based on retained earnings in accordance with accounting principles generally accepted in the Republic of Korea (Korean GAAP)

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010

	Korean Won			U.S. Dollars
	2008	2009	2010	2010
		(in millions)		(in thousands) (Note 1)
Cash flows from operating activities:				
Net income	127,887	1,111,955	1,228,797	1,086,857
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for loan and lease losses	1,608,284	2,408,037	3,077,550	2,722,050
Provision for credit-related commitments	157,421	43,939	169,318	149,759
Other provision	70,815	102,728	170,577	150,873
Depreciation and amortization	339,834	281,594	253,130	223,890
Net loss (gain) on derivatives	1,740,564	606,619	(154,101)	(136,300)
Net loss (gain) on redemption of trading securities	5,308	14,786	(4,446)	(3,933)
Net loss (gain) on disposal of trading securities	103,413	(65,261)	(154,053)	(136,258)
Net gain on valuation of trading securities	(1,400,947)	(833,458)	(297,623)	(263,243)
Net gain on redemption of investment securities	(24,788)	(131,274)	(84,199)	(74,473)
Net gain on disposal of investment securities	(105,662)	(859,950)	(1,103,616)	(976,133)
Net gain on equity method investments	(4,391)	(143,315)	(63,935)	(56,552)
Impairment loss on investment securities	645,187	298,268	290,878	257,277
Net gain on sale of loans	(6,382)	(91,812)	(149,804)	(132,499)
Net gain (loss) on disposal of premises and equipment	(6,217)	(148,499)	931	824
Provision for accrued severance benefits	102,949	130,616	114,095	100,916
Provision (reversal of provision) for deferred income tax	(42,322)	188,086	(73,163)	(64,712)
Compensation expenses associated with stock option		(547)		
Net changes in:				
Trading assets	(8,092,451)	5,868,873	1,718,263	1,519,780
Accrued interest and dividends receivable	(129,309)	123,995	(65,485)	(57,920)
Other assets	(7,641)	460,888	235,260	208,084
Trading liabilities	8,305,070	(7,154,532)	(820,486)	(725,709)
Accrued interest and payable	424,853	(763,080)	247,855	219,224
Other liabilities	78,322	(1,747,350)	29,971	26,508
Origination of assets held-for-sale	(757,968)	(1,093,285)	(469,868)	(415,592)
Proceeds from sale of loans held-for-sale	544,535	860,210	925,966	819,004

Net cash provided by (used in) operating activities	3,676,364	(531,769)	5,021,812	4,441,722

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WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010

		Korean Won		U.S. Dollars
	2008	2009	2010	2010
		(in millions)		(in thousands) (Note 1)
Cash flows from investing activities:				
Net changes in restricted cash	(2,629,715)	2,172,489	110,183	97,456
Net changes in interest-bearing deposits in other banks	380,853	(459,482)	(662,498)	(585,970)
Net changes in call loans and securities purchased under resale agreements	(1,996,880)	(2,832,124)	2,059,593	1,821,681
Net changes in loans	(29,139,989)	(719,250)	(5,177,029)	(4,579,010)
Proceeds from sales of available-for-sale securities:				
Korea Deposit Insurance Corporation	797,432	151,877	110,310	97,568
Unrelated parties	11,486,847	38,350,336	7,143,832	6,318,620
Purchases of available-for-sale securities:				
Korea Deposit Insurance Corporation	(29,742)	(102,087)	(90,805)	(80,316)
Unrelated parties	(9,076,343)	(30,476,610)	(8,773,453)	(7,759,997)
Proceeds from maturities, prepayments and calls of held-to-maturity securities:				
Korea Deposit Insurance Corporation	387,054	199,968	40,000	35,379
Unrelated parties	3,322,777	19,168,715	7,537,675	6,666,968
Purchases of held-to-maturity securities:				
Korea Deposit Insurance Corporation	(89,894)	(100,418)	(495,491)	(438,255)
Unrelated parties	(5,016,345)	(25,630,787)	(11,013,647)	(9,741,418)
Net changes in other investments	(398,006)	(57,547)	(139,511)	(123,396)
Proceeds from sales of premises and equipment	79,626	507,803	116,956	103,446
Purchases of premises and equipment	(321,620)	(596,515)	(136,397)	(120,641)
Net cash used in investing activities	(32,243,945)	(423,632)	(9,370,282)	(8,287,885)
Cash flows from financing activities:				
Net changes in interest-bearing deposits	21,293,596	8,894,139	9,659,542	8,543,731
Net changes in non-interest-bearing deposits	2,011,060	347,150	(907,595)	(802,755)
Net changes in call money	(48,322)	2,727,207	(1,037,697)	(917,828)
Net changes in other borrowed funds	4,235,809	(5,623,324)	(453,474)	(401,091)
Proceeds from secured borrowings	2,898,257	2,476,459	3,998,071	3,536,239
Payments on secured borrowings	(2,983,468)	(3,600,331)	(3,593,449)	(3,178,356)

Proceeds from long-term debt	3,399,105	1,836,893	1,606,674	1,421,081
Payments on long-term debt	(24,567)	(3,075,696)	(5,466,361)	(4,834,920)
Net changes in treasury stock	483			

(continued)

Table of Contents

WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010

	Korean Won (in millions) 2008	2009	2010	U.S. Dollars 2010 (in thousands) (Note 1)
Cash dividends paid	(201,500)		(80,601)	(71,291)
Stock issue cost of subsidiaries	(1,860)	(1,683)		
Remaining interest acquisition of consolidated subsidiaries		(54,692)		
Increase in noncontrolling interest		46,431		
Net cash provided by financing activities	30,578,593	3,972,553	3,725,110	3,294,810
Net increase (decrease) in cash and cash equivalents	2,011,012	3,017,152	(623,360)	(551,353)
Cash and cash equivalents, beginning of year	11,552,837	13,563,849	16,581,001	14,665,665
Cash and cash equivalents, end of year	13,563,849	16,581,001	15,957,641	14,114,312
Supplemental disclosure of cash flow information:				
Cash paid during the year for interest	7,085,141	9,348,594	7,644,284	6,761,263
Cash paid during the year for income tax	379,762	191,604	488,292	431,887
Supplemental schedule of non cash investing and financing activities:				
Transfer of loans into securities and other investments	491	12,267	116,251	102,822
Decrease in cumulative translation adjustments, net of tax	(461)	(32,588)	(5,825)	(5,152)
Increase (decrease) in unrealized gains on investment securities, net of tax	(140,199)	(125,713)	3,192	2,823
Assets obtained by entering into a capital lease	49,327	108,849	6,149	5,439

The accompanying notes are an integral part of these consolidated financial statements.

WOORI FINANCE HOLDINGS CO., LTD. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010**

1. General Information and Summary of Significant Accounting Policies

Woori Finance Holdings Co., Ltd. (the Holding Company) was incorporated under the laws of the Republic of Korea on March 27, 2001, and commenced operations on April 2, 2001, under the Financial Holding Company Act. The Holding Company was established primarily to manage certain banks and other companies acquired by the Korea Deposit Insurance Corporation (KDIC) in connection with the 1997 Asian Financial Crisis. As of December 31, 2010, the Holding Company controls the following entities: three commercial banks, which include Woori Bank (formerly known as Hanvit Bank), Kyongnam Bank and Kwangju Bank (collectively referred to as the Bank Subsidiaries); Woori FIS Co., Ltd.(formerly known as Woori Finance Information System Co., Ltd.); Woori F&I Co., Ltd. (Woori F&I) ; Woori Asset Management Co., Ltd. (Woori Asset Management , formerly known as Woori Credit Suisse Asset Management Co., Ltd.); Woori Private Equity Co., Ltd. (Woori PE) and Woori Financial Co., Ltd. (Woori Financial , formerly known as Hanmi Capital Co., Ltd.); all collectively referred to as Woori Subsidiaries. Several of the Woori Subsidiaries also have other subsidiaries of which the Holding Company is now the ultimate financial holding company. The Holding Company, Woori Subsidiaries and their subsidiaries, consolidated trust accounts (see Note 39), and certain other consolidated VIEs (see Note 10) are collectively referred to as the Company.

On September 30, 1998, KDIC purchased 95.04% of the outstanding shares of the Commercial Bank of Korea (renamed Hanvit Bank) and 95.64% of the outstanding shares of Hanil Bank (merged into the Commercial Bank of Korea). On December 29, 2000, Woori Bank (formerly Hanvit Bank), Kyongnam Bank, Kwangju Bank and Peace Bank received an order of elimination of all existing stockholders from the Financial Supervisory Commission (FSC) pursuant to the Law on Improvement of Structure of Financial Industry of the Republic of Korea and, accordingly, reduced their existing common stock to zero without payment of consideration, except for the consideration paid to certain shareholders who exercised dissenters rights against the capital reduction, effectively eliminating all existing shareholders. On December 29, 2000, KDIC purchased 100% of the newly issued shares of Woori Bank, Peace Bank, Kwangju Bank and Kyongnam Bank. KDIC purchased these shares by issuing KDIC bonds to the respective banks.

On November 3, 2000, KDIC established Woori Investment Bank to manage the operations of four bankrupt merchant banking corporations. On July 31, 2003, Woori Investment Bank was merged into Woori Bank and, as a result, Woori Bank assumed substantially all of the assets and liabilities of Woori Investment Bank.

On December 31, 2001, the commercial banking business of Peace Bank was merged into Woori Bank, and Peace Bank acquired the credit card businesses of Woori Bank and Kwangju Bank on January 31, 2002 and February 28, 2003, respectively, to become Woori Credit Card Co., Ltd. (Woori Credit Card), a principal credit card subsidiary of the Holding Company. On March 31, 2004, Woori Credit Card was merged into Woori Bank (see Note 38).

Upon the legal establishment of the Holding Company on March 27, 2001, KDIC transferred all its shares of the five subsidiaries to the Holding Company in exchange for the shares of the Holding Company and KDIC became the sole owner of the Holding Company. On June 24, 2002, the Holding Company listed its shares on the Korea Exchange (formerly Korea Stock Exchange) through a public offering, which included 36 million new shares and 54 million previously issued shares. As a result of the public offering, exercise of stock warrants, conversion of convertible debentures and sale of a portion of common stock held by KDIC, the ownership percentage of KDIC as of December 31, 2010 is 56.97%, not considering treasury stock.

The Company registered with the Securities and Exchange Commission (SEC) in the United States of America and listed its American Depositary Shares on the New York Stock Exchange on September 29, 2003.

Table of Contents

Risks and uncertainties

The Korean economy is tied to and is closely affected by the global economic conditions. During the second half of 2007 and all of 2008, financial and credit markets had experienced unprecedented disruption and volatility. In particular, in late July and early August 2007, market uncertainty in the U.S. sub-prime mortgage sector increased dramatically and further expanded to other markets, such as those for leveraged finance, collateralized debt obligations (CDOs) and other structured instruments. In September and October 2008, liquidity and credit concerns and volatility in the global financial markets increased significantly with the bankruptcy or acquisition of, and government assistance to, several major U.S. and European financial institution. These market uncertainties have resulted in market illiquidity, greater volatility, widening of credit spreads and a lack of price transparency in the global financial market. However, while the rate of deterioration of the global economy has slowed since the second half of 2009, with some signs of stabilization and improvement, the overall prospects for the Korean and global economy in 2011 and beyond remain uncertain.

Moreover, the Company s operating revenues are impacted by fluctuations in foreign currency rates as a result of its liabilities and assets denominated in foreign currencies and its holdings of trading and investment securities. Beginning in the second half of 2008, the value of the Won relative to major foreign currencies in general and the U.S. dollar in particular has fluctuated widely.

Financial results of the Company will be adversely affected if these conditions, along with deterioration in the overall economy, should continue. The economic environment and related conditions will directly affect credit performance. The accompanying consolidated financial statements reflect management s assessment of the impact to date of the economic environment on the financial position and results of operations of the Company. If these conditions persist for a prolonged period, adjustments to the carrying amount of its loans and investments would be required, and such adjustments could be material to the consolidated financial statements. The degree of the impact is dependent upon the duration and severity of such conditions.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term primarily relate to the allowance for credit losses on loans and off-balance sheet credit instruments, investment securities, derivative financial instruments, deferred tax assets, financial instruments with no available market prices, stock based compensation, goodwill and other intangibles.

Basis of presentation

The Company maintains its accounts in accordance with accounting principles and practices employed by financial institutions and other enterprises in the Republic of Korea, whereas the accompanying consolidated financial statements reflect certain adjustments not recorded on the Company s books, to present these statements in accordance with U.S. GAAP.

Unless otherwise stated herein, all references to 2008, 2009 and 2010 refer to the Company s fiscal periods ended or the dates, December 31, 2008, December 31, 2009 and December 31, 2010, as the context requires. Certain reclassifications have been made to previously reported amounts to conform to current presentation. These reclassifications did not have a material impact on the Company s previously reported consolidated financial position or results of operations.

Principles of consolidation

The consolidated financial statements of the Company include the accounts of the Holding Company and its subsidiaries which are generally controlled through a majority voting interest. The consolidated financial statements also include the accounts of the VIEs for which the Company has been determined to be the primary beneficiary (see Note 10). All significant intercompany transactions and balances have been eliminated in consolidation.

The Company accounts for investments in companies in which it owns a voting or economic interest of 20 to 50 percent and is not the primary beneficiary but has the ability to exercise significant influence over operating and financing decisions using the equity method of accounting. These investments are reported in other investment assets, and the Company s proportionate share of income or loss of the equity method investees and gains and losses realized on disposition of investments are reported in Investment securities gain (loss), net.

The Company evaluates variable interests in entities for which voting interests are not an effective means of identifying controlling financial interests. Variable interests are interests in an entity that change with changes in the fair value of the entity s net assets exclusive of variable interests. When the Company first becomes involved with the VIE, the Company evaluates the existence of a primary beneficiary. If the results of the evaluation indicate that the Company is the primary beneficiary, the Company consolidates that entity. If the evaluation indicates that an entity is no longer a VIE or that the Company is no longer its primary beneficiary, then the entity is deconsolidated. Likewise, if the result of an evaluation indicates that an entity has become a VIE or that the Company has become the primary beneficiary, the Company consolidates such VIE for the first time. The Company has significant VIEs which are not consolidated because the Company is not the primary beneficiary. These include Special Purpose Entities (SPEs) where the Company provides administration services and liquidity.

Prior to January 1, 2010, the Company consolidated a VIE if it had a majority of the expected losses or a majority of the expected residual returns or both. As of January 1, 2010, as the Company adopted the new Financial Accounting Standard Board (FASB) accounting guidance on consolidation of VIEs, the Company consolidates a VIE when it has both the power to direct the activities that most significantly impact the VIE s economic success and a right to receive benefits or absorb losses of the entity that could be potentially significant to the VIE (see Note 10).

Goodwill and other intangible assets

Net assets of companies acquired in purchase transactions related to entities other than the banks described above are recorded at fair value at the date of acquisition, as such, the historical cost basis of individual assets and liabilities are adjusted to reflect their fair value. Goodwill is not amortized but is reviewed for potential impairment on at least an annual basis at the reporting unit level or, more frequently, if events and circumstances indicate a possible impairment.

Other identifiable intangible assets consist primarily of exclusive contractual rights, capitalized software costs and core deposit intangibles. Exclusive contractual rights are conditional transfers of cash or other assets to the municipal governments or non-profit organizations in exchange for the exclusive contractual right of acting as a main bank for the municipal governments or non-profit organizations. Core deposit intangible reflects the estimated fair value of the acquired demand deposits and savings accounts which the Company expects to maintain for an extended period of time because of the generally stable customer relationships. Exclusive contractual rights are being amortized over their estimated useful lives ranging from 3 to 20 years and the capitalized software costs are being amortized over their estimated useful lives ranging from 3 to 5 years, using the straight-line method. The core deposit intangible assets are amortized on an accelerated basis over their estimated useful lives in proportion to the estimated run-off of depositors. The estimated periods to be benefited by the core deposit intangible assets range from 5 to 10 years. The

Company does not have intangible assets with indefinite useful lives.

Goodwill impairment testing is performed in two phases. The first step of the goodwill impairment test compares the fair value of the reporting unit with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired; however, if the carrying amount of the reporting unit exceeds its fair value, an additional procedure must be performed. That additional procedure compares the implied fair value of the reporting unit s goodwill with the carrying amount of that goodwill. An impairment loss is recorded to the extent that the carrying amount of goodwill exceeds its implied fair value (see Note 14). Other intangible assets which have finite useful lives are evaluated for impairment if events and circumstances indicate a possible impairment. Such evaluation of other intangible assets is based on undiscounted cash flow projections.

Cash and cash equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents are comprised of cash on hand, cash items in the process of collection, highly liquid securities and interest-earning deposits with original maturities of three months or less at the time of purchase, other than those used for trading purposes. Cash and cash equivalents also include reserve deposits which consist mainly of deposits with the Bank of Korea (BOK), which is the central bank in the Republic of Korea.

Under the Bank of Korea Act, Korean banks are required to maintain certain minimum reserves on deposit with the BOK on an average balance basis for a certain period of time based on the average balance of deposits and certain other factors. There are similar reserve deposit requirements for foreign subsidiaries and branches engaged in banking businesses in foreign countries. As of December 31, 2009 and 2010, the reserve funds maintained by the Company, which were included in Cash and cash equivalents, were 4,982,618 million Won and 8,808,028 million Won, respectively.

Restricted cash

Restricted cash is cash upon which withdrawal restrictions are imposed primarily due to banking regulations and pledges for certain contracts. Restricted cash primarily consists of funds deposited for certain contracts such as derivatives and borrowings.

Trading assets and liabilities, including derivatives

Trading assets include securities that are bought and held principally for the purpose of selling them in the near term. Trading positions are carried at fair value and recorded on a trade date basis. The Company recognizes changes in the fair value of trading positions as they occur in Trading revenue, net.

Trading assets and liabilities also include derivatives used for trading purposes and for non-trading purposes that do not qualify for hedge accounting treatment and foreign exchange spot contracts, which the Company carries at fair value. Trading and non-trading derivatives include interest rate and foreign currency swaps, credit indexed contracts, equity conversion options, puts and calls, warrants, and futures and forwards. The Company recognizes changes in the fair value of trading and non-trading derivatives that do not qualify for hedge accounting treatment and foreign exchange spot contracts as they occur in Trading revenue, net.

The fair value of trading securities, derivative instruments and foreign exchange spot contracts is determined using quoted market prices, including quotes from dealers trading those securities or instruments, when available. If quoted market prices are not available, the fair value is determined based on pricing models, quoted prices of instruments with similar characteristics or discounted cash flows.

Investments

Debt securities for which the Company has the positive ability and intent to hold until maturity are recorded at amortized cost and adjusted for accretion and amortization of discounts and premiums, respectively. Premiums and discounts for debt securities are amortized and accreted, respectively, using the effective interest rate method. Declines in the fair value of individual held-to-maturity securities below their amortized cost that are other-than-temporary result in write-downs of the individual securities to their fair value.

Securities not classified as held-to-maturity or trading are designated as available-for-sale. Available-for-sale securities include bonds obtained through private offering. Premiums and discounts for debt securities are amortized and accreted, respectively, using the effective interest rate method. Realized gains and losses on the sales of securities are determined using the specific identification method for debt securities and the moving average method for equity securities and are included in Investment securities gain (loss), net. Available-for-sale securities are reported at fair value. Unrealized gains and losses on available-for-sale securities are excluded from earnings and reported in Accumulated other comprehensive income, net of tax. Declines in the fair value of individual available-for-sale securities below their cost that are other-than-temporary result in write-downs of the individual securities to their fair value.

As of January 1, 2009, the Company adopted the amended guidance for the recognition of other-than-temporary impairment (OTTI) for debt securities. The Company considers OTTI for a debt security to have occurred if one of the following conditions are met and an OTTI write-down is recognized in earnings equal to the entire difference between the amortized costs basis and the fair value of the debt security: the Company intends to sell the impaired debt security; it is more likely than not that the Company will be required to sell the impaired debt security before recovery of the security s amortized cost basis; or the Company does not expect to recover the entire amortized cost basis of the security. The Company s evaluation of whether it is more-likely-than-not that the Company will be required to sell an impaired debt security before recovery of the security s amortized cost basis considers the likelihood of sales that involve legal, regulatory or operational requirements. For impaired debt securities that the Company does not intend to sell and it is not more-likely-than-not that the Company will be required to sell before recovery of the security s amortized cost basis, the Company evaluates whether the Company expects to recover the entire amortized cost basis of the security considering factors such as the financial condition of the issuer of the security including credit ratings and specific events affecting the operations of the issue, underlying assets that collateralize the debt security, and other industry and macroeconomic conditions. As a result, the amount of the OTTI is separated into an amount representing the credit loss, which is recognized in earnings, and the amount related to all other factors, which is recognized in other comprehensive income (OCI). The credit loss component recognized in earnings is identified as the amount of principal cash flows not expected to be received over the remaining term of the security as projected using the Company s cash flow projections and its base assumptions.

For marketable equity securities, OTTI evaluations focus on whether evidence exists that supports recovery of the unrealized loss within a timeframe consistent with temporary impairment. Factors considered in this evaluation include the length of time and extent to which fair value is less than cost, the status of the security, the Company s intent and ability to hold the security for a period of time sufficient to allow for any recovery in market value, and the conditions of the Korean and overseas economies. Management continues to closely monitor and evaluate these securities for impairment that is other than temporary. Unrealized losses for OTTI on equity securities are recognized in current period earnings under Investment securities gain (loss), net.

If the Company has decided to sell a specifically identified available-for-sale equity security whose fair value is less than its cost basis and the Company does not expect the fair value to recover prior to the expected time of the sale, a write-down for OTTI is recognized in earnings in the period in which the decision to sell is made.

Equity securities without readily determinable fair values and investments in equity securities accounted for under the equity method are classified as other investment assets. Equity securities without readily determinable fair values consist of non-marketable equity securities, restricted stock, and investments in limited partnerships. Those equity securities are recorded using the cost or equity methods of accounting. The cost method is used for those investments in which the Company does not have significant influence over the investees. Under this method, there is no change to the cost basis unless there is an other-than-temporary decline in value, which results in write-downs of the individual securities to their fair value. The equity

Table of Contents

method is used for those investments in which the Company has significant influence over the operations and financial policies of the investee. Under the equity method, the Company records its equity ownership share of the net income or loss of the investee in Investment securities gain (loss), net.

Loans and leases

Loans are reported at the principal amount outstanding adjusted for the allowance for loan losses, unearned income and loan origination fees and costs. Interest on loans is accrued at the effective rate and credited to income based on the principal amount outstanding.

The Company ceases the accrual of interest when principal or interest payments become one day past due. Any unpaid interest previously accrued on such loans is reversed against current year interest income. Cash receipts on non-accrual loans, for which the ultimate collectability is uncertain, are applied as principal reductions, otherwise payments are applied first to the delinquent interest, normal interest, and then to the loan balance until it is paid in full. However, the Company continues to accrue interest on past due loans that are fully secured by deposits or on which there are financial guarantees from the Korean government or certain financial institutions. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current unless the Company believes that collection of the principal and related interest is doubtful.

Securities received by the Company under a debt restructuring or settlement are recorded at the fair value of the security at the date of restructuring or settlement. Any difference between the security s fair value and the net carrying amount of the loan is recorded as a direct charge-off or recovery on the loan as appropriate, through the allowance for loan losses.

The Company provides equipment financing to its customers. Direct financing leases are carried at the aggregate of lease payments receivable plus estimated residual value of the leased property less unearned income, which is recognized using the effective interest method.

Allowance for loan and lease losses

The allowance for loan and lease losses is maintained at a level believed by management to be sufficient to absorb estimated probable losses inherent in the loan and lease portfolio. The Company s allowance for loan and lease losses is based on management s continuing review and evaluation of the loan and lease portfolio and is management s best estimate of probable losses which have been incurred as of the balance sheet date. The level of the allowance is based on an evaluation of the risk characteristics of the loan and lease portfolio and considers factors such as past loss experience and the financial condition of the borrower. Increases in the allowance for loan and lease losses are charged against income in the form of a provision for loan and lease losses. Adjustments to the allowance due to changes in measurement of impaired loans and leases are recognized through the provision for loan and lease losses. Loan and lease losses, net of recoveries, are charged directly to the allowance.

A commercial loan is considered as impaired when, after consideration of current information and events, it is probable that the Company will be unable to collect all amounts due, including principal and interest, according to the contractual terms of the loan. The Company considers the following types of loans to be impaired:

Loans classified as substandard or below according to asset classification guidelines of the FSC;

Loans that are 30 days or more past due;

Loans to companies that have received a warning from the Korean Federation of Banks indicating that companies have exhibited difficulties in making timely payments of principal and interest; and

Loans that are troubled debt restructurings under U.S. GAAP.

Once a loan is identified as impaired, management measures the loan based on the present value of expected future cash flows discounted at the loan s effective interest rate or, as a practical expedient, at the

F-18

loan s observable market price or the fair value of the collateral if the loan is collateral dependent. If the resulting value is less than the book value of the loan, a specific allowance is established. Any amounts deemed uncollectible are charged against the allowance for loan losses. Consumer and credit card loans are charged-off at more than 180 days past due. Recoveries of previously charged-off amounts are credited to the allowance for loan losses. Consumer loans that are under troubled debt restructuring (TDR) and renegotiated credit card loans are classified as impaired loans.

The allowance for loan losses related to commercial loans that are not deemed to be impaired, consumer loans and credit card loans is established using the expected losses. Expected losses are the product of default probability and loss severity. The Company establishes the expected losses related to corporate loans that the Company does not deem to be impaired based on historical loss experience, which depends on the internal credit rating of the borrower, characteristics of the lending product and relevant collateral. The Company establishes the expected losses related to consumer loans and credit card balances based on historical loss experience, which depends on delinquency and collateral.

For loans extended as a result of in-lieu payments made by the Company due to guarantee obligations, the Company records the loan at face value as of the payment date and records an increase to the allowance for loan losses and a decrease in the allowance for credit-related commitments based on the excess of the face value over the fair value of the loan. For repurchased loans subject to repurchase obligations, the Company records the loan at its fair value on the repurchase date. The excess of the repurchase price over the fair value, if any, is set off against the allowance for repurchase obligations. Such fair value is determined based on the discounted cash flow method.

Allowance for credit-related commitments and repurchase obligations

The allowance for credit-related commitments is maintained at a level believed by management to be sufficient to absorb estimated probable losses inherent in the off-balance sheet commitments which include guarantees, commercial letters of credit, unused lines of credit and commitments to extend credit. The Company analyzes its off-balance sheet commitments for possible losses associated with such commitments. The Company reviews the ability of the counterparty of the underlying credit commitment to perform under the commitment. If it is determined that a loss is probable and estimable, the Company records a liability for other credit exposures in a similar manner as if a loan was granted under the terms of the commitment. The allowance for credit-related commitments is reflected in Other liabilities.

The allowance for repurchase obligations is also maintained at a level believed by management to be sufficient to absorb estimated probable losses, estimated to be the difference between the future repurchase price and the fair value of the repurchased loan. The allowance for repurchase obligations is included in Other liabilities.

Deferred loan origination fees and costs

The Company recognizes certain employee and other direct costs associated with originating loans over the life of the loan as an adjustment of yield, net of any related fees received. The deferred fee income includes project financing fees related to the investment banking business, annual membership fees related to the credit card business and others. The deferred loan origination costs relate to direct loan origination activities performed by the Company that include evaluating the prospective borrower s financial condition, recording guarantees, collateral and other security arrangements, negotiating loan terms, preparing and processing loan documents, and closing the transaction. All other lending-related costs, including costs related to activities performed by the Company for advertising, soliciting potential borrowers, servicing existing loans, and other ancillary activities related to establishing and monitoring credit policies, supervision, and administration, are expensed as incurred.

Premises and equipment

Premises, equipment, leasehold improvements and capitalized leases are stated at cost less accumulated depreciation. Depreciation of buildings and leasehold improvements is computed on a straight-line basis over

Table of Contents

the estimated useful lives of the assets, or the term of the lease, if shorter, in the case of leasehold improvements. Depreciation of equipment and furniture and capitalized leases is computed on a declining balance basis over the useful lives of the assets. Gains or losses on disposals of premises and equipment are determined by reference to their carrying amount. Maintenance and repairs are charged to expense as incurred.

The estimated useful lives of premises and equipment are as follows:

Buildings	20 - 50 years
Equipment and furniture	4 - 8 years
Leasehold improvements	4 - 5 years
Capitalized leases	5 years

Assets held-for-sale

Certain assets to be disposed of are classified as held-for-sale in accordance with Accounting Standards Codification (ASC) 360-10 *Property, Plant, and Equipment.* These assets are carried at the lower of aggregate cost or market value; accordingly, a loss is recognized for any initial or subsequent write-down to fair value less estimated selling costs.

Assets acquired through a loan foreclosure are initially recorded at fair value, less estimated selling costs, at the date of acquisition and are classified as held-for-sale. After acquisition, such assets are carried at the lower of their carrying amounts or fair values as determined by their estimated public auction price, net of selling costs.

Loans are designated as held-for-sale when the Company has a positive intent to sell the loans in the foreseeable future. Loans held-for-sale include mortgage loans and are carried at the lower of aggregate cost or market value as determined on an aggregate basis. Loans held-for-sale are included in Assets held-for-sale.

Derivatives and hedging activities

The Company uses various derivative instruments outside of its trading activities, including interest rate and foreign exchange swaps, futures, forwards and options, to manage the interest rate characteristics of certain assets or liabilities and to economically hedge against the effects of fluctuations in interest rates or foreign exchange rates. The Company designates a derivative as held for trading or hedging purposes when it enters into a derivative contract.

Derivatives designated as hedges must be highly effective at reducing the risk associated with the exposure being hedged. Each derivative must be formally designated as a hedge, with documentation of the risk management objective and strategy for the hedge, identification of the hedging instrument, the hedged item and risk exposure, and how effectiveness is assessed prospectively and retrospectively at inception and on a regular basis using quantitative measures.

For the years ended December 31, 2008, 2009 and 2010, the Company has only entered into fair value hedge relationships whereby the Company enters into a derivative contract and the derivative instrument is designated as a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment. Changes in the fair value of the derivatives and the related hedged items due to changes in the LIBOR are recognized currently in earnings. The Company applied fair value hedge accounting for the interest rate swap transactions that qualified for the short-cut method of hedge accounting. Since no ineffectiveness was assumed for those transactions, no ineffective portion was recognized in earnings for the years ended December 31, 2008, 2009, and 2010.

The Company discontinues hedge accounting prospectively when it is determined that the derivative is no longer an effective hedge; the derivative expires or is sold, terminated or exercised; or the hedge designation is removed. In these circumstances, the derivative will continue to be recorded on the balance sheet at its fair value with subsequent changes in fair value included in current earnings. For a discontinued fair value hedge, the previously hedged item is no longer adjusted for changes in fair value.

Fair value hedges are accounted for by recording the fair value of the financial derivative instrument and the change in fair value of the asset or liability being hedged on the consolidated balance sheet with the net difference, or hedge ineffectiveness, reported as fair value adjustments of financial derivatives in other non-interest expenses in the consolidated statements of income. Cash payments or receipts and related accruals during the reporting period on derivatives included in fair value hedge relationships are recorded as an adjustment to interest income on the hedged asset or liability. If a financial derivative in a fair value hedging relationship is no longer effective, de-designated from its hedging relationship or terminated, the Company discontinues fair value hedge accounting for the derivative and the hedged item. Changes in the fair value of these derivative instruments no longer designated in an accounting hedge relationship are recorded in Trading revenue, net in the consolidated statement of income.

The accumulated adjustment of the carrying amount of the hedged interest-earning asset or liability is recognized in earnings as an adjustment to interest income over the expected remaining life of the asset using the effective interest method.

Cash flow hedges are accounted for by recording the fair value of the financial derivative instrument as either a freestanding asset or a freestanding liability in the consolidated balance sheet, with the effective portion of the change in fair value of the financial derivative recorded in AOCI, net of tax in the consolidated balance sheet. Amounts are then included in operating interest expense as a yield adjustment in the same period the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the financial derivative is reported as fair value adjustments of financial derivatives in other expense excluding interest in the consolidated statement of income. If it becomes probable that a hedged forecasted transaction will not occur, amounts included in AOCI related to the specific hedging instruments are reported as trading revenue, net in the consolidated statement of income. Derivative gains and losses that are not held as accounting hedges are recognized as Trading revenue, net in the consolidated statement of income as these derivatives do not qualify for hedge accounting. If a financial derivative ceases to be highly effective as a hedge, hedge accounting is discontinued prospectively and the financial derivative instrument continues to be recorded at fair value with changes in fair value being reported in the Trading revenue, net in the consolidated statement of income.

The majority of the Company s derivatives do not qualify for hedge accounting despite being economic hedges, changes in the fair value of these derivatives are included in Trading revenue, net. Certain types of the Company s hedge relationships have qualified as hedges under the short-cut method. The short-cut method assumes no ineffectiveness in a hedging relationship involving an interest rate swap and an interest-bearing asset or liability. The changes in the fair value of the derivatives and the changes in the fair value of the hedged item attributable to the risk being hedged will be completely offset at the hedge s inception and on an on-going basis. Under the short-cut method, among other requirements, the critical terms of the derivative instrument and the hedged item should be initially the same and subsequently stay the same throughout the hedge s life and such needs to be documented to support the ongoing application of hedge accounting.

Trust fees and compensation to the trust accounts

The Company receives fees for its management of trust assets, which are recognized on an accrual basis when the management services are provided and earned. The Company also is entitled to receive performance-based fees for certain trust accounts. These performance-based fees are recognized at the end of the performance period.

In addition, the Company is liable to compensate trust account holders for losses incurred in certain trust accounts subject to minimum return and principal, or principal guarantees. Accounts of such trusts are consolidated in the accompanying consolidated financial statements. The Company recognizes revenues and expenses related to these trusts on an accrual basis when the related interest income is earned and the interest expense is due to the account holders.

Table of Contents

Fees and commission income

Fees and commissions primarily consist of credit card fees, fees on guarantees and import/export letters of credit, and commissions received on remittance, cash dispenser service, cash management services and others. Such fees are recognized when earned.

Fair value measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company determines the fair value for its financial instruments and for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. In addition, the Company determines the fair value for nonfinancial assets and nonfinancial liabilities on a nonrecurring basis as required during impairment testing or by other accounting guidance. ASC 820 Fair Value Measurements and Disclosures requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. In addition, ASC 820 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company s market assumptions.

The fair value measurement accounting guidance describes the following three levels used to classify fair value measurements:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2: Observable inputs other than Level 1 such as: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated to observable market data for substantially the full term of the asset or liability. Level 2 assets and liabilities may include certain debt and equity securities and over-the-counter derivative contracts whose fair value is determined using a pricing model without significant unobservable inputs.

Level 3: Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments and the methods and assumptions used in estimating fair value amounts are detailed in Note 32.

Income taxes

The Company accounts for income taxes in accordance with ASC 740 *Accounting for Income Taxes* as interpreted by the FASB, which prescribe two components of income tax expense: current and deferred. Current income tax expense approximates taxes to be paid or refunded for the current period and deferred income tax expense is provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences, including operating losses and tax credit carryforwards, and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the carrying values of assets and liabilities for financial reporting purposes and their tax bases. Deferred income tax benefit or expense is then recognized for the change in deferred tax assets or liabilities between periods. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment.

In accordance with the Korean Corporate Tax Act, the Holding Company and its wholly owned domestic subsidiaries have adopted a consolidated tax return from the year ended December 31, 2010. Such domestic subsidiaries represent Woori Bank, Woori FIS, Woori F&I, Woori Asset Management, Woori PE, Woori Credit Information and Woori AMC, which are subject to the consolidated tax return along with the Holding Company as of December 31, 2010. For all other subsidiaries of the Holding Company, income tax is calculated on an individual entity basis and losses incurred by these other subsidiaries cannot be offset against profits earned by any other profitable entity.

Deferred tax assets, including the carryforwards of unused tax losses, are recognized to the extent it is more likely than not that the deferred tax assets will be realized. To the extent the deferred tax assets are not realizable, a valuation allowance is recognized. Valuation allowances are established, when necessary, to reduce deferred tax assets when it is more likely than not that a portion or all of a given deferred tax asset will not be realized.

With respect to net operating loss (NOL) carryforwards and differences between the assigned values and the tax bases of the assets and liabilities in entities acquired by KDIC, the utilization of pre-acquisition NOL carryforwards and deductible temporary differences (by eliminating valuation allowance) resulted in the reduction of the deficit equity recorded at the time of acquisition.

To determine the appropriate level of tax reserve for uncertain tax positions, the Company uses a two-step approach wherein a tax benefit is recognized if a position is more-likely-than-not to be sustained. The amount of the benefit is then measured as the highest tax benefit which is greater than 50% likely to be realized. The difference between the benefit recognized for a position and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit.

Additionally, interest and penalties related to tax positions are recorded as a component of income tax expense. See Note 29 to the consolidated financial statements for further details of the Company s provision and related income tax assets and liabilities.

Other comprehensive income, net of tax

Other comprehensive income, net of tax primarily consists of unrealized gains and losses, on an after-tax basis, related to available-for-sale securities and foreign currency translation adjustments. Gains and losses on available-for-sale securities are reclassified and included in Net income as the gains or losses are realized upon sale of the securities. Unrealized losses on available-for-sale securities are also reclassified to Net income when deemed to be other-than-temporary. Unrealized gains or losses on foreign currency translation adjustments are reclassified to Net income upon the sale or liquidation of foreign operations.

Earnings per share

Basic earnings per share (EPS) is computed by dividing the net income applicable to common shares by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised and has been computed after giving consideration to the weighted average dilutive effect of the Company s stock compensation awards and convertible bonds.

Transfer of financial assets

The Company records a transfer of financial assets as a sale when it surrenders control over those financial assets to the extent that consideration other than beneficial interests in the transferred asset is received in exchange. Otherwise, the transfer is accounted for as a collateralized borrowing transaction. The Company considers control surrendered when all conditions prescribed by ASC 860 *Transfers and Servicing* are met. Those conditions focus on whether the transferred financial assets are isolated beyond the reach of the Company and its creditors, the constraints on the transferee or beneficial interest holders, and the Company s rights and obligations to reacquire transferred financial assets. As appropriate, the Company obtains legal opinions supporting the conclusion that any transferred financial assets are isolated beyond the reach of the Company and its creditors.

Transfers of loans and securities related to certain securitizations, in which the control over the loans and securities has not been surrendered, are accounted for as secured borrowings. The liability for funds received under the related loans and securities sale agreements is included in Secured borrowings. Also, the amounts borrowed based on collateral and the amounts borrowed under repurchase agreements in which control over the related securities has not been surrendered by the transferor are included in Secured borrowings.

The Company pledges loans as collateral for certain borrowings. These borrowings are structured as transfers of loans through asset securitizations, which are retained on the consolidated balance sheets, as the Company retains control of the assets transferred. The Company also pledges securities as collateral, primarily for borrowings structured as a transfer of securities through asset securitizations. The Company retains control of the securities and retains them on the balance sheet. Securities pledged against borrowings cannot be sold or re-pledged by the Company. However, the Company has the right to substitute the collateral provided that this is not to the detriment of the creditor.

Resale and repurchase agreements

The Company enters into short-term purchases of securities under agreements to resell (resale agreements) and sales of securities under agreements to repurchase (repurchase agreements) of substantially identical securities. Resale agreements and repurchase agreements are accounted for as secured lending and secured borrowing transactions, respectively, when control over the related securities has not been surrendered by the transferor. When control over the related securities has been surrendered by the transferor, the Company accounts for its resale agreements as purchases of securities with related forward commitments to resell and accounts for its repurchase agreements as sales of securities with related forward commitments to repurchase. It is the Company s policy to take possession of securities under agreements to resell. The Company minimizes the credit risk associated with these transactions by monitoring its aggregate credit exposure to each counterparty and by monitoring collateral value and requiring the counterparty to deposit additional collateral with the Company when deemed necessary.

The Company carries the amount paid under resale agreements accounted for as secured lending transactions and the amount received under repurchase agreements accounted for as secured borrowings transactions on its balance sheet. Interest earned on resale agreements and interest incurred on repurchase agreements are reported as interest income and interest expense, respectively.

Foreign currency translation

Foreign currency translation represents the effects of translating into Korean Won, the financial position and results of operations of entities located outside of Korea that have a functional currency other than the Korean Won, which is the Holding Company s functional and reporting currency. Foreign currency translation is recorded as a component of Accumulated other comprehensive income, net of tax within stockholders equity. Assets and liabilities are translated into Korean Won at period-end exchange rates, and income and expense items are translated using average rates for the relevant periods.

Foreign currency transactions executed by domestic Korean entities are accounted for at the exchange rates prevailing on the related transaction dates. Assets and liabilities denominated in foreign currencies are recorded and reported in the accompanying consolidated balance sheets using the period-end exchange rates. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of income except for gains and losses arising from the translation of available-for-sale securities, which are recorded as a component of Accumulated other comprehensive income, net of tax.

United States dollar amounts

The Company operates primarily in Korea and its official accounting records are maintained in Korean Won. The United States dollar (U.S. dollar, US$) amounts are provided herein as supplementary information solely for the convenience of the reader. Korean Won amounts are expressed in U.S. dollars at the rate of 1,130.6 Won to US$1.00, the noon buying exchange rate in effect on December 31, 2010 as quoted by the Federal Reserve Bank of New York in the United States. Such convenience translation into U.S. dollars should not be construed as representations that the Korean Won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

2. Recent Accounting Standards

Noncontrolling Interests in Consolidated Financial Statements (ASC 810)

In December 2007, the FASB issued an amended accounting standard related to noncontrolling interests in consolidated financial statements, which applies to all entities that prepare consolidated financial statements, except for not-for-profit organizations, but will affect only those entities that have an outstanding noncontrolling interest in one or more subsidiaries. The standard requires that ownership interests in consolidated subsidiaries held by parties other than the parent be accounted for and presented as equity, rather than as a liability or mezzanine caption and changes in the parent s ownership interest while the parent retains its controlling financial interest in its subsidiaries be accounted for as equity transactions. The Company adopted the standard on January 1, 2009. As a result, the amount of 340,830 million Won of noncontrolling interest as of December 31, 2008 was reclassified from the mezzanine caption to equity.

Fair Value Measurements and Disclosures (ASC 820)

In August 2009, the FASB amended the fair value measurements accounting guidance for measuring the fair value of liabilities. The amended accounting guidance clarifies that the quoted price for an identical liability, when traded as an asset in an active market, is also a Level 1 measurement for that liability when no adjustment to the quoted price is required. In the absence of a Level 1 measurement, the amended accounting guidance clarifies that the Company must use a valuation technique that uses a quoted price or a valuation technique based on the amount the Company would pay to transfer the identical liability or receive to enter into an identical liability. The amended accounting guidance was effective in the fourth quarter 2009 with adoption applied prospectively. The Company s adoption of the amended fair value measurements accounting guidance for measuring the fair value of liabilities did not have an impact on its financial condition, results of operations or cash flows.

In January 2010, the FASB amended the disclosure guidance related to fair value measurements. The amended disclosure guidance requires new fair value measurement disclosures and clarifies existing fair value measurement disclosure requirements. The amended disclosure guidance related to disclosures about purchases, sales, issuances and settlements of Level 3 instruments will be effective for fiscal years beginning after December 15, 2010. The remaining amended disclosure guidance became effective for annual reporting periods beginning after December 31, 2009, or January 1, 2010 for the Company. The amended fair value disclosures are set forth in Note 32.

Consolidation of Variable Interest Entities (ASC 810)

In June 2009, the FASB amended the accounting and disclosure guidance for the consolidation of variable interest entities. The amended accounting guidance requires the reconsideration of previous conclusions related to the consolidation of variable interest entities, including whether an entity is a variable interest entity and whether the

Company is the variable interest entity s primary beneficiary. Under the new guidance, a VIE s primary beneficiary is the entity that has the power to direct the VIE s significant activities, and has an obligation to absorb losses or the right to receive benefits that could be potentially significant to the VIE. The guidance also requires companies to continually reassess whether they are the primary beneficiary of a VIE, whereas the previous rules only required reconsideration upon the occurrence of certain triggering events. The amended accounting and disclosure guidance is effective as of the beginning of the first fiscal year that begins after November 15, 2009, or January 1, 2010 for the Company. The Company s reconsideration of previous conclusions related to the consolidation of variable interest entities results in the consolidation of additional entities as of January 1, 2010 (see Note 10 for additional information).

In addition, the amended accounting guidance requires that a reporting entity separately presents the assets of a consolidated VIE that can be used only to settle obligations of the consolidated VIE and the liabilities of a consolidated VIE for which creditors or beneficial interest holders do not have recourse to the general credit of the primary beneficiary, on the face of financial statements. The Company adopted the standard on January 1, 2010 and separately disclosed assets and liabilities of consolidated VIEs, based on the category, on the face of consolidated balance sheets as of December 31, 2010.

Scope Exception Related to Embedded Credit Derivatives (ASC 815)

In March 2010, the FASB amended the accounting guidance for derivatives and hedging to clarify the type of embedded credit derivative that is exempt from embedded derivative bifurcation requirements. An embedded credit derivative that is related only to the subordination of one financial instrument to another qualifies for the exemption. As a result, entities that have contracts containing an embedded credit derivative feature in a form other than such subordination may need to separately account for the embedded credit derivative feature. The amended accounting guidance became effective July 1, 2010. The Company s adoption of the amended accounting guidance did not affect its financial condition, results of operations or cash flows.

Effect of a Loan Modification When the Loan Is Part of a Pool That Is Accounted for as a Single Asset (ASC 310)

In April 2010, the FASB provided guidance for modified loans when the loans are accounted for within pools. The guidance improves comparability by eliminating diversity in practice about the treatment of modifications of loans accounted for within pools. Furthermore, it clarifies guidance about maintaining the integrity of a pool as the unit of accounting for acquired loans with credit deterioration. The new accounting guidance is effective for modifications of loans accounted for within pools occurring in the first interim or annual period ending on or after July 15, 2010, or December 31, 2010 for the Company. The Company s adoption of this guidance did not affect its financial condition, results of operations or cash flows.

Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASC 310)

In July 2010, the FASB amended the disclosure guidance for financial receivables and the allowance for credit losses. The amendments require a greater level of disaggregated information about the allowance for credit losses and the credit quality of financing receivables.

In January 2011, the FASB delayed the effective date of the amended disclosure guidance for the TDR. The delay is intended to allow the FASB time to complete its deliberations on what constitutes a TDR.

Other than the deferral of the TDR disclosures, the amended disclosure guidance related to information as of the end of a reporting period became effective December 31, 2010 for the Company. The Company s disclosures reflect the adoption of this amended disclosure guidance in Note 11 - Loans.

In April 2011, the FASB issued the amended guidance for accounting for TDRs. This clarifies the guidance on a creditor s evaluation of whether it has granted a concession and whether a debtor is experiencing financial difficulties. The new guidance about TDRs is effective for the first interim or annual period beginning on or after June 15, 2011. This will have no impact on the Company s accounting for TDRs as the Company has adopted International Financial

Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) beginning in 2011 and discontinued the use of U.S. GAAP subsequent to December 31, 2010.

Financial Reporting after 2010

Beginning in 2011, all listed companies in Korea are required to prepare their financial statements under the Korean equivalent of IFRS as issued by IASB (International Accounting Standards Board). Accordingly, the Company s quarterly and annual financial statements for 2011 and subsequent years will be prepared in accordance with IFRS. Therefore, the Company will discontinue the use of U.S. GAAP financial reporting subsequent to December 31, 2010 and its 2010 consolidated financial statements under IFRS may be materially different than the accompanying 2010 U.S. GAAP consolidated financial statements.

3. Business Developments

Acquisition of Woori Aviva Life Insurance Co., Ltd.

On April 4, 2008, the Holding Company completed its acquisition of Woori Aviva Life Insurance Co., Ltd. (Woori Aviva) in accordance with a memorandum of understanding with Aviva International Holdings Limited (Aviva). Under the terms of the stock purchase contract, the Holding Company acquired 3,060,000 shares, or 51% of the outstanding shares, for 76,335 million Won and Aviva acquired 2,438,757 shares, or 40.65%. Woori Aviva is operating 44 domestic branches and 191 agencies as of December 31, 2010.

In accordance with a joint venture agreement with Aviva, both the Holding Company and Aviva have the right to participate in the management of Woori Aviva by each appointing two of the four board members. Woori Aviva s board needs to approve matters to be considered and voted on by shareholders. Furthermore, at least, 60% of the outstanding common shares is needed to approve a matter subject to a vote by the share holders.

The Company does not have control of Woori Aviva through its voting rights or ability to elect two of the four members of the board under the terms of the agreement and, furthermore, Aviva maintains substantive participation rights in Woori Aviva. Therefore, the Company accounts for its investment in Woori Aviva under the equity method of accounting.

Establishment of Woori FG Savings Bank Co., Ltd.

The Company established Woori FG Savings Bank Co., Ltd. by funding 110 billion Won of capital in March 2011. On March 11, 2011, the Company entered into an agreement with KDIC to acquire assets and liabilities from Samhwa Saving Bank Co., Ltd. Subsequently, on March 16, 2011, Samhwa Saving Bank Co., Ltd. transferred its assets and liabilities to Woori FG Saving Bank Co., Ltd. in accordance with the agreement.

4. Restricted Cash

The following table presents the restricted cash as of December 31:

	Korean Won (in millions)	
	2009	**2010**
Deposits related to derivatives contracts	574,287	344,849
Deposits for guarantee of payment for secured borrowings	2,008	15,662
Other	12,055	117,656

Total	588,350	478,167

The deposits related to derivatives contracts are generally restricted until the related derivatives contracts expire. Also, the Company made deposits as collateral for senior collateralized bond obligations.

Table of Contents

5. Call Loans and Securities Purchased under Resale Agreements

Call loans and securities purchased under agreements to resell, at their respective carrying values, consisted of the following as of December 31:

	Korean Won (in millions)	
	2009	2010
Call loans[(1)]	4,666,137	3,663,416
Securities purchased under resale agreements	1,858,270	801,398
Total	6,524,407	4,464,814

(1) Call loans are short-term lending among banks and financial institutions, with maturities of 90 days or less for call loans in Won currency and 30 days or less for call loans in foreign currencies. Typically, call loans have maturities of one day.

6. Trading Assets and Liabilities

The following table presents trading assets and liabilities as of December 31:

	Korean Won (in millions)	
	2009	2010
Trading assets:		
Debt securities		
Korean treasury and government agencies	3,380,238	3,288,068
Corporate	4,666,957	4,956,485
Financial institutions	891,027	837,955
Asset-backed securities[(1)]	727,977	16,238
Equity securities	379,247	261,715
Beneficiary certificates[(2)]	45,423	56,893
Total debt and equity instruments	10,090,869	9,417,354
Foreign exchange spot contracts	1,373	1,855
Derivative instruments		
Foreign currency derivatives	2,798,747	2,218,410
Interest rate derivatives	1,240,545	1,360,028
Equity derivatives	54,426	77,270
Commodity derivatives	39,319	25,187
Total derivative instruments and foreign exchange spot contracts	4,134,410	3,682,750

Total trading assets	14,225,279	13,100,104
Trading liabilities:		
Foreign exchange spot contracts	2,705	2,099
Derivative instruments		
Foreign currency derivatives	2,152,913	1,550,916
Interest rate derivatives	1,287,285	1,406,508
Credit derivatives	192,265	351
Equity derivatives	453,885	351,883
Commodity derivatives	42,188	25,442
Total trading liabilities	4,131,241	3,337,199

(1) Asset-backed securities whose value and income payments are mainly derived from and collateralized by a specific pool of underlying assets such as loans collateralized by real estate or automobiles, credit card loans, mortgage loans, loans to constructions and various type of loans.
(2) Beneficiary certificates are beneficial interests in an investment pool in the form of certificates.

7. Trading Revenue, Net

The following table presents net trading related revenue for the years ended December 31:

	Korean Won (in millions)		
	2008	2009	2010
Debt securities	111,718	(94,512)	80,112
Equity securities	(119,177)	95,841	61,927
Beneficiary certificates	4,173	7,854	42,821
FX transactions	1,295,512	874,750	271,263
Derivative instruments	(1,740,564)	(606,619)	154,101
Total net trading related revenue (losses)	(448,338)	277,314	610,224

For the years ended December 31, 2008, 2009 and 2010, net unrealized holding gains (losses) on trading securities of 105,434 million Won, (41,292) million Won and 26,359 million Won, respectively, were included in Trading revenue, net.

8. Investment Securities

As of December 31, 2009, the amortized cost and estimated fair value of the Company s available-for-sale securities and held-to-maturity securities and the related unrealized gains and losses were as follows:

	Korean Won (in millions)			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Available-for-sale securities:				
Debt securities				
Korean treasury and government agencies	4,360,512	13,354	(25,966)	4,347,900
Corporate	6,788,730	245,485	(74,177)	6,960,038
Financial institutions	2,262,118	14,435	(11,292)	2,265,261
Asset-backed securities(1)	765,753	80,577	(7,841)	838,489
Foreign governments	73,563	111	(88)	73,586
Equity securities	129,293	244,761	(6,288)	367,766
Beneficiary certificates(2)	1,181,386	49,906	(25,066)	1,206,226

Total available-for-sale securities	15,561,355	648,629	(150,718)	16,059,266
Held-to-maturity securities:				
Debt securities				
Korean treasury and government agencies	11,502,132	49,809	(31,747)	11,520,194
Corporate	1,357,748	14,503	(2,901)	1,369,350
Financial institutions	2,502,664	15,224	(2,395)	2,515,493
Asset-backed securities(1)	491,179	4,398	(52)	495,525
Foreign governments	120,041	88		120,129
Total held-to-maturity securities	15,973,764	84,022	(37,095)	16,020,691

F-29

Table of Contents

(1) Asset-backed securities whose value and income payments are mainly derived from and collateralized by a specific pool of underlying assets such as loans collateralized by real estate or automobiles, credit card loans, mortgage loans, loans to constructions and various type of loans.
(2) Beneficiary certificates are beneficial interests in an investment pool in the form of certificates.

As of December 31, 2010, the amortized cost and estimated fair value of the Company s available-for-sale securities and held-to-maturity securities and the related unrealized gains and losses were as follows:

	Korean Won (in millions)			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Available-for-sale securities:				
Debt securities				
Korean treasury and government agencies	6,619,484	51,676	(1,383)	6,669,777
Corporate	6,084,111	251,838	(93,957)	6,241,992
Financial institutions	2,937,626	50,915	(2,106)	2,986,435
Asset-backed securities(1)	814,193	4,010	(3,657)	814,546
Foreign governments	25,476	14	(60)	25,430
Equity securities	531,770	159,730	(16,385)	675,115
Beneficiary certificates(2)	1,495,073	113,608	(1,652)	1,607,029
Total available-for-sale securities	18,507,733	631,791	(119,200)	19,020,324
Held-to-maturity securities:				
Debt securities				
Korean treasury and government agencies	12,115,040	174,160	(1,426)	12,287,774
Corporate	4,414,631	54,481	(10,479)	4,458,633
Financial institutions	1,791,124	22,954	(283)	1,813,795
Asset-backed securities(1)	1,468,457	13,524		1,481,981
Foreign governments	115,974			115,974
Total held-to-maturity securities	19,905,226	265,119	(12,188)	20,158,157

(1) Asset-backed securities whose value and income payments are mainly derived from and collateralized by a specific pool of underlying assets such as loans collateralized by real estate or automobiles, credit card loans, mortgage loans, loans to constructions and various type of loans.
(2) Beneficiary certificates are beneficial interests in an investment pool in the form of certificates.

The Bank of Korea (BOK), the Korea Development Bank (KDB), and Korea Asset Management Corporation (KAMCO) are financial institutions owned and controlled by the Korean government. Monetary Stabilization Bonds were issued by BOK and included in Korean treasury and government agencies, and Industrial Financial Debentures were issued by KDB and were included in financial institutions. Non-Performing Assets (NPA) Management

Fund Bonds, issued by KAMCO were included in Korean treasury and government agencies. Monetary Stabilization Bonds, Industrial Financial Debentures and NPA Management Fund Bonds as of December 31, 2009 and 2010 are summarized below:

	Korean Won (in millions)			
	2009		2010	
	Amortized cost	Fair value	Amortized cost	Fair value
Monetary Stabilization Bonds				
Trading securities	822,292	818,290	1,404,702	1,406,695
Available-for-sale securities	1,543,027	1,545,954	3,343,633	3,350,844
Held-to-maturity securities	8,926,589	8,946,371	6,041,087	6,070,217
Total	11,291,908	11,310,615	10,789,422	10,827,756
Industrial Financial Debentures				
Trading securities			70,122	70,151
Available-for-sale securities	116,013	117,786	251,835	252,255
Held-to-maturity securities	110,119	110,372	445,228	448,960
Total	226,132	228,158	767,185	771,366
NPA Management Fund Bonds				
Available-for-sale securities	20,276	20,789		
Held-to-maturity securities	10,228	10,321	20,000	20,337
Total	30,504	31,110	20,000	20,337

For the years ended December 31, 2008, 2009 and 2010, the Company recognized impairment losses of 591,530 million Won, 234,825 million Won and 171,578 million Won, respectively, on available-for-sale securities and held-to-maturity securities, where decreases in values were deemed to be other-than-temporary. Of the impairment losses recorded for the years ended December 31, 2008, 2009 and 2010, 83,040 million Won, 48,790 million Won and 42,555 million Won of impairment losses on equity securities and beneficiary certificates were included in Investment securities gain (loss), net.

Since 2008, there has been a decline in the fair value of the Company s asset-backed securities portfolio, specifically U.S. CDOs, as a result of deteriorating conditions in the U.S. subprime/credit market. Accordingly, the Company wrote down 331,608 million Won, 14,490 million Won and 379 million Won of U.S. CDOs and charged the losses to current operations in 2008, 2009 and 2010, respectively, as the Company considered the losses to be other-than-temporary. In 2010, the Company disposed 90,133 million Won of U.S. CDOs. As a result, the carrying amount of the Company s investment in U.S. CDOs was 108,002 million Won, 103,692 million Won and 13,180 million Won as of December 31, 2008, 2009 and 2010, respectively. These instruments were valued using pricing models and discounted cash flow methodologies incorporating assumptions that, in management s judgment, reflect the assumptions marketplace participants would have used at December 31, 2008, 2009 and 2010. In the most liquid markets, readily available or observable prices are used in valuing asset-backed securities. In less liquid markets, such as those that we encountered in 2008, the lack of these prices necessitates the use of other available information and modeling techniques to approximate the fair value for certain of these securities.

The markets for these U.S. CDOs remain illiquid and as a result, valuation of these securities is complex and involves the use of quantitative modeling and management judgment. Valuation of these exposures will also continue to be impacted by external market factors, including default rates, rating agency actions, and the prices at which observable market transactions occur. Our ability to mitigate our risk by selling or hedging our exposures is also limited by the market environment. Our future results may continue to be impacted by these positions.

Effective January 1, 2009, the Company adopted the amended standard for the recognition and presentation of OTTI for debt securities. The Company assessed whether it intends to sell, or whether it is more likely than not that the Company will be required to sell a security before recovery of its amortized cost basis. For debt securities that are considered other-than-temporarily impaired and that the Company does not intend to sell and will not be required to sell prior to recovery of its amortized cost basis, the Company determines the amount of the impairment that is related to credit and the amount due to all other factors. The credit loss component is the difference between the security s amortized cost basis and the present value of its expected future cash flows and is recognized in earnings. The noncredit loss component is the difference between the present value of its expected future cash flows and the fair value and is recognized through other comprehensive income (loss).

An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. Unrealized losses that are determined to be temporary in nature are recorded, net of tax, in AOCI for AFS securities, while such losses related to HTM securities are not recorded, as these investments are carried at their amortized cost.

For equity securities, management considers various factors, including its intent and ability to hold the equity security for a period of time sufficient for recovery to cost. Where management lacks that intent or ability, the security s decline in fair value is deemed to be other than temporary and is recorded in earnings. AFS equity securities deemed other-than-temporarily impaired are written down to fair value, with the full difference between fair value and amortized cost recognized in earnings.

For debt securities that are not deemed to be credit impaired, management assesses whether it intends to sell or whether it is more-likely-than-not that it would be required to sell the investment before the expected recovery of the amortized cost basis. In most cases, management has asserted that it has no intent to sell and that it believes it is not likely to be required to sell the investment before recovery of its amortized cost basis. Where such an assertion has not been made, the security s decline in fair value is deemed to be other-than-temporary and is recorded in earnings.

For debt securities, a critical component of the evaluation for other-than-temporary impairments is the identification of credit impaired securities, where management does not expect to receive cash flows sufficient to recover the entire amortized cost basis of the security. For securities purchased and classified as AFS with the expectation of receiving full principal and interest cash flows, this analysis considers the likelihood of receiving all contractual principal and interest.

The total number of debt security positions in the investment portfolio that were in an unrealized loss position at December 31, 2010 was 228 for available-for-sale securities and 35 for held-to-maturity securities.

The following table presents a roll-forward of the credit loss component of OTTI losses that were recognized in income for the years ended December 31, 2009 and 2010.

	Korean Won (in millions)	
	2009	**2010**
Balance, beginning of period		633,389
Credit loss component on previously impaired securities[1]	1,122,909	
Credit impairment recognized in earnings on securities	186,035	129,023
Reductions due to sales of credit impaired securities sold or matured	(675,555)	(505,416)
Balance, end of period	633,389	256,996

(1) As of January 1, 2009, the Company had securities 1,129,855 million Won of other-than-temporary impairment previously recognized in earnings of which 1,122,909 million Won represented the credit component and 6,946 (or 4,972, net of tax) million Won represented the noncredit component which was reclassified to OCI through a cumulative effect transition adjustment.

Table of Contents

The following table presents unrealized losses and fair values of available-for-sale and held-to-maturity securities at December 31, 2009 for which impairment has not been recognized. These securities are segregated between investments that have been in a continuous unrealized loss position for less than twelve months and equal to or greater than twelve months.

	Korean Won (in millions)					
	Unrealized loss position less than 12 months		Unrealized loss position equal to or greater than 12 months		Total	
	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value
Available-for-sale:						
Debt securities						
Korean treasury and government agencies	(24,428)	3,001,972	(1,538)	305,906	(25,966)	3,307,878
Corporate	(53,505)	1,303,243	(20,672)	272,590	(74,177)	1,575,833
Financial institutions	(10,701)	1,092,507	(591)	4,014	(11,292)	1,096,521
Asset-backed securities	(7,836)	331,465	(5)	447	(7,841)	331,912
Foreign governments	(24)	17,509	(64)	23,299	(88)	40,808
Sub total	(96,494)	5,746,696	(22,870)	606,256	(119,364)	6,352,952
Equity securities	(6,249)	87,862	(39)	2,317	(6,288)	90,179
Beneficiary certificates	(12,967)	114,878	(12,099)	102,793	(25,066)	217,671
Total	(115,710)	5,949,436	(35,008)	711,366	(150,718)	6,660,802
Held-to-maturity:						
Debt securities						
Korean treasury and government agencies	(31,504)	5,896,180	(243)	148,444	(31,747)	6,044,624
Corporate	(2,676)	358,710	(225)	55,810	(2,901)	414,520
Financial institutions	(1,725)	523,057	(670)	142,512	(2,395)	665,569
Asset-backed securities	(52)	29,948			(52)	29,948
Total	(35,957)	6,807,895	(1,138)	346,766	(37,095)	7,154,661

Table of Contents

The following table presents unrealized losses and fair values of available-for-sale and held-to-maturity securities at December 31, 2010 for which impairment has not been recognized. These securities are segregated between investments that have been in a continuous unrealized loss position for less than twelve months and equal to or greater than twelve months.

	Korean Won (in millions)					
	Unrealized loss position less than 12 months		Unrealized loss position equal to or greater than 12 months		Total	
	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value
Available-for-sale:						
Debt securities						
Korean treasury and government agencies	(1,377)	500,817	(6)	40,115	(1,383)	540,932
Corporate	(90,111)	542,111	(3,846)	150,640	(93,957)	692,751
Financial institutions	(437)	300,128	(1,669)	8,859	(2,106)	308,987
Asset-backed securities	(3,657)	184,785			(3,657)	184,785
Foreign governments	(60)	20,740			(60)	20,740
Sub total	(95,642)	1,548,581	(5,521)	199,614	(101,163)	1,748,195
Equity securities	(16,385)	451,530			(16,385)	451,530
Beneficiary certificates	(1,652)	31,754			(1,652)	31,754
Total	(113,679)	2,031,865	(5,521)	199,614	(119,200)	2,231,479
Held-to-maturity:						
Debt securities						
Korean treasury and government agencies	(1,426)	414,463			(1,426)	414,463
Corporate	(10,479)	594,827			(10,479)	594,827
Financial institutions	(283)	159,745			(283)	159,745
Total	(12,188)	1,169,035			(12,188)	1,169,035

For the years ended December 31, 2008, 2009 and 2010, proceeds from sales of available-for-sale securities amounted to 12,284,279 million Won, 38,502,213 million Won and 7,254,142 million Won, respectively. For the years ended December 31, 2008, 2009 and 2010, the gross realized gains amounted to 145,699 million Won, 1,072,763 million Won and 1,233,051 million Won, respectively, and the gross realized losses amounted to 14,402 million Won, 316,090 million Won and 45,236 million Won, respectively.

The amortized cost and estimated fair value of the Company s available-for-sale debt securities and held-to-maturity debt securities as of December 31, 2010 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to prepay obligations with or without call or prepayment penalties.

	Korean Won (in millions)			
	Available-for-sale securities		Held-to-maturity securities	
	Amortized cost	Fair value	Amortized cost	Fair value
Due in one year or less	7,147,425	7,216,010	6,941,268	7,000,791
Due after one year through five years	5,487,517	5,571,002	11,620,492	11,801,587
Due after five years through ten years	207,534	213,818	80,177	80,474
Due after ten years	3,638,414	3,737,350	1,263,289	1,275,305
Total	16,480,890	16,738,180	19,905,226	20,158,157

Table of Contents

As discussed in Note 1, certain Woori Subsidiaries issued common shares to KDIC in exchange for KDIC bonds. Woori Subsidiaries have also purchased additional KDIC bonds for trading purposes. The KDIC bonds have readily determinable market prices and their use by the Company is not restricted. The details of KDIC bonds as of December 31, 2009 and 2010 are summarized below:

	Korean Won (in millions)			
	Amortized cost	**Gross unrealized gain**	**Gross unrealized loss**	**Fair value**
As of December 31, 2009:				
Trading securities	20,618		(225)	20,393
Available-for-sale securities	91,007	623	(494)	91,136
Held-to-maturity securities	289,592	3,397	(348)	292,641
Total	401,217	4,020	(1,067)	404,170
As of December 31, 2010:				
Trading securities	20,173	609		20,782
Available-for-sale securities	100,787	472	(352)	100,907
Held-to-maturity securities	734,812	5,858	(1,118)	739,552
Total	855,772	6,939	(1,470)	861,241

Gross unrealized gains and losses on trading securities are included in Trading revenue, net.

Interest income from KDIC bonds for the years ended December 31, 2008, 2009 and 2010 was as follows:

	Korean Won (in millions)		
	2008	**2009**	**2010**
Interest income:			
Trading securities	747	893	996
Available-for-sale securities	2,079	6,424	5,262
Held-to-maturity securities	20,358	16,613	17,032
Total interest income	23,184	23,930	23,290

Carrying values of securities pledged in relation to repurchase agreements, borrowing transactions, margin for futures contracts and asset securitizations as of December 31, 2009 and 2010 were 8,910,211 million Won and 7,036,284 million Won, respectively (see Note 34).

9. Other Investment Assets

The following table presents other investment assets as of December 31:

	Accounting method used	Korean Won (in millions) 2009	2010
Investments in affiliates	Equity method	1,471,899	1,562,270
Restricted stocks	Cost method	149,576	195,296
Non-marketable equity securities	Cost method	943,293	843,181
Investments in limited partnerships	Cost method	391	377
Total		2,565,159	2,601,124

Investments in affiliates are investments in which the Company has significant influence over the operations and financial policies of the investee, and are accounted for under the equity method. Investments in affiliates include investments in limited partnerships if the limited partnership interest is greater than 3% to

5%. Under the equity method, the Company records its equity ownership share of the net income or loss of the investee in Investment securities gain (loss), net. As of December 31, 2009 and 2010, the carrying amount of the investment in Woori Investments & Securities for which a quoted market price is available, was 799,270 million Won and 867,094 million Won, respectively. The market value of this investment was 771,311 million Won and 1,093,270 million Won, respectively.

The cost method is used for restricted stock, non-marketable equity securities and investments in limited partnerships other than those included in the investments in affiliates. Under this method, there is no change to the cost basis unless there is an other-than-temporary decline in value, which results in write-down.

Restricted stock whose original period of restriction on disposition is more than one year from its acquisition is reclassified into available-for-sale securities and recorded at fair value when the restriction on disposition is lifted or when the remaining period of the restriction becomes less than one year.

The aggregate cost of the Company s cost method investments totaled 1,093,260 million Won and 1,038,854 million Won as of December 31, 2009 and 2010, respectively. The Company did not estimate the fair value for the investments of 391 million Won and 377 million Won as of December 31, 2009 and 2010, respectively, because the Company did not identify any events or changes in circumstances that may have had a significant adverse effect on the fair value of those investments. Of the remaining 1,092,869 million Won and 1,038,477 million Won of investments as of December 31, 2009 and 2010, the Company estimated that the fair value exceeded the cost of investments with an aggregate cost of 1,004,631 million Won and 883,248 million Won, respectively. The remaining 88,238 million Won and 155,229 million Won of cost method investments as of December 31, 2009 and 2010, respectively, were evaluated for impairment and the Company recorded impairment losses on these investments which the Company considered to be other-than-temporary.

For the years ended December 31, 2008, 2009 and 2010, the Company recognized impairment losses of 53,657 million Won, 63,443 million Won and 119,300 million Won, respectively, on other investment assets, where decreases in values were deemed to be other-than-temporary.

10. Securitization of Loans and Variable Interest Entities

Securitization of loans

For the years ended December 31, 2008, 2009 and 2010, the Company securitized loans with an aggregate principal balance of 142,181 million Won, 924,765 million Won and 764,070 million Won, respectively, and retained certain interests in those loans. In connection with these transactions, the Company received 116,644 million Won and 673,860 million Won and 668,245 million Won for the years ended December 31, 2008, 2009 and 2010, respectively, as consideration. The Company recognized 3,612 million Won, 28,311 million Won and 95,819 million Won of gains resulting from the sale of loans in securitizations for the years ended December 31, 2008, 2009 and 2010, respectively. The Company also received fee income of 365 million Won, 855 million Won and 2,397 million Won for providing asset management services for the years ended December 31, 2008, 2009 and 2010, respectively. With regards to the sale of loans in securitizations, the Company has no continuing involvement with the SPEs.

The key economic assumptions used in measuring the fair value of retained interests at the time of securitization during the years ended December 31, 2009 and 2010 were as follows:

	2009	**2010**

Collection ratio	60.91 - 65.45%	57.94 - 63.62%
Weighted average life	1.07 - 2.26 years	1.21 - 3.06 years
Weighted average discount rate	9.62 - 12.87%	10.37 - 13.4%

The Company holds retained interests in securitized financial assets through investments in bonds issued by securitization vehicles and common shares of such vehicles. The investments in bonds are classified as available-for-sale securities and the investments in common shares are accounted for using the equity method or recorded as available-for-sale securities. The Company determines the fair value of the retained interests using the present value of future cash flows taking into consideration the priority of payments. The aggregate amounts of bonds and equity investments that the Company holds as retained interests in the assets securitized are 141,403 million Won and 256,641 million Won, and 47,573 million Won and 100,048 million Won as of December 31, 2009 and 2010, respectively.

As of December 31, 2010, the key economic assumptions in subsequently measuring the fair value of aggregate retained interests in the assets securitized, which totaled 356,689 million Won, and the sensitivity of the current fair value of residual cash flows to 10% and 20% adverse changes in those assumptions are summarized as follows:

		Korean Won (in millions)	
	Key assumptions	**10%**	**20%**
Adverse change in collection ratio	66.27 - 84.37%	(57,077)	(123,606)
Adverse change in weighted average life	0.54 - 1.25 years	(5,586)	(13,064)
Adverse change in weighted discount rate	7.39 - 11.71%	(9,693)	(18,731)

The amount of the net charge-offs recognized subsequent to securitization during the years ended December 31, 2008, 2009 and 2010 were 273,542 million Won, 67,296 million Won and 159,999 million Won, respectively. The entire principle balance of loans securitized and outstanding of 623,719 million Won and 1,205,658 million Won was considered to be delinquent as of December 31, 2009 and 2010, respectively.

The sensitivities depicted in the preceding table are hypothetical and should be used with caution. The likelihood of those percent variations selected for sensitivity testing is not necessarily indicative of expected market movements because the relationship of the change in the assumptions to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of a retained interest is calculated without changing any other assumptions. This might not be the case in actual market conditions since changes in one factor might result in changes to other factors. Further, the sensitivities depicted above do not consider any corrective actions that the Company might take to mitigate the impact of any adverse changes in one or more key assumptions.

Variable Interest Entities (VIE)

In the normal course of its business, the Company has involvement with various entities, which may be deemed to be VIEs, such as SPEs created for asset-backed securitizations of non-performing assets, guaranteed trust accounts, and investment equity funds (see Notes 37 and 39). VIEs are entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the characteristics of a controlling financial interest.

The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and consolidates the VIE. In accordance with the new consolidation guidance effective January 1, 2010, The Company consolidates VIEs in which the Company has both the power to direct the activities of the VIE that most significantly impact the VIE s economic performance and an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The Company takes into account all of its involvement with a VIE in identifying variable interests (explicit and implicit) that individually or in the aggregate could be significant enough to warrant its designation as the primary beneficiary and hence require it to consolidate the VIE or otherwise require it to make appropriate disclosures. As a result of this change, the Company consolidated certain VIEs that were unconsolidated prior to January 1, 2010. The net effect of the accounting change on January 1, 2010 was a decrease in total equity by 94,160 million Won, net of tax. Total assets and total liabilities increased by 1,256,815 million Won and

1,350,975 million Won, respectively, as of January 1, 2010.

In most cases, the Company analyzes the design of VIEs and assesses the nature of the risks based on variability generated from the Company s involvement with its investment. In general, the assets of consolidated VIEs are restricted only to pay associated liabilities. In addition, the third-party investors in the obligations of consolidated VIEs have legal recourse only to the assets of the VIEs and do not have recourse to the Company, except where the Company has provided a guarantee or liquidity facilities to the investors.

The new accounting guidance on consolidation of VIEs requires ongoing assessment whether the Company has a controlling financial interest in certain VIEs and is the primary beneficiary of the VIEs.

The Company generally classifies its involvement in VIEs as follows:

Asset-backed securitization of loans

The Company utilizes SPEs to securitize loans. The Company transfers loans to the SPEs which in turn issue asset backed securities collateralized by the transferred loans. In these securitizations, various classes of debt securities are issued to the Company and third parties, and the SPEs have mainly issued subordinated notes to the Company, an assets transferor. The subordinated notes are designed to absorb losses that potentially could be significant to the SPEs. These SPEs are deemed to be VIEs and are generally consolidated when the Company is the primary beneficiary because the Company has the power to direct the activities of the VIEs that most significantly impact the economic performance of the SPEs and holds subordinated notes which could result in potentially significant losses from the SPEs. The third party holders of asset-backed securities issued by consolidated VIEs have recourse only to the asset of the VIEs and do not have recourse to the Company. The Company does not consolidate the VIEs when the Company does not have either power to direct the activities of the VIE that most significantly impact the VIE s economic performance or an obligation to absorb losses that could potentially be significant to the VIE.

Liquidity provided to VIEs

The Company provides liquidity facilities to VIEs which are structured by third parties. The Company s liquidity commitments are collateralized by various classes of assets. The liquidity facilities are designed to provide credit support to the conduits at a level equivalent to investment grade determined in accordance with internal risk rating guidelines.

The Company does not consolidate VIEs if the third party has the power to direct the activities of the VIEs and the obligation to absorb the majority of expected losses due to credit enhancement commitments, such as financial guarantees by third parties. However, when there are no such credit enhancement commitments by third parties, the Company consolidates VIEs if it has the power to direct the activities of the VIEs that most significantly impact the VIEs economic performance and the obligation to absorb the expected losses that could potentially be significant to the VIEs.

Loans and Investments originated by VIEs

The Company has involvement with certain VIEs by investing in securities issued by the VIEs or providing financing to VIEs through loans. These VIEs raise funding through the issuance of various types of debt securities, including subordinated notes, to third party investors. The VIEs also raise funding through long-term and short-term borrowings from the Company. The Company consolidates these VIEs when the Company has both the power to direct the activities of the VIEs that most significantly impact the economic performance of the SPEs and an obligation to absorb a majority of the entity s expected losses, or the right to receive a majority of the entity s expected residual returns. The Company considers the rights and obligations conveyed by its variable interests, loans and investments in this case, and variable interests held by other parties to determine whether its variable interests will absorb a majority of a variable interest entity s expected losses, receive a majority of the entity s expected residual returns, or both. However, VIEs are not consolidated when the Company does not absorb the majority of the variability of the SPEs expected losses or residual returns, or both.

Investment trusts and funds

The Company has consolidated its guaranteed fixed rate money trusts because the Company was deemed to be the primary beneficiary. The Company would have both the power to direct the activities of the VIEs that most significantly impact the VIE s economic performance and an obligation to absorb losses that could potentially be significant to the VIE by providing a guarantee of the principal and a fixed rate of return on the principal amount invested. Other trusts such as performance based trusts are deemed to be VIEs but are not consolidated because the Company does not have an obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. The Company also has involvement in various types of funds by investing directly and indirectly in funds sponsored by its subsidiaries, selected private equity, and venture capital groups. Those funds are deemed to be VIEs. To determine whether the Company should consolidate those funds, the Company evaluates which party has both the power to direct the activities of the VIEs and the obligation to absorb a majority of the expected losses. The VIEs are not consolidated when the Company does not have the power to the VIEs and an obligation or the right to absorb a majority of the expected future variability associated with the VIE s expected losses or residual returns, or both.

The following table presents the carrying amounts and classification of assets and liabilities held by VIEs as of December 31, 2009, which have been consolidated by the Company.

	Asset-backed securitization of loans	Liquidity provided to VIEs	Loans and Investments originated by VIEs	Investment trusts and funds	Total
	Korean Won (in millions)				
Assets					
Loans, net of allowance for loan losses	539,512	16,876		84,898	641,286
Investments	37,411	145,541		2,425,496	2,608,448
Other assets	149,334	3,405	184,831	958,434	1,296,004
Total	726,257	165,822	184,831	3,468,828	4,545,738
Liabilities					
Secured borrowings	284,843	135,486	122	114,000	534,451
Other liabilities	157,841	510	129,483	2,022,008	2,309,842
Total	442,684	135,996	129,605	2,136,008	2,844,293

The following table presents the carrying amounts and classification of assets and liabilities held by VIEs as of December 31, 2010, which have been consolidated by the Company.

	Asset-backed securitization of loans	Liquidity provided to VIEs	Loans and Investments originated by VIEs	Investment trusts and funds	Total
	Korean Won (in millions)				
Assets					
Loans, net of allowance for loan losses	283,517	457,524		58,125	799,166

Investments		966,902		2,880,131	3,847,033
Other assets	508	73,196	178,776	688,094	940,574
Total	284,025	1,497,622	178,776	3,626,350	5,586,773
Liabilities					
Secured borrowings	117,378	1,420,832	130,853	107,200	1,776,263
Other liabilities	12,913	44,159	3,109	2,024,995	2,085,176
Total	130,291	1,464,991	133,962	2,132,195	3,861,439

In addition to the VIEs that are consolidated, the Company has significant variable interests in certain other VIEs that are not consolidated because the Company is not the primary beneficiary. The following disclosures regarding the Company s significant continuing involvement with unconsolidated VIEs exclude entities where the Company s only involvement is in the form of certain derivatives, such as interest rate

Table of Contents

swaps or cross currency swaps that have customary terms, administrative or trustee services and investments accounted for under the cost method. The total assets and maximum exposure to loss as a result of the involvement in significant VIEs, which have not been consolidated at December 31, 2009, are as follows:

	Asset-backed securitization of loans	Liquidity provided to VIEs	Loans and Investments originated by VIEs	Investment trusts and funds	Total
	Korean Won (in millions)				
Loans, net of allowance for loan losses		2,727	448,786		451,513
Investments	118,001	1,405,121	2,770,579	559,622	4,853,323
Total assets involvement	118,001	1,407,848	3,219,365	559,622	5,304,836
Other liabilities		50,882			50,882
Total liabilities involvement		50,882			50,882
Total assets of VIEs	441,304	6,051,207	9,095,857	1,762,878	17,351,246
Maximum exposure(1)	118,001	4,139,998	3,219,365	559,622	8,036,986

(1) Represents the carrying amount of equity interests and debt interests held by the Company or guarantees provided by the Company as of December 31, 2009.

The following table presents total assets and maximum exposure to loss associated with the Company s variable interests as a result of the involvement in significant VIEs for which it is not a primary beneficiary as of December 31, 2010.

	Asset-backed securitization of loans	Liquidity provided to VIEs	Loans and Investments originated by VIEs	Investment trusts and funds	Total
	Korean Won (in millions)				
Loans, net of allowance for loan losses		20,144	462,504		482,648
Investments	84,481	949,433	77,500	339,832	1,451,246
Total assets involvement	84,481	969,577	540,004	339,832	1,933,894
Other liabilities		49,452	4,102		53,554
Total liabilities involvement		49,452	4,102		53,554

Total assets of VIEs	398,747	3,993,147	1,197,957	1,258,430	6,848,281
Maximum exposure[1]	84,481	3,156,751	555,823	339,832	4,136,887

(1) Represents the carrying amount of equity interests and debt interests held by the Company or guarantees provided by the Company as of December 31, 2010.

The Company s maximum exposure to loss is based on the unlikely event that all of the assets in the VIEs become worthless and incorporates not only potential losses associated with assets recorded on the Company s balance sheet but also potential losses associated with off-balance sheet commitments, such as unfunded liquidity commitments and other contractual arrangements.

Table of Contents

11. Loans

The composition of the loan portfolio as of December 31, 2009 and 2010 is summarized as follows:

	Korean Won (in millions)	
	2009	**2010**
Domestic		
Commercial:		
Commercial and industrial	96,484,305	96,461,101
Lease financing	577,854	778,057
Trade financing	10,320,865	11,332,264
Other commercial(1)	6,602,216	7,039,043
Consumer:		
Mortgage	3,806,399	6,297,569
Other consumer(2)	58,126,900	57,251,311
Credit card	4,098,153	4,354,329
Sub total	180,016,692	183,513,674
Foreign		
Commercial:		
Commercial and industrial	7,393,246	7,379,761
Trade financing	91,625	140,038
Consumer:		
Other consumer	115,515	151,775
Sub total	7,600,386	7,671,574
Gross loans	187,617,078	191,185,248
Deferred origination costs (fees)	96,148	162,293
Less: Unearned income	(98,042)	(142,463)
Less: Allowance for loan and lease losses	(3,556,946)	(4,873,942)
Total loans, net(3)(4)	184,058,238	186,331,136

(1) Other commercial loans include commercial bills discounted, commercial loans with government funds and overdrafts.
(2) Other consumer loans primarily consist of general household loans including personal overdrafts and loans with principal due at maturity.
(3) The figures above exclude 584,171 million Won and 127,324 million Won of loans classified as loans held-for-sale at December 31, 2009 and 2010, respectively, which are included in assets held-for-sale.
(4) The figures include pledged loans of 499,821 million Won and 1,744,888 million Won as of December 31, 2009 and 2010, respectively (see Note 34).

Since March 2004, the Bank Subsidiaries have acted as mortgage loan originators for the Korea Housing Finance Corporation (KHFC). Under the Mortgage Loans Sales and Servicing Agreements entered into with KHFC, the Bank Subsidiaries originate mortgage loans, sell those loans to KHFC shortly after their origination, retain the servicing rights for the loans and receive servicing fees in return. These loans are transferred at their carrying value and the Bank Subsidiaries retain no risk, but retain various servicing responsibilities with regard to the collection and administration of the loans, as well as servicing rights, and receive servicing fees in return.

KHFC was established on March 1, 2004 in accordance with the Korea Housing Finance Corporation Act to improve national welfare and contribute to the development of the Korean economy by securitizing mortgage loans, providing housing finance credit guarantees and promoting a stable flow of housing finance on a long-term basis. The Bank Subsidiaries sold mortgage loans with an aggregate principal balance of 544,535 million Won, 860,210 million Won and 925,966 million Won to KHFC and recognized 8,466 million Won, 12,740 million Won and 12,127 million Won of servicing fee income in the years ended December 31, 2008, 2009 and 2010, respectively. In relation to these transactions, the Company recorded assets held-for-sale as of December 31, 2009 and 2010, consisting of mortgage loans amounting to 584,171 million Won and 127,324 million Won, respectively.

In addition to loans securitized as described in Note 10, the Company sold loans with an aggregate principal balance of 804,972 million Won, 2,156,825 million Won and 2,649,555 million Won in the years ended December 31, 2008, 2009 and 2010, respectively, including the mortgage loans sold as described above. The Company retained no interests in these loans sold. Gains and losses recognized in connection with these sales of loans and subsequently recognized in connection with settlement of loan sales in prior years are presented in Notes 26 and 27. There were no recourse obligations assumed by the Company for the sales of loans for the years ended December 31, 2008, 2009 and 2010.

In the year ended December 31, 2008, 2009, and 2010, the Company received marketable equity securities having a fair value of 491 million Won, 12,882 million Won and 116,251 million Won, respectively, through restructuring of fourteen, eleven and twenty three loans, respectively, having an aggregate book value of 3,982 million Won, 47,853 million Won and 182,930 million Won, respectively. The Company recognized aggregate direct charge-offs of 3,491 million Won, 34,971 million Won and 66,679 million Won, respectively, related to these transactions.

Impaired loans

The following table sets forth information about the Company s impaired loans as of December 31, 2008, 2009 and 2010. Impaired loans are those of which the Company believes it is probable that it will be unable to collect all amounts due according to the contractual terms of the loan. When the value of an impaired loan is less than the recorded investment in the loan, a portion of the Company s allowance for loan losses is recorded as impairment allowance.

	Korean Won (in millions)		
	2008	**2009**	**2010**
Impaired loans with an allowance	3,337,170	5,131,844	6,768,351
Impaired loans without an allowance	358,920	243,874	45,514
Total impaired loans	3,696,090	5,375,718	6,813,865
Allowance for impaired loans	(1,498,322)	(2,019,128)	(3,237,511)
Average balance of impaired loans during the year	3,571,050	4,670,163	6,478,072
Interest income recognized on impaired loans during the year(1)(2)	237,508	241,011	325,456

(1) Had the impaired loans performed in accordance with their original terms, additional interest income of 81,605 million Won, 100,770 million Won and 176,148 million Won would have been recorded in 2008, 2009 and 2010, respectively.

(2)

Of these amounts, 9,759 million Won, 46,024 million Won and 59,133 million Won as of December 31, 2008, 2009 and 2010, respectively, relate to troubled debt restructurings.

The following table sets forth information about the Company s impaired loans by portfolio segments as of and for the year ended December 31, 2010:

	Korean Won (in millions)				
	Impaired loans	**Unpaid principal balance**	**Related allowance**	**Average balance**	**Interest income recognized**
With no related allowance recorded:					
Commercial					
Commercial and industrial	30,277	30,277		34,618	1,799
Trade financing				105	8
Other commercial	15,128	15,128		15,351	675
Consumer					
Mortgage					
Other consumer	109	109		197	13
Credit card					
With an allowance recorded:					
Commercial					
Commercial and industrial	6,124,733	6,124,733	2,888,939	5,876,903	294,796
Trade financing	372,250	372,250	170,318	222,800	3,693
Other commercial	179,594	179,594	134,877	236,783	15,829
Consumer					
Mortgage	1,809	1,809	334	2,113	129
Other consumer	56,058	56,058	34,324	55,807	2,545
Credit card	33,907	33,907	8,719	33,395	5,969
Total					
Commercial	6,721,982	6,721,982	3,194,134	6,386,560	316,800
Consumer	57,976	57,976	34,658	58,117	2,687
Credit card	33,907	33,907	8,719	33,395	5,969

Non-accrual loans

When principal or interest payments become one day past due, the Company generally ceases to accrue interest on a loan and place that loan on a non-accrual status. Any unpaid interest previously accrued on these loans is reversed from income and the Company recognizes interest only to the extent the Company receives payments. However, the Company continues to accrue interest on past due loans that are fully secured by deposits or on which there are financial guarantees from the Korean government, the KDIC or certain financial institutions.

The following table presents non-accrual loans by portfolio segment as of December 31, 2010:

	Korean Won (in millions)
Commercial	
Commercial and industrial	2,327,776
Lease financing	26,302
Trade financing	308,026
Other commercial	257,999
Consumer	
Mortgage	63,764
Other consumer	1,024,875
Credit card	70,281
Total	4,079,023

As of December 31, 2008 and 2009, the Company had non-accrual loans, including commercial and consumer of 4,186,869 million Won and 3,602,886 million Won respectively. Had interest on these loans been accrued, such interest would have amounted to 292,229 million Won, 254,949 million Won and 308,879 million Won for 2008, 2009 and 2010, respectively. Interest income, which is recognized on a cash-basis, related to non-accrual loans for the years ended December 31, 2008, 2009 and 2010 was 175,056 million Won, 135,990 million Won and 132,731 million Won, respectively.

Aging analysis

The following table provides details on the Company s aging analysis of loans by portfolio segment as of December 31, 2010:

	Korean Won (in millions)						
		Past due					Loans >3 months and accruing
	Normal	1 day-3 months	4-6 months	Over 6 months	Total	Total loans	
Commercial							
Commercial and industrial	102,258,167	708,967	444,435	429,293	1,582,695	103,840,862	11,054
Lease financing(1)	621,775	9,551	2,798	1,470	13,819	635,594	3,897
Trade financing	11,174,411	10,242	281,933	5,716	297,891	11,472,302	
Other commercial	6,993,967	37,026	4,049	4,001	45,076	7,039,043	
Consumer							
Mortgage	6,290,269	6,156	498	646	7,300	6,297,569	

Other consumer	56,535,704	645,305	94,927	127,150	867,382	57,403,086	8,630
Credit card							
Credit card	4,178,431	137,768	35,585	2,545	175,898	4,354,329	
Total	188,052,724	1,555,015	864,225	570,821	2,990,061	191,042,785	23,581

(1) Excludes unearned income.

As discussed in Note 1, economic conditions in the Republic of Korea may persist, adversely affecting the credit performance of the debtors of the Company. The Company owns investment securities of, and has loans outstanding to, a number of local companies that have been faced with financial difficulties. The ultimate collectability of these amounts can be influenced by various factors, including overall economic trends and the successful performance of the debtors under restructuring plans in place or in the process of negotiation. Consequently, it is reasonably possible that adjustments could be made to the reserves for impaired loans and to the carrying amount of investments when evidence is available to support such adjustments. Those adjustments could be material to the consolidated financial statements as well as the operations of the Company.

Allowance for credit losses

The changes in the allowance for credit losses for the years ended December 31, 2008, 2009 and 2010 are summarized as follows:

	Korean Won (in millions)		
	Loans(1)	Credit-related commitments(2)	Total
Allowance at January 1, 2008	1,735,532	155,814	1,891,346
Provisions for credit losses	1,608,284	157,421	1,765,705
Allowance relating to credit-related commitments transferred to loans	13,269	(13,269)	
Charge-offs(3)	(517,901)		(517,901)
Recoveries	87,471		87,471
Foreign exchange translation adjustment	14,919		14,919
Allowance at December 31, 2008	2,941,574	299,966	3,241,540
Provisions for credit losses	2,408,037	43,939	2,451,976
Allowance relating to credit-related commitments transferred to loans	47,463	(47,463)	
Charge-offs(3)	(1,959,227)		(1,959,227)
Recoveries	143,568		143,568
Foreign exchange translation adjustment	(24,469)		(24,469)
Allowance at December 31, 2009	3,556,946	296,442	3,853,388
Allowance related to adoption of new consolidation guidance	953	(348)	605
Provisions for credit losses	3,077,550	169,318	3,246,868
Allowance relating to credit-related commitments transferred to loans	25,073	(25,073)	
Charge-offs(3)	(2,024,922)		(2,024,922)
Recoveries	235,382		235,382
Foreign exchange translation adjustment	2,960		2,960
Allowance at December 31, 2010	4,873,942	440,339	5,314,281

(1) Loans held-for-sale are not subject to this reserve process.
(2) The allowance for credit-related commitments is included in Other liabilities.
(3)

When a loan is sold, the related allowance for loan losses is written off at the date of sale. Charge-offs include 40,371 million Won, 316,641 million Won and 170,690 million Won of allowance for loan losses written off relating to sale of loans in the year of 2008, 2009 and 2010, respectively.

Table of Contents

The changes in the allowance for credit losses by portfolio segment for the year ended December 31, 2010 and the details of loans at December 31, 2010 are summarized as follows:

	Korean Won (in millions)			
	Commercial	Consumer	Credit card	Total
Allowance for credit losses:				
Beginning balance, before the effect of the new consolidation guidance	3,273,410	195,988	87,548	3,556,946
Allowance related to adoption of new consolidation guidance	953			953
Beginning balance, after the effect of the new consolidation guidance	3,274,363	195,988	87,548	3,557,899
Provision	2,871,513	146,289	59,748	3,077,550
Allowance relating to credit-related commitments transferred to loan	25,073			25,073
Charge-offs	(1,775,921)	(108,908)	(140,093)	(2,024,922)
Recoveries	163,413	7,218	64,751	235,382
Foreign exchange translation adjustment	2,960			2,960
Ending balance	4,561,401	240,587	71,954	4,873,942
Impaired loans	3,194,134	34,658	8,719	3,237,511
Collectively evaluated for impairment	1,367,267	205,929	63,235	1,636,431
Loans[(1)]:	122,987,801	63,700,655	4,354,329	191,042,785
Impaired loans	6,721,982	57,976	33,907	6,813,865
Collectively evaluated for impairment	116,265,819	63,642,679	4,320,422	184,228,920

(1) Excludes unearned income.

Credit quality information

The Company monitors credit quality within its three portfolio segments based on primary credit quality indicators. Primary indicators for commercial loans are internal risk ratings used in the calculation of economic capital or regulatory capital under Basel II for a banking institution. The internal rating scale is meant to give an indication of the risk that a borrower will not fulfill its full obligations in a timely manner, with respect to both interest and principal amount. The Company s rating scale is as follows, from excellent to poor: AAA, AA, A+, A-, BBB+, BBB, BBB-, BB+, BB, BB-, B+, B-, C, and D. The Company monitors risk ratings and risk grades on an ongoing basis reflecting changes in the financial condition, cash flow, risk profile, or outlook of a borrower or counterpart. Risk ratings for commercial loans are reviewed more than once a year, and risk grades for consumer loans and credit cards are reviewed quarterly.

Within the consumer and credit card portfolio segment, the Company applies the classification criteria. There are five categories that are required to analyze and classify loans for regulatory return purposes by the Financial Services Commission. Based on the asset classification guideline of the Financial Services Commission, the Company classifies those loans into five categories: normal, precautionary, substandard, doubtful, and estimated loss.

Credit quality information by portfolio segment at December 31, 2010 are as follows:

Rating scale	Korean Won (in millions)				
			Commercial		
	Commercial and industrial	Lease financing(1)	Trade financing	Other commercial	Total
AAA, AA	2,566,511		2,293,241	669,836	5,529,588
A+, A-	14,099,926		4,674,975	1,159,718	19,934,619
BBB+ ~BB-	77,153,783	635,594	3,687,180	4,959,323	86,435,880
B+, B-	3,890,244		416,271	107,286	4,413,801
C	1,561,862		37,494	18,605	1,617,961
D	4,568,536		363,141	124,275	5,055,952
Total	103,840,862	635,594	11,472,302	7,039,043	122,987,801

(1) Excludes unearned income.

Classification criteria	Korean Won (in millions)			
	Consumer			
	Mortgage	Other consumer	Total	Credit card
Normal	6,272,760	56,870,176	63,142,936	4,228,800
Precautionary	16,322	247,663	263,985	74,796
Substandard	6,825	114,494	121,319	5,104
Doubtful	1,185	120,718	121,903	35,818
Estimated Loss	477	50,035	50,512	9,811
Total	6,297,569	57,403,086	63,700,655	4,354,329

12. Direct Financing Leases

The Company originates direct financing leases on certain machinery, computers and various other equipment for customers in a variety of industries throughout Korea. Income attributable to the leases is initially recorded as unearned income and subsequently recognized as finance income using the effective interest method, over the term of the leases. Residual values are generally guaranteed by the lessee. The terms of the leases are generally from one to fifteen years. The components of the net investment in direct financing leases as of December 31, 2009 and 2010, which are included in Loans, are summarized as follows:

	Korean Won (in millions)	
	2009	2010

Lease payments receivable	570,530	764,249
Initial direct costs	7,324	13,808
Gross lease payments receivable	577,854	778,057
Unearned income	(98,042)	(142,463)
Total	479,812	635,594

The scheduled maturities of minimum lease payments as of December 31, 2010, were as follows:

	Korean Won (in millions)
Due in 2011	325,228
Due in 2012	193,398
Due in 2013	76,300
Due in 2014	17,768
Due in 2015 and thereafter	3,044
Total(1)	615,738

(1) The difference between the gross lease payments receivable and the total minimum lease payments is due to residual value of direct financing leases.

13. Premises and Equipment, Net

Premises and equipment, net as of December 31, 2009 and 2010 were as follows:

	Korean Won (in millions)	
	2009	**2010**
Land	1,150,809	1,148,399
Building	1,427,557	1,388,537
Equipment and furniture	856,304	894,973
Leasehold improvements	296,934	320,639
Construction in progress	7,800	1,884
Capitalized leases	344,092	233,706
Total	4,083,496	3,988,138
Less: Accumulated depreciation	(1,472,366)	(1,518,770)
Premises and equipment, net	2,611,130	2,469,368

Depreciation expense of premises and equipment for the years ended December 31, 2008, 2009 and 2010 was 249,446 million Won, 206,478 million and 189,593 million Won, respectively.

Capitalized leases are principally related to equipment leased for the Company s data processing purpose. Accumulated depreciation on such capitalized leases as of December 31, 2008, 2009 and 2010 amounted to 191,108 million Won, 209,350 million Won and 164,550 million Won, respectively.

14. Goodwill and Other Intangible Assets

Goodwill and other intangible assets as of December 31, 2009 and 2010 consisted of the following:

	Korean Won (in millions)	
	2009	2010
Goodwill	113,530	88,410
Exclusive contractual right, net of accumulated amortization of 125,268 million Won in 2009 and 152,830 million Won in 2010	33,141	7,700
Capitalized software costs, net of accumulated amortization of 262,709 million Won in 2009 and 289,918 million Won in 2010	79,363	80,311
Core deposit intangible assets, net of accumulated amortization of 2,106 million Won in 2009 and 2,446 million Won in 2010	1,289	922
Other, net of accumulated amortization of 11,405 million Won in 2009 and 19,831 million Won in 2010	9,498	9,219
Total	236,821	186,562

The goodwill balances were related to the Woori Bank segment resulting from the acquisition of Panasia Bank N.A. on September 11, 2003 and the acquisition of South Coast on December 5, 2005, and related to the Other segment resulting from the acquisition of LG Investment Trust Management Co., Ltd., which was subsequently merged to Woori Investment Trust Management Co., Ltd. (renamed to Woori Asset Management), on May 6, 2005, the acquisition of Kumho Investment Bank on June 26, 2007 and Woori Financial on September 14, 2007.

Changes in the goodwill balance during the years ended December 31, 2008, 2009 and 2010 were as follows:

	Korean Won (in millions)		
	Woori Bank segment	Other segments	Total
Balance as of December 31, 2007	20,184	212,156	232,340
Goodwill impaired			
Kumho Investment Bank		(6,846)	(6,846)
Woori Financial		(96,280)	(96,280)
Foreign exchange translation adjustment	6,870		6,870
Balance as of December 31, 2008	27,054	109,030	136,084
Goodwill impaired			
Woori Financial		(20,620)	(20,620)
Foreign exchange translation adjustment	(1,934)		(1,934)
Balance as of December 31, 2009	25,120	88,410	113,530

Goodwill impaired			
Woori America Bank	(25,120)		(25,120)
Balance as of December 31, 2010		88,410	88,410

Based on the goodwill impairment analysis, the Company recorded 103,126 million Won, 20,620 million Won and 25,120 million Won goodwill impairment charges in 2008, 2009 and 2010, respectively, related to its Woori Financial and Kumho Investment Bank reporting units in other segments and Woori America Bank reporting units in Woori Bank segment, respectively. The primary cause for the goodwill impairment was the deterioration in the financial markets, as well as in the global economic outlook. The goodwill impairment charges were included in Other non-interest expenses.

F-49

Goodwill is allocated to reporting units and tested for impairment. The Company determined its reporting units to be the same level or one level below the six reportable segments identified in Note 38 Segment Reporting. This determination was based on how the Company s operating segments are managed and how they reflect the manner in which the Company s chief operating decision maker assesses the Company s performance and allocate resources.

For the impairment tests, the fair value of reporting units was calculated using a discounted cash flow analysis, a form of the income approach, using each reporting unit s internal five year forecast and a terminal value calculated using a growth rate reflecting the nominal growth rate of the economy as a whole and appropriate discount rates for the respective reporting units. The Company s discounted cash flow analysis required management to make judgments regarding future revenue growth, credit losses and funding rates. In addition, the Company used the discount rates that it believes reflect the risk and uncertainty related to the current business environment.

To assess the reasonableness of the valuations derived from the discounted cash flow models, the Company also analyzed market-based trading and transaction multiples, where available. These trading and transaction comparables are used to assess the reasonableness of the estimated fair values, as observable market information is generally not available.

There were no indefinite-lived other intangible assets for any of the periods presented. Amortization expense is included in Depreciation and amortization expense. Amortization of other intangible assets for the years ended December 31, 2008, 2009 and 2010 was as follows:

	Korean Won (in millions)		
	2008	**2009**	**2010**
Exclusive contractual right	32,690	27,143	27,562
Capitalized software costs	55,819	40,762	27,209
Core deposit intangible assets	370	376	340
Other	1,509	6,835	8,426
Total	90,388	75,116	63,537

The amortization schedule of other intangible assets for the remaining periods is as follows:

	Korean Won (in millions)					
	2011	**2012**	**2013**	**2014**	**After 2015**	**Total**
Exclusive contractual right	1,500	1,439	1,161	1,133	2,467	7,700
Capitalized software costs	26,424	24,888	10,260	7,381	11,358	80,311
Core deposit intangible assets	335	335	252			922
Other	3,313	1,464	1,195	1,180	2,067	9,219
Total	31,572	28,126	12,868	9,694	15,892	98,152

Table of Contents

15. Other Assets

Other assets as of December 31, 2009 and 2010 consisted of the following:

	Korean Won (in millions)	
	2009	2010
Other accounts receivable	499,031	654,776
Domestic exchange settlements debits with other banks	612,305	1,150,620
Security deposits	1,170,326	1,174,207
Prepaid expenses	157,540	138,186
Prepaid corporate income tax	12,065	8,609
Deferred tax assets (see Note 29)	426,544	467,917
Income tax receivable	83,962	15,278
Other	93,911	108,916
Total	3,055,684	3,718,509

16. Deposits

Deposits as of December 31, 2009 and 2010 were as follows:

	Korean Won (in millions)		Weighted average rate paid
	2009	2010	for 2010
Interest bearing deposits:			
Interest bearing demand deposits	32,213,865	35,246,677	0.23%
Savings deposits	22,364,115	22,819,797	1.85%
Certificate of deposit accounts	12,771,095	3,315,194	4.36%
Other time deposits	102,975,477	118,670,817	3.59%
Mutual installment deposits	222,559	154,168	3.35%
Gross interest-bearing deposits	170,547,111	180,206,653	2.81%
Non-interest bearing deposits:			
Demand deposits	7,026,580	6,118,985	
Total	177,573,691	186,325,638	2.75%

Deposits with consolidated trust accounts, which were 1,905,857 million Won and 1,750,407 million Won as of December 31, 2009 and 2010, respectively, are included in interest bearing deposits (see Note 39).

The aggregate amount of time deposit accounts (including certificates of deposit) in denominations of 100 million Won or more at December 31, 2009 and 2010 were 90,001,444 million Won and 103,773,312 million Won, respectively.

As of December 31, 2009 and 2010, the aggregate amount of demand deposits that have been reclassified as loan balances, such as overdraft, were 392,484 million Won and 306,511 million Won, respectively.

The contractual schedule of maturities of certificate of deposit accounts, other time deposits and mutual installment deposits as of December 31, 2010 was as follows:

	Korean Won (in millions)
Due in 2011	113,212,261
Due in 2012	4,714,001
Due in 2013	1,518,034
Due in 2014	234,110
Due in 2015	642,689
2016 and thereafter	1,819,084
	122,140,179

KDIC provides deposit insurance up to a total of 50 million Won per depositor in each bank pursuant to the Depositor Protection Act for deposits due after January 1, 2001, regardless of the placement date of the deposit. In connection with the insurance, the Company paid deposit insurance fees in the amount of 150,544 million Won, 182,564 million Won and 211,584 million Won for the years ended December 31, 2008, 2009 and 2010, respectively.

17. Other Borrowed Funds

A summary of other borrowed funds as of December 31, 2009 and 2010 is presented below.

	Korean Won (in millions)			
	2009		2010	
	Outstanding balance	Weighted average interest rate	Outstanding balance	Weighted average interest rate
Borrowings from the BOK	1,560,378	1.36%	1,222,739	1.56%
Borrowings in foreign currencies	6,728,749	3.60%	7,114,602	0.53%
Borrowings from trust accounts	2,603,490	1.96%	1,848,768	2.00%
Other borrowings	1,942,640	4.66%	2,195,674	2.33%
Total	12,835,257	3.04%	12,381,783	1.47%

Other borrowed funds are defined as borrowed funds with original maturities of less than one year. Certain securities have been pledged as collateral in connection with borrowings from BOK (see Notes 34).

Certain borrowing agreements of the Company contain covenants that limit the Company s ability to pledge the assets to secure indebtedness, to dispose, sell or transfer assets or to enter into arrangements having a similar effect.

18. Secured Borrowings

The Company transferred certain non-performing loans, debt securities and other assets to SPEs, which in turn issued beneficial interests collateralized by such loans, debt securities and other assets. In accordance with the FASB guidance, these transactions have been accounted for as secured borrowings. As a result, the loans, securities, and other assets collateralizing these borrowings are included in Loans, Trading securities, Available-for-sale securities, or Other assets, respectively, and the beneficial interests issued by the SPEs, which pay interest rates ranging from 1.0% to 12.2% per annum, are included in Secured borrowings.

Table of Contents

A summary of the secured borrowings and relevant collateral as of December 31, 2009 is presented as follows:

					Korean Won (in millions)		
		Annual interest (%)	Maturity	Secured borrowings	Collateral (carrying value)		
					Loans	Securities	Others
Hanvit 9th ABS	Senior & subordinated collateralized bond obligation	14.0	2011	5,750			
Woori Ship Mortgage 2-2 ABS		5.2	2010	120,000			119,875
KAMCO Value Recreation 1st		6.3	2012	110,506	273,520		
Swan SF		3.3 - 3.4	2010	80,144	69,694		975
Woori Frontier		3.3 - 3.5	2010	95,132		115,587	2,203
An-Dong Raja 1st		1.0 - 5.7	2010	17,196	16,876		240
Hiking-Woori		15.0	2010	122			767
Woori SB 10TH		7.2 - 15.0	2010	23,908	61,597		13,229
Woori Autoplus 2nd		7.4 - 8.0	2010 - 2011	40,000	46,660		1,255
KAMCO Value Recreation 2nd		6.3	2012	16,872	26,219		
KIB Invest		7.5	2010	31,000		37,815	674
HUB 1st		5.0 - 7.2	2010	23,290		32,107	905
Securities sold under repurchase agreement in Won		1.0 - 7.3	2010 - 2011	611,698		1,049,003	
Securities sold under repurchase agreement in foreign currencies		4.6 - 5.3	2010 - 2014	350,280		60,965	
Collateralized borrowings in Won		3.2 - 8.8	2010 - 2012	559,618	5,255	185,666	5,008
Collateralized borrowings in foreign currencies		2.8 - 3.7	2010 - 2014	191,722		757,541	
Gross secured borrowings				2,277,238	499,821	2,238,684	145,131
Discount				(429)			

Total	2,276,809	499,821	2,238,684	145,131

Table of Contents

A summary of the secured borrowings and relevant collateral as of December 31, 2010 is presented as follows:

					Korean Won (in millions)		
		Annual interest (%)	Maturity	Secured borrowings	Collateral (carrying value)		
					Loans	Securities	Others
Swan SF	Senior & subordinated collateralized bond obligation	3.1	2011	471			50
An-Dong Raza 1st		3.1 - 8.0	2011	14,796	14,472		105
KAMCO Value Recreation 1st		12.2	2014	100,506	256,681		
IB Global 1st		2.9	2011	67,400	67,393		2,439
Real DW 2nd		1.5 - 8.4	2013	120,000	118,944		1,525
Hermes STX		3.3	2011	30,200	29,482		365
BW 1st		3.6	2011	50,000	79,296		42
Kumho Trust 1st		3.3	2011	91,200		85,551	1,321
Woori More Conduit		3.2 - 4.8	2011	51,400			1,115
Woori IB Global Bond		3.0	2011	205,000		210,506	3,732
Hyundai Glory		2.9	2011	41,000	39,988		419
KDB Capital		3.1	2011	50,000		50,664	995
Vivaldi HL 1st		8.0	2011	50,000	49,705		564
Asiana Saigon		3.3	2011	59,000	58,245		656
TY 2nd Securitization Specialty		6.0	2011	228,000			212,837
KAMCO Value Recreation 2nd		5.6	2012	16,872	26,836		
Euro Quanto 2nd		3.0	2011	51,000		52,365	671
Hybrid 1st		3.1	2011	260,300		294,449	3,284
Woori SB 10th		10.0	2012	12,258	28,167		17,798
Woori EA 3rd		8.0	2014	17,762	72,865		91
Woori EA 4th		8.0	2014	20,867	68,484		3,116
Woori EA 5th		8.0	2014	13,528	46,574		46
Woori EA 8th		8.0	2014	31,047	70,156		
HUB 1st		7.0	2011	14,195		22,228	
HUB 2nd		9.5	2013	20,441		28,929	67
HUB 3rd		9.5	2013	16,900		13,933	2,235
Securities sold under repurchase agreement in Won currency		1.0 - 7.3	2011 - 2012	825,344		807,883	

Securities sold under repurchase agreement in foreign currencies	4.6 - 5.3	2013 - 2015	718,602		787,755	
Collateralized borrowings in Won currency	3.2 - 8.8	2011 - 2012	381,331	317,600	884,587	
Collateralized borrowings in foreign currencies	2.8 - 3.7	2012	438,650	400,000		
Gross secured borrowings			3,998,070	1,744,888	3,238,850	253,473
Discount						
Total			3,998,070	1,744,888	3,238,850	253,473

F-54

In addition to the above collateral, the SPEs also held cash and cash equivalents and other bank deposits of 27,874 million Won and 76,181 million Won as of December 31, 2009 and 2010, respectively, which have been collected from the loans, securities and other assets. Those cash and cash equivalents and other bank deposits are to be used to repay the related borrowings when due and are included in Cash and cash equivalents and Interest bearing deposits in other banks in the consolidated balance sheets.

The combined aggregate amount of contractual maturities of all secured borrowings as of December 31, 2010 was as follows:

	Korean Won (in millions)
Due in 2011	2,861,573
Due in 2012	160,782
Due in 2013	541,088
Due in 2014	140,150
Due in 2015	294,477
Gross secured borrowings	3,998,070
Less: Discount	
	3,998,070

19. Long-Term Debt

The following table is a summary of long-term debt (net of unamortized original issue discount) as of December 31, 2009 and 2010:

			Korean Won (in millions)	
	2010 Interest (%)	**Maturity**	**2009**	**2010**
Senior				
Holding Company				
Won currency				
Finance debentures	4.0 - 8.2	2011 - 2015	3,750,000	3,639,050
Subsidiaries				
Won currency				
Notes payable to government funds	2.0 - 3.0	2011 - 2020	104,130	76,968
Floating rate notes payable to government funds(1)	0.0 - 7.0	2011 - 2025	2,060,744	2,042,097
	0.0 - 4.2		1,551,064	1,357,876

Floating rate notes payable to Seoul Municipal Government[(1)]		2011 - 2023		
Floating rate notes payable to other municipal government[(1)]	0.0 - 6.0	2011 - 2015	1,546,721	1,330,717
Floating rate notes payable to Industrial Bank of Korea[(1)]	2.0 - 3.8	2011 - 2014	2,678	1,753
Notes payable to other banks	1.3 - 4.1	2011 - 2012	386,893	68,873
Floating rate notes payable to other banks[(1)]	0.0 - 8.3	2011 - 2012	1,041,984	1,442,558
Floating rate obligations under capital leases[(1)]	4.2 - 6.0	2011 - 2015	102,664	73,204
Finance debentures	3.4 - 10.5	2011 - 2039	19,646,430	13,744,087
Convertible debentures			793	
Floating rate finance debentures[(1)]	3.0 - 8.5	2011 - 2023	1,268,479	1,559,133
Sub total			27,712,580	21,697,266

F-55

Table of Contents

	2010 Interest (%)	Maturity	Korean Won (in millions) 2009	2010
Foreign currencies				
Notes payable to Ministry of Finance and Economics	0.5	2013	1,201	876
Notes payable to other banks	0.01 - 0.02	2011	444,423	432,318
Floating rate notes payable to other banks[1]	0.04 - 7.0	2011 - 2014	2,077,829	1,913,265
Floating rate finance debentures[1]	0.5 - 9.9	2011 - 2014	1,769,311	1,138,523
Mid-term notes	4.0 - 8.3	2011 - 2037	3,482,159	4,044,706
Sub total			7,774,923	7,529,688
Subordinated				
Subsidiaries				
Won currency				
Finance debentures	5.3 - 10.3	2011 - 2018	2,486,432	5,037,293
Floating rate finance debentures[1]	5.8	2012	50,000	50,000
Sub total			2,536,432	5,087,293
Foreign currencies				
Finance debentures	6.0 - 7.6	2014 - 2016	1,634,688	1,592,351
			1,634,688	1,592,351
Gross long-term debt			43,408,623	39,545,648
Add: Premium				
Less: Discount			(68,760)	(58,719)
			43,339,863	39,486,929

(1) Interest rates on floating rate debt are those rates in effect at December 31, 2010.

Long-term debt is predominately denominated in Won, U.S. Dollar or Japanese Yen with both fixed and floating interest rates. Floating rates are generally determined periodically by formulas based on certain money market rates tied to the six-month London Inter-Bank Offered Rate, which are reset on a monthly, semi-annual or quarterly basis, or the monthly Public Fund Prime Rate published by the Korean government. The weighted-average interest rate for long-term debt was 4.95% and 4.92% as of December 31, 2009 and 2010, respectively.

The combined aggregate amount of contractual maturities of all long-term debt as of December 31, 2010 was as follows:

	Korean Won (in millions)
Due in 2011	9,260,833
Due in 2012	9,781,234
Due in 2013	5,067,014
Due in 2014	4,403,295
Due in 2015	4,357,297
2016 and thereafter	6,675,975
	39,545,648

Table of Contents

Convertible debentures

As of December 31, 2009, the Company had convertible debentures of 793 million Won which was issued by Woori Financial. The convertible debentures were redeemed on May 4, 2010 at maturity and there were no shares issued with convertible rights and liabilities.

20. Other Liabilities

Other liabilities as of December 31, 2009 and 2010 consisted of the following:

	Korean Won (in millions)	
	2009	2010
Accrued severance benefits (see Note 31)	97,547	62,295
Allowance for credit-related commitments (see Note 11)	296,442	440,339
Accounts payable	430,674	512,854
Unearned income	139,175	141,463
Tax withholdings and income tax payable	168,257	242,916
Deferred tax liabilities (see Note 29)	38,020	40,020
Security deposits received	295,116	418,482
Due to agencies	984,008	1,405,090
Domestic exchange settlements credits with other banks	479,086	174,398
Foreign exchanges	376,715	581,935
Account for agency business	268,598	295,472
Other	1,038,956	704,671
Total	4,612,594	5,019,935

21. Common Stock

Capital stock

The Company has 2,400 million authorized shares of common stock with a 5,000 Won par value, of which 806,015,340 shares were issued and 806,012,780 shares, net of 2,560 shares of treasury stock, were outstanding as of December 31, 2009 and 806,012,779 shares, net of 2,561 shares of treasury stock, were outstanding as of December 31, 2010. The Company s common stock owned by KDIC totaled to 531,738,609 shares (65.97%, not considering the treasury stock) as of December 31, 2009 and to 459,198,609 shares (56.97%, not considering the treasury stock) as of December 31, 2010.

Treasury stock

Treasury stock is recorded at cost. The changes in the treasury stock of the Company for the years ended December 31, 2008, 2009 and 2010 were as follows:

Description	Net changes

		Shares increase	**Shares decrease**	
Shares at January 1, 2008				26,540
2008	re-issuance		23,980	(23,980)
2010	purchase	1		1
Shares at December 31, 2010				2,561

In 2008, the Company re-issued 23,980 shares through trusts and private equity funds which are excluded in consolidation.

22. Additional Paid-in Capital

The amount resulting from liabilities in excess of identified assets of the acquired banks has been classified as deficit equity, presented as a reduction of additional paid-in capital (APIC). The amount of 3,778,023 million Won resulting from this deficit equity has been reduced by the tax benefits resulting from the acquired entity s deductible temporary differences and NOL carryforwards at the acquisition date.

The amounts incurred by KDIC for the purchase of the newly issued shares of the Commercial Bank of Korea and Hanil Bank on September 30, 1998 (3,264,200 million Won) have been recorded as additional paid-in capital in the accompanying consolidated financial statements. The effect on additional paid-in-capital from ownership changes of subsidiaries from September 30, 1998 to December 31, 1999 amounted to an 1,337,971 million Won increase.

From December 29 through December 31, 2000, the Bank Subsidiaries and Woori Credit Card received 3,466,800 million Won from KDIC, in connection with the purchase by KDIC of newly issued shares of the banks. These amounts have been recorded as additional paid-in capital in the accompanying consolidated financial statements. During 2001, the Bank Subsidiaries and Woori Credit Card received 2,583,600 million Won from KDIC, as additional capital injection. These amounts have been recorded as additional paid-in capital in the accompanying consolidated financial statements.

On November 3, 2000, KDIC established Woori Investment Bank (see Note 1) by contributing capital of 170,493 million Won, which has been recorded as additional paid-in capital by the Holding Company. On March 24, 2001, additional contributed capital of 30,913 million Won from KDIC has been recorded as additional paid-in capital.

Upon legal establishment of the Holding Company on March 27, 2001, 3,637,293 million Won of injected capital which had been classified as additional paid-in capital in connection with the purchase by KDIC of newly issued shares of the respective banks was transferred to common stock.

The capital injection was considered taxable income in Korea and was recorded net of the applicable tax effect.

The components of and changes in APIC in 2009 and 2010 consisted of the following:

	Korean Won (in millions)			
	2009		**2010**	
	APIC	**Deficit equity**	**APIC**	**Deficit equity**
Balance, beginning of year	6,561,161	(1,562,567)	6,530,834	(1,562,567)
Capital transactions of affiliates	(30,327)		(2,209)	
Balance, end of year	6,530,834	(1,562,567)	6,528,625	(1,562,567)
Total		4,968,267		4,966,058

23. Retained Earnings

Retained earnings consisted of the following as of December 31, 2009 and 2010:

	Korean Won (in millions)	
	2009	2010
Appropriated retained earnings:		
Legal reserve	1,974,846	2,204,140
Other statutory reserves	32,662	38,041
Unappropriated retained earnings	1,494,107	2,366,391
Total	3,501,615	4,608,572

The Financial Holding Companies Act requires the Company to appropriate as a legal reserve an amount equal to a minimum of 10% of annual net income in accordance with accounting principles generally accepted in the Republic of Korea (Korean GAAP) of each individual legal entity within the consolidated group of companies until such reserve equals 100% of its paid-in capital. This reserve is not available for payment of cash dividends but may be transferred to capital stock or used to reduce an accumulated deficit, if any, by an appropriate resolution of the Company s board of directors.

The Company s branches in Japan, Vietnam and Bangladesh are required to appropriate a statutory reserve. This reserve, included in the other statutory reserves, is used only to reduce any accumulated deficit related to the branches in Japan, Vietnam and Bangladesh.

24. Accumulated Other Comprehensive Income, Net of Tax

Comprehensive income includes net income plus transactions and other occurrences that are the result of non-owner changes in equity. For the years ended December 31, 2008, 2009 and 2010, the non-owner equity changes were composed of foreign currency translation adjustments and unrealized holding gains and losses on investment securities. Below are the components of accumulated other comprehensive income and the related tax effects allocated to each component for the years ended December 31, 2008, 2009 and 2010.

	Korean Won (in millions)		
	Foreign currency translation adjustments	**Net unrealized holding gains on investment securities**	**Accumulated other comprehensive income, net of tax**
Balance, January 1, 2008	(28,822)	698,832	670,010
Foreign currency translation adjustments, net of tax of (14,513) million Won	(461)		(461)
Net unrealized holding gains arising on investment securities, net of tax of 17,294 million Won		(61,317)	(61,317)
Reclassification adjustment for gains included in net income, net of tax of 68,339 million Won		(78,882)	(78,882)
Change in 2008	(461)	(140,199)	(140,660)
Balance, December 31, 2008	(29,283)	558,633	529,350
Cumulative adjustment for accounting change		(4,972)	(4,972)
Adjusted balance, December 31, 2008	(29,283)	553,661	524,378
Foreign currency translation adjustments, net of tax of 17,517 million Won	(32,588)		(32,588)
Net unrealized holding gains arising on investment securities, net of tax of (45,908) million Won		188,321	188,321
Reclassification adjustment for gains included in net income, net of tax of 119,116 million Won		(314,034)	(314,034)

Change in 2009	(32,588)	(125,713)	(158,301)
Balance, December 31, 2009	(61,871)	427,948	366,077
Foreign currency translation adjustments, net of tax of (3,356) million Won	(5,825)		(5,825)
Net unrealized holding gains arising on investment securities, net of tax of (44,987) million Won		192,551	192,551
Reclassification adjustment for gains included in net income, net of tax of 60,103 million Won		(189,359)	(189,359)
Change in 2010	(5,825)	3,192	(2,633)
Balance, December 31, 2010	(67,696)	431,140	363,444

25. Noncontrolling interest

Noncontrolling interest represents the equity for the outstanding voting stock of subsidiaries not owned by the Company (see Note 37). The changes in noncontrolling interest in 2008, 2009 and 2010 consisted of noncontrolling interest in net income of subsidiaries, noncontrolling interest in changes in other comprehensive income of subsidiaries and changes in noncontrolling interest resulting from acquisitions and changes in the ownership percentage of subsidiaries.

The Company acquired the remaining 30% interest in Woori Credit Suisse Asset Management from Credit Suisse Asset Management in October 2009 and the remaining 49% interest in Woori SB Asset Management from CRT 9 Yugen Kaisha in December 2009. As a result, Woori Credit Suisse Asset Management and Woori SB Asset Management became wholly owned subsidiaries of the Company. After acquisition, Woori Credit Suisse Asset Management and Woori SB Asset Management changed its name to Woori Asset Management and Woori AMC, respectively. In addition, the Company acquired 2.41% interest in Woori Financial in October 2009. In 2010, there was no change in noncontrolling interest resulting from acquisitions and changes in the ownership percentage of subsidiaries.

In 2009, the effect of changes in the Company s ownership interest in its subsidiaries is as following:

	Korean Won (in millions) 2009
Net income attributable to common stockholders	1,134,567
Transfer from (to) noncontrolling interest	
Changes in capital surplus resulting from purchase of 1,998,600 Woori Asset Management common shares (30)%	(27,555)
Change in capital surplus resulting from purchase of 392,000 Woori AMC common shares (49)%	(2,142)
Change in capital surplus resulting from purchase of 409,484 Woori Financial common shares (2.41)%	677
Change from net income attributable to common stockholders and transfer from (to) noncontrolling interest	1,105,547

26. Non-Interest Income

The components of non-interest income for the years ended December 31, 2008, 2009 and 2010 were as follows:

	Korean Won (in millions)		
	2008	2009	2010
Trust fees, net	33,835	22,397	33,501
Fees and commission income			

From credit cards	616,311	661,575	722,453
From currency transfers	876,086	735,189	707,140
From letters of credit	111,724	113,172	119,957
Other	388,565	378,294	372,366
	1,992,686	1,888,230	1,921,916

	Korean Won (in millions)		
	2008	2009	2010
Trading revenue, net			
Debt securities	111,718	(94,512)	80,112
Equity securities	(119,177)	95,841	61,927
Beneficiary certificates	4,173	7,854	42,821
FX transactions	1,295,512	874,750	271,263
Derivative instruments	(1,740,564)	(606,619)	154,101
	(448,338)	277,314	610,224
Other-than-temporary impairment losses on debt securities:			
Total other-than-temporary impairment losses	(508,490)	(186,035)	(129,023)
Less : Unrealized other-than-temporary impairment losses recognized in OCI			
Net impairment losses recognized in earnings	(508,490)	(186,035)	(129,023)
Investment securities gain (loss), net[(1)]			
Debt securities	56,921	329,221	340,794
Equity securities	(48,558)	724,590	726,056
Beneficiary certificates	(10,219)	(31,506)	23,044
	(1,856)	1,022,305	1,089,894
Other non-interest income			
Gain on disposal of premises and equipment	7,254	149,354	1,458
Gain on sales of loans	8,980	106,873	177,504
Other	223,286	171,393	223,995
	239,520	427,620	402,957
Total non-interest income	1,307,357	3,451,831	3,929,469

(1) Impairment losses on equity securities, beneficiary certificates and other investment for the years ended December 31, 2008, 2009 and 2010 were 136,697 million Won, 112,233 million Won and 161,855 million Won, respectively.

27. Non-Interest Expense

The components of non-interest expense for the years ended December 31, 2008, 2009 and 2010 were as follows:

	Korean Won (in millions)		
	2008	**2009**	**2010**
Salaries and employee benefits			
Salaries and other benefits	1,079,221	1,100,350	1,140,672
Provision for accrued severance benefits	102,949	130,616	114,095
	1,182,170	1,230,966	1,254,767
Depreciation and amortization			
Depreciation of premises and equipment	249,446	206,478	189,593
Amortization of other intangible assets	90,388	75,116	63,537
	339,834	281,594	253,130
Other administrative expenses	1,181,168	1,150,962	1,225,004
Fees and commissions			
Paid on remittances and collections	82,411	102,613	100,602
Paid on letters of credit	30,387	38,178	24,271
Paid on credit cards	333,838	320,646	346,446
	446,636	461,437	471,319
Other non-interest expense			
Loss on disposal of premises and equipment	1,037	855	2,389
Loss on sales of loans	2,598	15,061	27,700
Other	982,132	951,650	892,436
	985,767	967,566	922,525
Total non-interest expense	4,135,575	4,092,525	4,126,745

28. Regulatory Requirements

Capital ratio

In conformity with the Financial Supervisory Service (FSS) and Basel Committee on Banking Regulations and Supervisory Practices/Bank for International Settlements (BIS) Guidelines, each of the Bank Subsidiaries applied BIS risk-adjusted capital ratios to evaluate its capital adequacy. Total capital consists of two tiers of capital. Tier 1 Capital includes common shareholders equity, retained profits, legal reserves, and noncontrolling interest, less intangible assets and other adjustments. Tier 2 Capital consists of the allowance for credit losses up to 1.25 percent of risk-weighted assets, limited amounts of subordinated debt, and other adjustments. Banking organizations engaged in international banking are required to maintain a minimum 8% total risk-based capital ratio, the ratio of total risk-adjusted capital divided by total risk-weighted assets, including a Tier 1 capital ratio of at least 4%. The capital ratios are calculated based on each of the Bank Subsidiaries consolidated balance sheets prepared in accordance with Korean GAAP. In the event any bank did not maintain a consolidated BIS ratio of 8%, it is subject to corrective actions recommended by the FSS based on the actual financial position and capital ratio. Continued non-compliance with these standards could potentially result in the closure of non-compliant banks.

The following capital ratios are in accordance with the FSS guidelines, which are materially consistent with BIS guidelines. The ratios are calculated based on each of the Bank Subsidiaries consolidated financial

Table of Contents

statements prepared in compliance with Korean GAAP that may differ from U.S. GAAP in certain significant respects as of December 31, 2009 and 2010:

	Korean Won (in millions)		
	2009		
	Woori Bank	Kwangju Bank	Kyongnam Bank
Tier 1 Capital	14,470,192	996,402	1,470,717
Tier 2 Capital	6,554,495	623,569	611,440
Less: Investment in non-consolidated equity investees(1)	(235,571)	(16,800)	
Total risk-adjusted capital	20,789,116	1,603,171	2,082,157
Risk-weighted assets			
On-balance sheet assets	158,206,085	10,797,932	13,767,243
Off-balance sheet assets	10,369,252	464,729	502,450
Total risk-weighted assets	168,575,337	11,262,661	14,269,693
Tier 1 capital ratio	8.58%	8.85%	10.31%
Tier 2 capital ratio	3.89%	5.54%	4.28%
Total risk-based capital ratio	12.33%	14.23%	14.59%

(1) Investment in non-consolidated equity investees engaged in banking and financial activities are deducted from total capital, but not deducted directly from Tier 1 and Tier 2 pursuant to the guidelines of the FSS.

	Korean Won (in millions)		
	2010		
	Woori Bank	Kwangju Bank	Kyongnam Bank
Tier 1 Capital	15,210,606	1,067,798	1,551,353
Tier 2 Capital	5,581,232	498,831	694,786
Less: Investment in non-consolidated equity investees(1)	(89,384)	(16,800)	
Total risk-adjusted capital	20,702,454	1,549,829	2,246,139
Risk-weighted assets			
On-balance sheet assets	153,319,320	10,891,762	13,737,311
Off-balance sheet assets	11,039,399	484,554	452,645
Total risk-weighted assets	164,358,719	11,376,316	14,189,956

Tier 1 capital ratio	9.25%	9.39%	10.93%
Tier 2 capital ratio	3.40%	4.38%	4.90%
Total risk-based capital ratio	12.60%	13.62%	15.83%

(1) Investment in non-consolidated equity investees engaged in banking and financial activities are deducted from total capital, but not deducted directly from Tier 1 and Tier 2 pursuant to the guidelines of the FSS.

In addition to the existing capital ratio calculations, certain banks in Korea are required to report to the FSS an alternative set of capital ratios, taking into account market risk from equity securities, foreign exchange and derivative instruments. Among the Bank Subsidiaries, Woori Bank is subject to these reporting requirements, which are covered under the same existing minimum capital adequacy ratios.

Capital ratios of Woori Bank in accordance with the additional reporting requirements and Woori Bank s consolidated financial statements prepared in accordance with Korean GAAP, which may vary in certain significant respects from U.S. GAAP, as of December 31, 2009 and 2010, are as follows:

	Korean Won (in millions)	
	2009	**2010**
Tier 1 Capital	14,470,192	15,210,606
Tier 2 Capital(1)	6,277,337	5,326,632
Total risk-adjusted capital	20,747,529	20,537,238
Risk-weighted assets for credit risk	162,712,944	157,950,787
Risk-weighted assets for market risk	2,535,446	1,257,264
Total risk-weighted assets	165,248,390	159,208,051
Tier 1 capital ratio	8.76%	9.55%
Tier 2 capital ratio	3.80%	3.35%
Total risk-based capital ratio	12.56%	12.90%

(1) Investment in non-consolidated equity investees engaged in banking and financial activities are directly deducted from Tier 2 pursuant to the guidelines of the FSS.

On January 1, 2008, the Company adopted Basel II, which uses a three pillar concept minimum capital requirements, supervisory review process and market discipline in compliance with the FSS and BIS guidelines. FSS mandated the Company to simultaneously report BASEL I and BASEL II ratios in the years of 2008 and 2009.

The following capital ratios are in accordance with the FSS BASEL II guidelines, which are materially consistent with BIS guidelines. The ratios are calculated based on each of the Bank Subsidiaries consolidated financial statements prepared in compliance with Korean GAAP that may differ from U.S. GAAP in certain significant respects as of December 31, 2009 and 2010:

	Korean Won (in millions)		
	2009		
	Woori Bank	**Kwangju Bank**	**Kyongnam Bank**
Tier 1 Capital	14,211,015	988,002	1,470,717
Tier 2 Capital(1)	5,452,417	619,765	611,440
Total risk-adjusted capital	19,663,432	1,607,767	2,082,157
Risk-weighted assets for credit risk	125,347,460	10,836,822	14,125,872
Risk-weighted assets for market risk	2,535,446	33,300	63,438

Risk-weighted assets for operational risk	7,788,073	760,188	1,006,580
Risk-weighted assets for required capital adjustment(2)	991,439		
Total risk-weighted assets	136,662,418	11,630,310	15,195,890
Tier 1 capital ratio	10.40%	8.50%	9.68%
Tier 2 capital ratio	3.99%	5.33%	4.02%
Total risk-based capital ratio	14.39%	13.82%	13.70%

(1) Investment in non-consolidated equity investees engaged in banking and financial activities are directly deducted from Tier 2 pursuant to the guidelines of the FSS.

(2) Represent required capital adjustment in the calculation of risk-weighted assets pursuant to the guidelines of the FSS.

	Korean Won (in millions) 2010		
	Woori Bank	Kwangju Bank	Kyongnam Bank
Tier 1 Capital	15,051,571	1,059,398	1,551,353
Tier 2 Capital(1)	4,286,821	492,009	694,786
Total risk-adjusted capital	19,338,392	1,551,407	2,246,139
Risk-weighted assets for credit risk	123,369,843	10,897,133	14,727,737
Risk-weighted assets for market risk	1,257,264	9,588	94,629
Risk-weighted assets for operational risk	7,370,424	829,095	1,118,014
Total risk-weighted assets	131,997,531	11,735,816	15,940,380
Tier 1 capital ratio	11.40%	9.03%	9.73%
Tier 2 capital ratio	3.25%	4.19%	4.36%
Total risk-based capital ratio	14.65%	13.22%	14.09%

(1) Investment in non-consolidated equity investees engaged in banking and financial activities are directly deducted from Tier 2 pursuant to the guidelines of the FSS.

Memorandum of Understanding between the KDIC and Woori Subsidiaries

As a condition of the capital contributions and injections that were executed and made by the KDIC into Woori Subsidiaries, each of the Woori Subsidiaries entered into an Execution of Business Normalization Plan Memorandum of Understanding (MOU) with the KDIC which also includes a business normalization plan, required execution matters and letter of undertaking, as attachments. In the case of Woori Bank, the MOU entered into on December 30, 2000, superseded an MOU which was originally entered into with the FSC and the KDIC on January 22, 1999. With the exception of specific targets set forth therein, the terms and conditions of the Execution of Business Normalization Plan MOU that applies to each subsidiary are substantially identical and primarily deal with each subsidiary s obligations to implement its business normalization plan, which is a two-year plan renewed every two years until the MOU terminates, that was prepared by each subsidiary and approved by the KDIC. Among Woori Subsidiaries, Woori Bank, Kyongnam Bank and Kwangju Bank were subject to MOUs entered into with the KDIC as of December 31, 2008. Woori Investment Bank and Woori Credit Card, which had formerly entered into MOUs with the KDIC, were merged into Woori Bank in 2003 and 2004, respectively (see Note 1), and the targets set forth in the MOU applying to Woori Bank were adjusted accordingly to reflect such mergers.

In the event that the KDIC determines that a subsidiary has failed to implement its business normalization plan or to meet financial ratio targets, the KDIC may impose sanctions on directors as well as employees ranging from warnings and reduction of wages to suspension or termination of employment. The KDIC may also order the subsidiary, among other things, to increase or reduce its capital or dispose of its assets, to downsize, dispose, acquire or consolidate branches or subsidiaries, to suspend or transfer a part of its operations, or to order a merger or inclusion in a holding company. In addition, Woori Subsidiaries subject to MOUs entered into with the KDIC are required to take all actions necessary (including making dividend payments) to enable the Holding Company to return to the KDIC such public funds injected by the KDIC into Woori Subsidiaries to the extent that such actions would not cause a materially adverse effect on the normalization of their business operations as contemplated by the MOUs. Management has considered these terms of the MOUs and believes that the conditions which would result in the return to the KDIC of such public funds is solely within the control of the Holding Company and therefore, capital contributions from the KDIC are reflected as permanent equity in the accompanying consolidated financial statements. Each of the MOUs also provides a termination clause under which the MOU is terminated upon the KDIC losing its status as the largest shareholder of the Holding Company.

Each of the Woori Subsidiaries subject to MOUs entered into with the KDIC has prepared and renewed every two years a business normalization plan that was approved by the KDIC, which includes profitability and financial ratio targets, recapitalization goals and deadlines, econometric models, plans to dispose of their total credits classified as substandard or below (NPLs), cost reduction initiatives (disposal of low return-generating fixed assets, downsizing, and others), future management and business strategies (integration, risk management, compliance, and others) and other restructuring plans. The required execution matters set forth the following five financial ratio targets that need to be met by Woori Bank, Kyongnam Bank and Kwangju Bank on a quarterly basis; the capital adequacy ratio, return on total assets, expense to revenue ratio (administrative and general expenses/adjusted operating income), operating income per employee (adjusted operating income/number of employees), and net NPL ratio (total credits classified as substandard or below net of allowances for possible loan losses/total credits net of allowances for possible loan losses).

As of December 31, 2010, Woori Bank failed to meet two of the financial ratio targets; return on total assets, non-performing loan ratio, and Kwangju Bank failed to meet one of the financial targets; non-performing loan ratio.

MOU between the KDIC and the Holding Company

To allow the Holding Company to establish a clear management plan and effect that plan in order to ensure return of the public funds to the KDIC, the Holding Company entered into an Execution of Business Plan MOU with the KDIC on July 2, 2001, which also includes a business plan, financial ratio targets and a letter of undertaking as attachments. In the event that the KDIC determines that the Holding Company has failed to perform its obligations under the MOU between the KDIC and the Holding Company, the KDIC may impose sanctions on directors as well as employees of the Holding Company ranging from warnings and reduction of wages to suspension or termination of employment. If necessary, the KDIC may also order the Holding Company to take remedial measures against Woori Subsidiaries. In addition, under its MOU with the KDIC, the Holding Company is required to take all actions necessary (including making dividend payments and share buybacks) to return to the KDIC such public funds injected by the KDIC into the Company to the extent that such actions would not cause a materially adverse effect on the normalization of the Holding Company s business operations as contemplated by the MOU. The MOU is terminated upon the KDIC losing its status as the largest shareholder of the Holding Company.

The Holding Company has prepared and renewed every two years a business plan that was approved by the KDIC, which sets forth the basis for the Holding Company to manage the normalization and integration of its subsidiaries operations as well as return of the public funds that have been injected into its subsidiaries. As stated above, the MOU sets financial ratio targets that need to be met by the Holding Company on a semi-annual basis, which are the capital ratio, return on total assets, expense to revenue ratio, operating income per employee, the Holding Company expense ratio (the Holding Company s expenses/adjusted operating income of Woori Subsidiaries) and net NPL ratio.

In addition, as required under Article 6 of the Execution of Business Plan MOU entered into between the KDIC and the Holding Company, the Holding Company entered into a Management of Execution of Business Plan MOU with each Woori Subsidiary in July 2001, which also includes financial ratio targets and a business initiative plan. With the exception of various financial ratio targets specific to each Woori Subsidiary, the terms and conditions of the Management of Execution of Business Plan MOU that apply to each Woori Subsidiary are substantially identical and primarily aim to define the respective roles of the Holding Company and each Woori Subsidiary within the Company, and the scope of the Holding Company s rights vis-à-vis each Woori Subsidiary and obligations of each Woori Subsidiary vis-à-vis the Holding Company. The specified financial ratio targets that need to be met by each Woori Subsidiary are identical to the financial ratio targets provided for in the Execution of Business Normalization Plan MOU that each of them entered into with the KDIC.

As of December 31, 2010, the Holding Company failed to meet two of the financial ratio targets; return on total assets, non-performing loan ratio.

Table of Contents

In March 2011, the Holding Company, Woori Bank, Kyongnam Bank and Kwangju Bank each entered into a new one-year business normalization plan with the KDIC that included new restructuring measures and financial targets.

29. Income Tax

The components of income tax expense for the years ended December 31, 2008, 2009 and 2010 were as follows:

	Korean Won (in millions)		
	2008	**2009**	**2010**
Current:			
Domestic	360,721	173,745	479,582
Foreign	21,957	17,858	8,710
	382,678	191,603	488,292
Deferred:			
Domestic	(22,122)	185,969	(74,677)
Foreign	(2,699)	2,117	1,514
	(24,821)	188,086	(73,163)
Total income tax expense	357,857	379,689	415,129

The tax effects of unrealized gains and losses on investment securities and foreign currency translation are recorded directly in stockholders equity as a component of Accumulated other comprehensive income, net of tax.

In accordance with the Korean Corporate Tax Act, the Holding Company and its wholly owned domestic subsidiaries have adopted a consolidated tax return from the year ended December 31, 2010. Such domestic subsidiaries represent Woori Bank, Woori FIS, Woori F&I, Woori Asset Management, Woori PE, Woori Credit Information and Woori AMC, which are subject to the consolidated tax return along with the Holding Company as of December 31, 2010. For all other subsidiaries of the Holding Company, income tax is calculated on an individual entity basis and losses incurred by these other subsidiaries cannot be offset against profits earned by any other profitable entity.

The tax on the operating profit differs from the theoretical amount that would arise at the basic tax rate in Korea as follows:

	Korean Won (in millions)		
	2008	**2009**	**2010**
Income before income tax expense	485,744	1,491,644	1,643,926
Tax calculated at statutory tax rate(1)	133,580	360,978	397,830
Income not taxable for tax purposes	(76,509)	(78,250)	(70,149)
Expense not deductible for tax purposes	92,044	103,311	92,677

Increase (decrease) in valuation allowance affecting income tax expenses	24,364	(5,534)	7,883
Statutory tax rate change	187,631	2,363	(9,252)
Other	(3,253)	(3,179)	(3,860)
Income tax expense	357,857	379,689	415,129

(1) 27.5% for 2008, 24.2% for 2009 and 2010

Pursuant to amendments to the Corporation Income Tax Law in 2008, the statutory tax rates changed from 14.3% for the first 100 million Won and 27.5% for any excess amount in 2007 to 12.1% for the first

200 million Won and 27.5% for any excess amount in 2008, 12.1% for the first 200 million Won and 24.2% for the excess amount in 2009, and 11.0% for the first 200 million Won and 22.0% for the excess amount in 2010 and thereafter.

In 2009, the Corporation Income Tax Law was further amended to defer the aforementioned effective date of the statutory tax rates of 11.0% for the first 200 million Won and 22.0% for the excess amount from 2010 and thereafter to 2012 and thereafter. As a result of the change in statutory tax rates, income tax expenses decreased by 9,252 million Won and deferred income tax assets related to temporary differences increased by 9,252 million Won.

The tax effects of temporary differences and NOLs that gave rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2009 and 2010 were as follows:

	Korean Won (in millions)	
	2009	**2010**
Deferred tax assets:		
Allowance for loan losses		95,187
Allowance for credit-related commitments	26,629	60,791
Valuation of trading securities	141,969	111,237
Valuation of investments	233,363	152,012
Derivatives valuation	45,956	804
Premises and equipment	19,553	20,193
Other temporary differences	330,211	447,637
NOL	111,059	50,266
Gross deferred tax assets	908,740	938,127
Less: Valuation allowance	(81,838)	(75,935)
Deferred tax assets	826,902	862,192
Deferred tax liabilities:		
Interest income accrual	(21,008)	(69,731)
Allowance for loan losses	(110,310)	
Valuation of trading securities	(40,554)	(50,370)
Valuation of investments	(92,857)	(85,696)
Derivatives valuation	(40,310)	(67,400)
Other temporary differences	(24,746)	(45,995)
Deferred tax liabilities excluding other comprehensive income related deferred tax liabilities	(329,785)	(319,192)
Other comprehensive income related deferred tax liabilities	(108,593)	(115,103)
Gross deferred tax liabilities	(438,378)	(434,295)
Net deferred tax assets	388,524	427,897

The changes in the valuation allowance in 2008, 2009 and 2010 were as follows:

	Korean Won (in millions)		
	2008	**2009**	**2010**
Beginning of the year	217,040	92,343	81,838
Extinguishment of NOL carryforwards	(149,061)	(4,971)	(13,786)
Affecting income tax expenses	24,364	(5,534)	7,883
End of the year	92,343	81,838	75,935

Table of Contents

The Company established the valuation allowance in connection with four separate acquisitions of Woori Bank, Peace Bank (renamed Woori Credit Card, and merged into Woori Bank, see Note 1), Kwangju Bank and Kyongnam Bank that occurred in 1998 and 2000.

The ability to utilize the deferred tax assets recorded in connection with these acquisitions is subject to a number of limitations. Among these limitations is the restriction that NOL carryforwards and other attributes can only be used against income generated by the acquired subsidiaries. Limitations are also placed on the amount of NOLs utilized during a specified period. The requirement that the Company file separate tax returns placed further limitations on the ability to utilize the deferred tax assets. The prior operating history of the four acquired entities did not provide adequate assurance to enable management to conclude at the time of the acquisition that it was more likely than not that the deferred tax assets would be realized.

During the years 2001 through 2005 to the extent that certain of the deferred tax assets were realized, the valuation allowances were reduced and recorded as a reduction of deficit equity (see Note 22). The Company s net deferred tax assets are based on the expectation of future taxable income and utilization of tax planning strategies. Based on these factors, management believes it is more likely than not that the Company will realize net deferred tax assets of 388,524 million Won and 427,897 million Won as of December 31, 2009 and 2010.

As of December 31, 2010, the Company has NOL carryforwards totaling 228,484 million Won that expire from 2011 to 2015. The valuation allowance recorded by the Company at December 31, 2010 mostly represents the NOL carryforwards which are more likely than not to expire unutilized.

The beginning balance of unrecognized tax benefits reconciles to the balance as of December 31, 2010 in the following table:

	Korean Won (in millions)
Total unrecognized tax benefits at January 1, 2010	18,850
Gross amount of increases for current years tax position	5,569
Gross amount of decreases for prior years tax position	(1,482)
Total unrecognized tax benefits at December 31, 2010	22,937

Any changes in the amounts of unrecognized tax benefits related to temporary differences would result in a reclassification to deferred tax liability, and any changes in the amounts of unrecognized tax benefits related to permanent differences would result in an adjustment to income tax expense and effective tax rate. As of December 31, 2010 and January 1, 2010, the unrecognized tax benefits included above which would, if recognized, affect the effective tax rate are 11,874 million Won and 11,856 million Won, respectively. The Company does not expect significant changes in the gross balance of unrecognized tax benefits to occur within the next 12 months.

The Company s major tax jurisdiction is the Republic of Korea. In 2007, the National Tax Service completed their regular examination on Woori Bank s income tax returns for the years 2002 through 2006 and Woori Bank filed a tax appeal for certain issues related to this examination. The final result of this examination and related tax appeal are appropriately reflected in the consolidated financial statements. Woori bank is currently under regular tax audit as of the reporting date for the tax years subsequent to the years which were covered in the prior tax audit in 2007. In 2010, the Holding Company and Kwangju Bank were audited for fiscal years up to 2009 and 2006, respectively. For Kyongnam Bank, all tax years subsequent to 2006 are open to tax audit. For other subsidiaries, tax years from 2005 are open to tax audit.

The Company s continuing practice is to recognize interest and penalties, if any, related to income tax matters in income tax expense. The Company had a total accrued interest income in the amount of 11,243 million Won and 123 million Won as of December 31, 2009 and 2010, respectively, and also recorded 336 million Won and 584 million Won of unrecognized tax benefits for penalties as a component of income tax expense as of December 31, 2009 and 2010, respectively.

During 2010, the Company recognized 446 million Won of tax expense related to interest and 248 million Won of tax expense related to penalties.

30. Earnings Per Share

Basic EPS are calculated by dividing the net income applicable to common shares outstanding by the weighted average number of common shares deemed to be outstanding for the period. Diluted EPS is computed in a manner consistent with that of basic EPS while giving effect to all potentially dilutive common shares that were outstanding during the period, including stock compensation awards and convertible debentures. Where the effect of this exercise or conversion would have been dilutive, net income available to common stockholders is adjusted by the applicable expenses on the potentially dilutive instruments. The adjusted net income is divided by the weighted average number of common shares issued and outstanding for each period plus amounts representing the dilution resulting from the exercise of the Company s stock compensation awards and the conversion of convertible debentures.

Convertible debentures issued by Woori Financial were included in the computation of diluted EPS of the Company in 2009 and 2010 but excluded from the computation of diluted EPS due to their anti-dilutive effect in 2008.

The following table is a summary of the computation of EPS for the years ended December 31, 2008, 2009 and 2010:

	Korean Won (in millions of Won, except per share amount)		
	2008	**2009**	**2010**
Basic income per share:			
Net income	150,305	1,134,567	1,281,726
Weighted average number of common shares outstanding (shares in thousands)	805,927	806,013	806,013
Basic net income per share	187	1,408	1,590
Diluted income per share:			
Net income	150,305	1,134,567	1,281,726
Subsidiary s EPS diluted effect		(52)	(21)
Net income for purpose of computing diluted income per share	150,305	1,134,515	1,281,705
Weighted average number of common shares outstanding (shares in thousands)	805,927	806,013	806,013
Weighted average number of common shares outstanding assuming dilution (shares in thousands)	805,927	806,013	806,013
Diluted net income per share	187	1,408	1,590

31. Employee Severance Plan

Employees and directors with one or more years of service are entitled to receive a lump-sum payment upon termination of their employment, based on their length of service and rate of pay at the time of termination. Under the Korean National Pension Fund Law, the Company was required to pay a certain percentage of employee severance benefits to the National Pension Fund prior to April 1999. The Company has no additional liability once the amount has been contributed, thus the Company deducts contributions made to the National Pension Fund from accrued employee severance plan obligations. Additionally, the Company contributes voluntarily a certain portion of employee severance benefits to a severance insurance deposit account maintained for the benefit of employees at an insurance company. The severance insurance deposit can only be used for the payment of severance plan obligations once the amount has been contributed; thus the Company deducts the severance insurance deposit from its accrued employee severance plan obligations.

Table of Contents

The Company records the vested benefit obligation at the balance sheet date assuming all employees were to terminate their employment as of that date. Such vested benefit obligation is based on the severance payment due on termination as determined under Korean law and does not take into account future compensation increase or discount rate assumptions. The change in the vested benefit obligation during the year is recorded as the current year s severance expense.

Accrued employee severance plan obligations included in Other liabilities as of December 31, 2008, 2009 and 2010 were as follows:

	Korean Won (in millions)		
	2008	**2009**	**2010**
Balance as of January 1,	304,132	302,952	217,402
Severance plan expense	103,399	130,616	114,095
Plan payments	(104,566)	(216,166)	(122,493)
Other	(13)		
Balance as of December 31,	302,952	217,402	209,004
Contribution to severance insurance deposit[(1)]	(144,522)	(119,855)	(146,709)
	158,430	97,547	62,295

(1) Includes the amount contributed to the National Pension Fund prior to April 1999 of 52 million Won, 42 million Won, and 36 million Won in 2008, 2009 and 2010 respectively.

The Company expects to make the following future severance payments to its employees upon their normal retirement age:

	Korean Won (in millions)
Expected payments in 2011	326
Expected payments in 2012	757
Expected payments in 2013	2,821
Expected payments in 2014	16,134
Expected payments in 2015	17,881
Expected payments from 2016 to 2020	176,408

The above amounts were determined based on the employees current salary rates and the number of service years that will be accumulated upon their retirement dates. These amounts do not include amounts that might be paid to employees who will cease working with the Company before their normal retirement age.

Under the limited circumstances, employees can withdraw their accumulated unpaid severance amounts before their termination of employment (interim severance plan). Such withdrawal was included in the amount of plan payments.

Total interim severance payments made by the Company were 95,066 million Won, 188,356 million Won and 96,525 million Won in 2008, 2009 and 2010, respectively.

In addition to regular termination benefits, the Company made redundancy payments of 29,942 million Won, 27,222 million Won and 35,977 million Won for the years ended December 31, 2008, 2009 and 2010, respectively to 157 employees, 138 employees and 139 employees, respectively, who accepted early retirement.

32. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company may use various valuation approaches, including market, income and/or cost approaches. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Fair value is a market-based measure considered from the perspective of a market participant. As such, even when market assumptions are not readily available, the Company s own assumptions reflect those that market participants would use in pricing the asset or liability at the measurement date. The fair value measurement accounting guidance describes the following three levels used to classify fair value measurements:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 Unobservable inputs that are significant to the fair value of the assets or liabilities.

The availability of observable inputs can vary and in certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company s assessment of the significance of a particular input to a fair value measurement requires judgment and consideration of factors specific to the asset or liability.

When available, the fair value of the Company s financial instruments is based on quoted market prices, valuation techniques that use observable market-based inputs or unobservable inputs that are corroborated by market data. Financial instruments for which actively quoted prices or pricing parameters are available will generally have a higher degree of price transparency than those that are thinly traded or not quoted. In accordance with the fair value measurements accounting guidance, the criteria used to determine whether the market for a financial instrument is active or inactive is based on the particular asset or liability. The Company characterizes active markets as those where transaction volumes are sufficient to provide objective pricing information, with reasonably narrow bid/ask spreads and where dealer quotes received do not vary widely. Inactive markets are characterized by low transaction volumes, price quotations which vary substantially among market participants, or in which minimal information is released publicly. The Company also considers nonperformance risks, including credit risk, as part of the Company s valuation methodology for all assets and liabilities measured at fair value.

It is the Company s policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements, as prescribed in the fair value hierarchy. When available, the Company uses quoted market prices to measure fair value. When observable market prices are not readily available, the Company generally estimates the fair value using techniques that rely on alternate market data or internally developed models using significant inputs that are generally readily observable from objective sources. Market data includes prices of financial instruments with similar maturities and characteristics, duration, interest rate yield curves, and measures of volatility.

As a result of the Company adopting amended fair value measurements accounting guidance, the Company has amended its techniques used in measuring the fair value of derivatives. These amendments change the way that the probability of default of a counterparty is factored into the valuation of derivative positions and include the impact of the Company s own credit risk on derivatives measured at fair value.

The following are descriptions of valuation methodologies used by the Company to measure various financial instruments at fair value.

Trading and available-for-sale securities: The fair value of the securities included in trading assets and available for sale securities included in investments are recognized in the consolidated balance sheets based on quoted market prices, where available. For securities traded in the over-the-counter market, the Company generally determines fair value utilizing internal valuation techniques or based on prices obtained from independent pricing services or brokers. Trading and available-for-sale securities that are valued by using valuation methods and prices obtained from pricing services or brokers are generally classified as Level 2 except in the cases where such quoted prices include unobservable inputs to the models, then such financial instruments are classified as Level 3. In cases where there is limited activity or less transparency around significant inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy.

Asset-backed securities (ABS) are valued based on external prices or market spread data, using current market assumptions. When external prices or spread inputs are unobservable or if the comparability assessment involves significant subjectivity, certain ABS are categorized within Level 3 of the fair value hierarchy. In addition, the Company employed waterfall, market value and option pricing approaches to value CDOs. These approaches are based on several assumptions including interest rate curves, credit spreads, default rates and recovery rates which are derived from rating agencies and other market sources. Certain of these assumptions are considered to be unobservable inputs, and thus, CDOs are classified within Level 3 of the valuation hierarchy.

Beneficiary certificates are valued based on the basis of prices posted by asset management companies and the certificates are classified as Level 2 because the prices are binding and reflect current transactions except for the certificates in exchange-traded funds that are marked as Level 1.

Derivatives Assets and liabilities: Quoted market prices are available and used for the Company s exchange-traded derivatives, such as certain interest rate futures and option contracts, which the Company classifies as Level 1. However, substantially all of the Company s derivatives are traded in over-the-counter (OTC) markets where quoted market prices are not readily available. OTC derivatives are valued using internal valuation techniques. Valuation techniques and inputs to internally developed models depend on the type of derivative and nature of the underlying rate, price or index upon which the derivative s value is based. Where model inputs can be observed in a liquid market and the model does not require significant judgment, such derivatives are typically classified as Level 2 within the fair value hierarchy. When instruments are traded in less liquid markets and significant inputs are unobservable, such derivatives are classified within Level 3. Additionally, significant judgments on the level of inputs used for valuation techniques are required when classifying financial instruments within the fair value hierarchy, particularly between Level 2 and 3, as is the case for certain derivatives.

Valuation Adjustments

By using derivatives, the Company is exposed to credit risk if counterparties to the derivative contracts do not perform as expected. If a counterparty fails to perform, counterparty credit risk is equal to the amount reported as a derivative asset in the consolidated balance sheet. The amounts reported as a derivative asset are derivative contracts in a gain position. Few of the Company s derivatives are listed on an exchange. The majority of derivative positions are valued using internally developed models that use as their basis observable market inputs. Therefore, an adjustment is necessary to reflect the credit quality of each derivative counterparty to arrive at fair value. Counterparty credit risk adjustments are applied to derivative assets, such as over-the-counter derivative instruments, when the market inputs used in valuation models may not be indicative of the creditworthiness of the counterparty. The adjustment is based on market-based measures of credit risk to the extent available. The adjustment also takes into account contractual factors designed to reduce the Company s credit exposure to each counterparty. To the extent derivative assets (liabilities) are subject to master netting arrangements, the exposure used to calculate the credit risk adjustment is net of derivatives in a loss (gain) position with the same counterparty and cash collateral received (paid).

Debt valuation adjustments are applied to reflect the Company s own credit risk when measuring derivative liabilities at fair value. The methodology to determine the adjustment incorporates the Company s credit spread as observed through the credit default swap market.

Items measured at fair value on a recurring basis

The following table presents assets and liabilities measured at fair value on a recurring basis by fair-value hierarchy levels as of December 31, 2009.

	Level 1	Level 2	Level 3	Total
		Korean Won (in millions)		
Assets measured at fair value				
Trading assets				
Trading securities	2,899,761	6,438,769	752,339	10,090,869
Debt securities				
Korean treasury and government agencies	2,531,691	848,547		3,380,238
Corporate		4,199,622	467,335	4,666,957
Financial institutions		891,027		891,027
Asset-backed securities		442,973	285,004	727,977
Equity securities	368,070	11,177		379,247
Beneficiary certificates		45,423		45,423
Foreign exchange spot contracts		1,373		1,373
Derivatives		3,812,027	321,010	4,133,037
Foreign currency derivatives		2,488,569	310,178	2,798,747
Interest rate derivatives		1,239,568	977	1,240,545
Equity derivatives		44,571	9,855	54,426
Commodity derivatives		39,319		39,319
Investments				
Available-for-sale securities	2,782,763	12,624,829	651,674	16,059,266
Debt securities				
Korean treasury and government agencies	2,571,773	1,776,127		4,347,900
Corporate		6,876,002	84,036	6,960,038
Financial institutions		2,264,591	670	2,265,261
Foreign governments		34,980	38,606	73,586
Asset-backed securities		323,881	514,608	838,489
Equity securities	210,990	153,477	3,299	367,766
Beneficiary certificates		1,195,771	10,455	1,206,226
Other assets-hedging derivatives		419		419
Liabilities measured at fair value				
Foreign exchange spot contracts		2,705		2,705
Derivatives	2,730	3,635,994	489,812	4,128,536
Foreign currency derivative		2,152,913		2,152,913
Interest rate derivatives		1,286,144	1,141	1,287,285
Credit derivatives			192,265	192,265
Equity derivatives	2,730	154,749	296,406	453,885
Commodity derivatives		42,188		42,188
Other liabilities-hedging derivatives		4,649		4,649

Table of Contents

The following table presents assets and liabilities measured at fair value on a recurring basis by fair-value hierarchy levels as of December 31, 2010.

	Level 1	Level 2	Level 3	Total
		Korean Won (in millions)		
Assets measured at fair value				
Trading assets				
Trading securities	3,020,252	6,397,102		9,417,354
Debt securities				
Korean treasury and government agencies	2,758,237	529,831		3,288,068
Corporate		4,956,485		4,956,485
Financial institutions		837,955		837,955
Asset-backed securities		16,238		16,238
Equity securities	261,715			261,715
Beneficiary certificates	300	56,593		56,893
Foreign exchange spot contracts		1,855		1,855
Derivatives	29	3,508,161	172,705	3,680,895
Foreign currency derivatives		2,085,041	133,369	2,218,410
Interest rate derivatives		1,360,028		1,360,028
Credit derivatives				
Equity derivatives	29	37,905	39,336	77,270
Commodity derivatives		25,187		25,187
Investments				
Available-for-sale securities	3,700,531	14,590,664	729,129	19,020,324
Debt securities				
Korean treasury and government agencies	2,930,507	3,739,270		6,669,777
Corporate		6,144,166	97,826	6,241,992
Financial institutions		2,986,435		2,986,435
Foreign governments		25,430		25,430
Asset-backed securities		787,805	26,741	814,546
Equity securities	651,034	13,522	10,559	675,115
Beneficiary certificates	118,990	894,036	594,003	1,607,029
Other assets-hedging derivatives		9,598		9,598
Liabilities measured at fair value				
Foreign exchange spot contracts		2,099		2,099
Derivatives	2,829	3,030,356	301,915	3,335,100
Foreign currency derivatives		1,550,916		1,550,916
Interest rate derivatives		1,406,508		1,406,508
Credit derivatives		351		351
Equity derivatives	2,829	47,139	301,915	351,883
Commodity derivatives		25,442		25,442
Other liabilities-hedging derivatives		1,362		1,362

Table of Contents

Changes in level 3 items measured at fair value on a recurring basis

Financial assets and liabilities are considered Level 3 when reported fair values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. At December 31, 2009, Level 3 fair value assets of 1,725,023 million Won represented 5.70% of total assets at fair value and 0.65% of total assets. Level 3 fair value liabilities of 489,812 million Won represented 11.84% of total liabilities at fair value and 0.19% of total liabilities at that date. At December 31, 2010, Level 3 fair value assets of 901,834 million Won represented 2.81% of total assets at fair value and 0.33% of total assets. Level 3 fair value liabilities of 301,915 million Won represented 9.04% of total liabilities at fair value and 0.12% of total liabilities at that date.

The following table presents additional information about Level 3 financial assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2009.

	Korean Won (in millions)							
		Realized and Unrealized Gains (Losses)						
	January 1, 2009	Included in earnings	Included in other comprehensive income	Total	Purchases, issuances and settlements, net	Transfers into (out of) level 3(1)	December 31, 2009	Unrealiz gains (losses still held
ding assets								
ding securities	1,679,277	11,528		11,528	(938,466)		752,339	(2
t securities								
porate	1,679,277	11,768		11,768	(1,223,710)		467,335	(
et-backed securities		(240)		(240)	285,244		285,004	(2
vatives	463,351	(373,465)		(373,465)	100,246	130,878	321,010	(337,9
eign currency derivatives	343,026	(288,689)		(288,689)	182,188	73,653	310,178	(270,3
rest rate derivatives	69,718	(68,072)		(68,072)	(57,894)	57,225	977	(52,9
ity derivatives	50,607	(16,704)		(16,704)	(24,048)		9,855	(14,6
estments								
ilable-for-sale securities	619,114	458,880	84,383	543,263	(510,703)		651,674	
t securities								
porate	424,082	1,539	13,975	15,514	(355,560)		84,036	16,4
ancial institutions					670		670	
eign governments		(20)	82	62	38,544		38,606	
et-backed securities	194,975	457,695	69,312	527,007	(207,374)		514,608	72,3
ity securities	57	(217)	897	680	2,562		3,299	8
eficiary certificates		(117)	117		10,455		10,455	4
ding liabilities								
vatives	1,054,882	(119,660)		(119,660)	(496,719)	51,309	489,812	(87,3
eign currency derivatives	169,648	(57,298)		(57,298)	(166,271)	53,921		(53,7
rest rate derivatives	13,985	(2,262)		(2,262)	(4,246)	(6,336)	1,141	5,1
dit derivatives	469,802	(96,370)		(96,370)	(195,541)	14,374	192,265	(89,7

ity derivatives	401,447	36,270	36,270	(130,661)	(10,650)	296,406	51,1

(1) Transfers into or out of Level 3 are made if the inputs used in the financial models measuring the fair values of the assets and liabilities became unobservable or observable, respectively. The amounts presented as transfers into (out of) Level 3 represent the fair value as of the beginning of the period presented, and any gains or losses occurring on these assets and liabilities during the year which are presented as Level 3.

(2) Represents the amount of total gains or losses for the year ended December 31, 2009, included in earnings (and accumulated other comprehensive income (loss) for changes in fair value of available-for-sale

Table of Contents

investments) attributable to the change in fair value relating to assets and liabilities classified as Level 3 and still held at December 31, 2009.

The following table presents additional information about Level 3 financial assets and liabilities measured at fair value on a recurring basis for the year ended December 31, 2010.

	Korean Won (in millions)							
		Realized and Unrealized Gains (Losses)						
	January 1, 2010	Included in earnings	Included in other comprehensive income	Total	Purchases, issuances and settlements, net	Transfers into (out of) level 3(1)	December 31, 2010	Unrealized gains (losses) still held(2
rading assets								
rading securities	752,339	(8)		(8)	(752,331)			
ebt securities								
orporate	467,335				(467,335)			
sset-backed securities	285,004	(8)		(8)	(284,996)			
erivatives	321,010	(136,427)		(136,427)	8,375	(20,253)	172,705	(134,101
oreign currency derivatives	310,178	(152,640)		(152,640)	13,175	(37,344)	133,369	(149,655
terest rate derivatives	977	(733)		(733)	(244)			(2,295
quity derivatives	9,855	16,946		16,946	(4,556)	17,091	39,336	17,849
vestments								
vailable-for-sale securities	651,674	58,243	65,972	124,215	(46,760)		729,129	65,972
ebt securities								
orporate	84,036	8,553	22,799	31,352	(17,562)		97,826	22,799
nancial institutions	670				(670)			
oreign governments	38,606				(38,606)			
sset-backed securities	514,608	49,690	(1,712)	47,978	(535,845)		26,741	(1,712
quity securities	3,299				7,260		10,559	
eneficiary certificates	10,455		44,885	44,885	538,663		594,003	44,885
rading liabilities								
erivatives	489,812	(388,655)		(388,655)	182,491	18,267	301,915	25,253
oreign currency derivatives		2,261		2,261	(2,262)	1		
terest rate derivatives	1,141				(1,141)			
redit derivatives	192,265	(394,846)		(394,846)	202,485	96		(82
quity derivatives	296,406	3,930		3,930	(16,591)	18,170	301,915	25,335

(1) Transfers into or out of Level 3 are made if the inputs used in the financial models measuring the fair values of the assets and liabilities became unobservable or observable, respectively. The amounts presented as transfers into (out of) Level 3 represent the fair value as of the beginning of the period presented, and any gains or losses occurring on these assets and liabilities during the year which are presented as Level 3.

(2)

Represents the amount of total gains or losses for the year ended December 31, 2010, included in earnings (and accumulated other comprehensive income (loss) for changes in fair value of available-for-sale investments) attributable to the change in fair value relating to assets and liabilities classified as Level 3 and still held at December 31, 2010.

Items measured at fair value on a nonrecurring basis

Certain assets and liabilities are measured at fair value on a non-recurring basis and are not included in the tables above. These assets and liabilities primarily include assets measured at cost that have been written down to fair value during the period as a result of an impairment.

The following table presents only balances measured at fair value during the period and still held by level within the fair-value hierarchy as of December 31, 2009, for which a nonrecurring change in fair value has been recorded during the year ended December 31, 2009.

	Korean Won (in millions)		
	Level 1	Level 2	Level 3
Other investment assets(1)			88,238
Loans(2)			656,831
Goodwill(3)			65,488
Premises and equipment, net(4)			23,200
Assets held-for-sale(5)			1,725

(1) The Company recorded impairment losses amounting to 63,443 million Won during the year ended December 31, 2009.
(2) Represents carrying values net of allowances and cumulative impairment charges of related impaired loans which are collateral dependent and are evaluated based on the fair value of the underlying collateral. The fair value of the collateral for such impaired loans is based on the appraisal value of external valuation experts, as adjusted for significant inputs related to the foreclosure proceeding for such collateral, which inputs are deemed to be unobservable. The Company accordingly classified collateral dependent loans as Level 3.
(3) The Company recorded impairment losses amounting to 20,620 million Won during the year ended December 31, 2009.
(4) The Company recorded impairment losses amounting to 2,253 million Won during the years ended December 31, 2009.
(5) The Company recorded impairment losses amounting to 1,630 million Won during the years ended December 31, 2009.

The following table presents only balances measured at fair value during the period and still held by level within the fair-value hierarchy as of December 31, 2010, for which a nonrecurring change in fair value has been recorded during the years ended December 31, 2010.

	Korean Won (in millions)		
	Level 1	Level 2	Level 3
Other investment assets(1)			155,229
Loans(2)			2,512,895
Goodwill(3)			
Premises and equipment, net(4)			
Assets held-for-sale(5)			506

(1) The Company recorded impairment losses amounting to 119,300 million Won during the year ended December 31, 2010.

(2) Represents carrying values net of allowances and cumulative impairment charges of related impaired loans which are collateral dependent and are evaluated based on the fair value of the underlying collateral. The fair value of the collateral for such impaired loans is based on the appraisal value of external valuation experts, as adjusted for significant inputs related to the foreclosure proceeding for such collateral, which inputs are deemed to be unobservable. The Company accordingly classified collateral dependent loans as Level 3.

(3) The Company recorded impairment losses amounting to 25,120 million Won during the year ended December 31, 2010.

(4) The Company recorded impairment losses amounting to 323 million Won during the years ended December 31, 2010.

(5) The Company recorded impairment losses amounting to 249 million Won during the years ended December 31, 2010.

Table of Contents

Fair Value Disclosure

Fair value measurements and disclosure topics in the FASB guidance requires the disclosure of the estimated fair value of financial instruments, for which it is practicable to estimate fair value with certain financial instruments excluded. The following disclosure of the estimated fair value of financial instruments and the methods and assumptions used by the Company, by type of financial instrument, in estimating fair value, not otherwise disclosed above pursuant to the fair value measurements and disclosure accounting guidance, is made by the Company in accordance with the related FASB guidance. In estimating fair values, different market assumptions and estimation methodologies could significantly affect estimated fair value amounts.

Assets and liabilities for which fair value approximates carrying value: The carrying values of certain financial assets and liabilities are reported at cost, including cash and cash equivalents, restricted cash, call loans, securities purchased under resale agreements, due from customers on acceptances, accrued interest and dividends receivable, accrued interest payable, security deposits, loan held-for-sale, noninterest-bearing deposits, call money and acceptances outstanding. The carrying values of these financial assets and liabilities are considered to approximate their fair values due to their short-term nature and negligible credit losses.

Interest-bearing deposits in other banks: The fair values of fixed interest-bearing deposits are estimated by discounting cash flows based on current rates for similar types of deposits. The fair values of variable rate interest-bearing deposits are considered to approximate their carrying values.

Held-to-maturity securities: Fair values of held-to-maturity securities are based on market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments, discounted cash flows, counterparty quotes or external valuations performed by qualified independent evaluators.

Other investment assets: Other investment assets consist primarily of non-marketable equity securities, restricted stock and investments in affiliates. The fair values of these investments are based on the estimation of market value or latest obtainable net asset value of the investee.

Loans: Loans are net of specific and general provisions for impairment. The fair values of fixed rate loans are estimated by discounting contractual cash flows based on current rates at which similar loans would be made to borrowers for the same maturities. The fair values of variable rate loans that reprice frequently with no significant changes in credit risk are considered to approximate their carrying values in the consolidated balance sheets.

Loans held-for-sale: Loans held for sale are carried at the lower of aggregate cost or market value. The fair values of loans held for sale are based on the commitments on hand from KHFC.

Interest-bearing deposits: The fair values of variable rate interest bearing deposits approximate their carrying values in the consolidated balance sheets. Fair values for fixed-rate interest bearing deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered for deposits with similar maturities.

Other borrowed funds: The aggregate fair value for other borrowed funds is based on quoted market prices, where available. For other borrowed funds whose quoted market prices are not available, a discounted cash flow model is used based on the current rates for debt with similar maturities.

Secured borrowings: The fair values for securities sold under agreements to repurchase are estimated using discounted cash flow calculations that apply interest rates currently being offered for securities sold under agreements to repurchase with similar maturities. The fair values for beneficial interests issued by the SPEs are estimated using quoted market price.

Long-term debt: The aggregate fair value for long-term debt is based on quoted market prices, where available. For long-term debt where quoted market prices are not available, a discounted cash flow model is used based on the current rates for the Company s debt with similar maturities.

Table of Contents

Off-balance sheet instruments: Off-balance sheet instruments include financial guarantees and commitments to extend credit. Fair value of off-balance-sheet instruments is based on an estimate of the difference between fees currently charged to enter into similar agreements and fees paid to reduce or eliminate exposure to those agreements, taking into account of the remaining terms of the agreements and the counterparties credit standing.

The estimated fair values of the Company s financial instruments as of December 31, 2009 and 2010 were as follows:

	Korean Won (in millions)			
	2009		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash and cash equivalents	16,581,001	16,581,001	15,957,641	15,957,641
Restricted cash	588,350	588,350	478,167	478,167
Interest-bearing deposits in other banks	2,206,892	2,206,892	2,874,620	2,874,620
Call loans and securities purchased under resale agreements	6,524,407	6,524,407	4,464,814	4,464,814
Held-to-maturity securities	15,973,764	16,020,691	19,905,226	20,158,157
Other investment assets	2,565,159	2,615,250	2,601,124	2,635,150
Loans, net	184,058,238	183,091,579	186,331,136	185,827,575
Due from customers on acceptances	790,989	790,989	667,204	667,204
Accrued interest and dividends receivable	955,388	955,388	1,028,030	1,028,030
Loans held-for-sale	584,171	584,171	127,324	127,324
Other assets security deposits	1,170,326	1,170,326	1,174,207	1,174,207
Other assets off-balance sheet instruments	88,076	88,076	70,869	70,869
Financial liabilities:				
Interest-bearing deposits	170,547,111	169,882,831	180,206,653	179,649,626
Non-interest bearing deposits	7,026,580	7,026,580	6,118,985	6,118,985
Call money	5,687,349	5,687,349	4,649,652	4,649,652
Acceptances outstanding	790,989	790,989	667,204	667,204
Other borrowed funds	12,835,257	12,835,257	12,381,783	12,381,783
Secured borrowings	2,276,809	2,279,478	3,998,070	3,945,553
Long-term debt	43,339,863	44,064,794	39,486,929	39,786,536
Accrued interest and payable	2,554,162	2,554,162	2,817,990	2,817,990
Other liabilities security deposits received	295,116	295,116	418,482	418,482
Other liabilities off-balance sheet instruments	88,076	88,076	70,869	70,869

33. Derivative Financial Instruments and Hedging Activities

In the normal course of business, the Company enters into derivatives and foreign exchange contracts to manage the risk exposures of its customers. The Company also uses derivative instruments in reducing risk exposures relating to fluctuations in its own trading accounts, and asset and liabilities in response to interest rate and foreign exchange risks. The total notional amounts of the derivative contracts that the Company entered into as of December 31, 2009 and 2010, respectively, were as follows:

	Korean Won (in millions)	
	2009	**2010**
Interest rate derivatives	150,874,313	213,949,223
Foreign currency derivatives	66,827,767	64,739,029
Equity derivatives	2,759,503	1,956,951
Credit derivatives	633,050	106,945
Commodity derivatives	861,794	497,602
	221,956,427	281,249,750

The combined aggregate notional amount by contractual maturities of the derivative contracts as of December 31, 2010 was as follows:

	Korean Won (in millions)			
	Due in one year or less	**Due after one year through five years**	**Due after five years**	**Total**
Interest rate derivatives	101,303,236	99,171,692	13,474,295	213,949,223
Foreign currency derivatives	45,594,758	17,138,186	2,006,085	64,739,029
Equity derivatives	1,512,232	444,719		1,956,951
Credit derivatives	106,945			106,945
Commodity derivatives	497,602			497,602
	149,014,773	116,754,597	15,480,380	281,249,750

The Company uses interest rate derivatives principally to manage exposure to interest rate risk of LIBOR. Pay fixed interest rate swaps are used to convert fixed rate assets, principally securities, into synthetic variable rate instruments. Receive fixed interest rate swaps contracts are used to convert fixed rate funding sources into synthetic variable rate funding instruments. Cross-currency interest rate swaps are contracts that generally involve the exchange of both interest and principal amounts in two different currencies. Cross-currency swaps are used by the Company to convert foreign currency denominated assets and fundings denominated from one currency into another currency.

The Company occasionally purchases or issues financial instruments containing embedded derivatives. The embedded derivative is separated from the host contract and carried at fair value if the economic characteristics of the derivative are not clearly and closely related to the economic characteristics of the host contract. To the extent that the Company cannot reliably identify and measure the embedded derivative, the entire contract is carried at fair value on the balance sheet with changes in fair value reflected in earnings.

Derivative instruments may expose the Company to market risk or credit risk in excess of the amounts recorded on the balance sheet. Market risk arises due to market price, interest rate and foreign exchange rate fluctuations that may result in a decrease in the market value of a financial instrument and/or an increase in its funding cost. Exposure to market risk is managed through position limits and other controls and by entering into hedging transactions which result in economic hedges. Credit risk is the possibility that loss may occur from a third party s failure to perform according to the terms of the contract if the value of collateral held, if any, was not adequate to cover such losses. Credit risk is controlled through credit approvals, limits and monitoring procedures based on the same credit policies used for on-balance-sheet instruments. Generally, collateral or other security is not required. The amount of collateral obtained, if any, is based on the nature of the financial instrument and management s credit evaluation of each counterparty.

For the years ended December 31, 2008, 2009 and 2010, the Company has entered into only fair value hedge relationships whereby the Company entered into a derivative contract, which was designated as a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment. Changes in the fair value of the derivatives and the related hedged items are recognized currently in earnings. The Company applied fair value hedge accounting for the interest rate swap transactions that qualified for the short-cut method of hedge accounting. Since no ineffectiveness was assumed for those transactions, no ineffective portion was recognized in earnings for the years ended December 2008, 2009 and 2010.

The majority of the Company s derivatives do not qualify for hedge accounting. Fair values of derivatives not qualifying for hedge accounting are reflected in Trading assets or Trading liabilities and any changes in fair values related to these derivatives transactions are reflected in Trading revenue, net. However, the fair values of derivatives qualifying for hedge accounting are included in Other assets or Other liabilities and the earnings impact of these fair value hedges is reflected in income/expense of the hedged items such as interest income or interest expense and the changes in fair value attributable to the risk being hedged for the hedged items are included in Other non-interest income or Other non-interest expenses. The following table presents amounts recognized in income related to the Company s fair value derivative hedges for the years ended December 31, 2008, 2009 and 2010.

	Korean Won (in millions)	
	Derivatives	**Hedged Items**
Interest rate risk		
2008	(15,238)	14,063
2009	2,967	(2,580)
2010	4,827	(4,816)

Credit derivatives

The Company enters into credit derivatives primarily to facilitate client transactions. Credit derivatives derive value based on an underlying third party-referenced obligation and generally require the Company as the seller of credit protection to make payments to a buyer upon the occurrence of predefined credit events. Such credit events generally include bankruptcy of the referenced entity, debt restructuring and failure to pay under the obligation, as well as acceleration of indebtedness and payment repudiation or moratorium. For credit derivatives based on a portfolio of referenced credits or credit indices, the Company may not be required to make payment until a specified amount of loss has occurred and/or may only be required to make payment up to a specified amount. At December 31, 2010, all credit derivatives the Company has entered include only credit default swaps (CDS), in which the Company is the protection seller. Based on the credit quality of the underlying reference entities, all investments have been classified as investment grade and their expiration dates at December 31, 2010 are summarized as follows.

In millions of Won	**Maximum Payout/Notional**	**Less than one year**	**One to five years**	**More than five years**	**Fair value liability**
Credit default swaps	106,945	351			351

The maximum potential amount of future payments under CDS contracts presented in the table above is based on the notional value of the derivatives. The Company believes that the maximum potential amount of future payments for credit protection sold is not representative of the actual loss exposure based on historical experience. This maximum potential amount has not been reduced by the Company s rights to the underlying assets and the related cash flows. In accordance with most CDS contracts, should a credit event (or settlement trigger) occur, the Company is usually liable for the difference between the protection sold and the recourse it holds in the value of the underlying assets. Thus, if the reference entity defaults, the Company will generally have a right to collect on the underlying reference credit and any related cash flows, while being liable for the full notional amount of credit protection sold to the buyer. At December 31, 2010, the Company has not purchased protection against the credit protection sold to offset derivative contract positions.

The Company recognized gains (losses) on credit derivatives amounting to (369,862) million Won, 89,788 million Won and 742 million Won in 2008, 2009 and 2010, respectively, and charged the gains (losses) to current operations.

Credit related liquidity risk

Certain derivative instruments contain provisions that require the Company to post additional collateral upon the occurrence of a specified credit risk-related event. These events, which are defined by the existing derivative contracts, are primarily downgrades in the credit ratings of the Company and its affiliates. The aggregate fair value of all derivative instruments with credit-risk-related contingent features that are in a liability position at December 31, 2010 is 629,032 million Won. The Company has posted 308,553 million Won as collateral for this exposure in the normal course of business as of December 31, 2010. If the credit-risk-related contingent features underlying these agreements were triggered on December 31, 2010, the Company would be required to post an additional 320,479 million Won of collateral to its counterparties.

34. Commitments and Contingencies

Legal proceedings

The Company is a party to certain legal actions arising in the normal course of its operations. Other than the legal proceedings discussed below, management believes that these actions are without merit and that the ultimate liability, if any, will not materially affect the Company s financial position, liquidity or results of operations. In the normal course of business, the Company is involved in legal proceedings. The Company accrues a liability for such matters when it is probable that a liability has been incurred and the amount can be reasonably estimated. When only a range of possible loss can be established, the most probable amount in the range is accrued. If no amount within this range is a better estimate than any other amount within the range, the minimum amount in the range is accrued. The accrual for a litigation loss contingency might include, for example, estimates of potential damages, outside legal fees and other directly related costs expected to be incurred.

a) In October, 2001, The Export-Import Bank of Korea filed a lawsuit in Seoul District Court against Kwangju Bank with respect to its obligations relating to a certificate of guarantee to be issued on behalf of Daewoo Corporation in favor of The Export-Import Bank of Korea in the amount of $100 million, of which Kwangju Bank s exposure amounts to $41 million. In December 2003, the Seoul District Court ruled against Kwangju Bank and required it to issue a certificate of guarantee on behalf of Daewoo Corporation in favor of The Export-Import Bank of Korea. Kwangju Bank appealed this decision to the Seoul High Court, which dismissed the appeal in December 2005. Kwangju Bank appealed the decision of the appellate court to the Supreme Court of Korea in January 2006, and the Supreme Court dismissed such appeal in July 2006. Subsequently, The Export-Import Bank filed an additional lawsuit in the Seoul District Court in December 2006 requesting monetary damages in satisfaction of Kwangju Bank s obligations relating to the certificate of guarantee. Following a decision by the trial court in August 2008 ordering Kwangju Bank to pay $41 million of monetary damages to The Export-Import Bank of Korea and Kwangju Bank s subsequent appeal of the trial court decision, the appellate court ruled in favor of The Export-Import Bank of Korea in December 2009 but reduced the amount of monetary damages payable by Kwangju Bank to $35 million. Such appellate court decision was appealed by both The Export-Import Bank of Korea and Kwangju Bank to the Supreme Court of Korea in January 2010, where the case is currently pending. The Company has established 57.9 billion Won of allowances relating to the lawsuit.

b) Commencing in 2005, Woori Bank marketed and sold investment fund products known as the Woori Power Income Funds, created and managed by Woori Credit Suisse Asset Management, to customers in Korea. The funds have experienced significant declines in value, principally as a result of investments made in securities and derivative instruments of troubled financial institutions in the U.S. and elsewhere. In November 2008, in response to complaints filed by customers who suffered losses as a result of their investment in these products, the FSS ruled that Woori Bank should compensate such customers for 30% to 50% of the investment losses they suffered due to its failure to adequately disclose the risks associated with an investment in the products. In accordance with such ruling, Woori Bank has made compensation payments to customers in the aggregate amount of approximately 19 billion Won through June 20, 2011. Certain customers who invested in these products through Woori Bank have opted to file lawsuits against

Woori Bank based on its alleged failure to adequately disclose such risks, in order to obtain higher levels of compensation. As of June 20, 2011, 13 cases are still in process and the aggregate amount claimed against Woori Bank in such lawsuits is approximately 8 billion Won. In 12 of such lawsuits, the trial courts ruled that Woori Bank was liable for damages equal to approximately 20% to 45% of the losses suffered by the plaintiffs. These decisions were appealed to the appellate court by both the plaintiffs and Woori Bank, where they are currently pending. Additional lawsuits may be filed against Woori Bank with respect to its sales of such products, and the final outcome of such litigation remains uncertain.

c) In 2008, certain of Woori Bank s customers filed lawsuits against it in connection with its sales of foreign currency derivatives products known as KIKO (which stands for knock-in knock-out), which are intended to operate as hedging instruments against fluctuations in the exchange rate between the Won and the U.S. dollar. Due to the significant depreciation of the Won against the U.S. dollar in 2008 and 2009, customers who have purchased KIKO products from Woori Bank were required to make large payments to Woori Bank. As of June 20, 2011, seven companies have filed lawsuits against Woori Bank alleging that the contracts under which the relevant KIKO products were sold by Woori Bank should be nullified and that Woori Bank should return payments received thereunder. The aggregate amount of such claims, as of June 20, 2011, was 47 billion Won, and such amount may increase as the lawsuits progress or in the event of further depreciation of the Won against U.S. dollar. As of June 20, 2011, two of such lawsuits were pending at the trial court, two were pending in the appellate court following appeals by the plaintiffs after trial court decisions in favor of Woori Bank and one was pending at the Supreme court of Korea following appeal by the plaintiff after both the trial court and the appellate court decided in Woori Bank s favor. Additional lawsuits and motions for preliminary injunctions may be filed against Woori Bank with respect to KIKO products, and the final outcome of such litigation remains uncertain.

d) In 2009, certain of Woori Asset Management s customers filed lawsuits against it in connection with certain investment funds managed by Woori Asset Management which had invested in certain equity-linked securities issued by Lehman Brothers and incurred significant losses following the Lehman Brothers bankruptcy. The aggregate amount of such claims, as of June 20, 2011 was 26 billion Won, and the cases are currently pending. The Company has established 10 billion Won of allowances relating to the lawsuit.

e) In 2009, certain of Woori Asset Management s customers filed lawsuits against it in connection with certain investment funds managed by Woori Asset Managment which had invested in U.S. subprime mortgage loan-related assets and incurred significant losses following the global financial crisis. The aggregate amount of such claims, as of June 20, 2011, was 6 billion Won, and the cases are currently pending. The Company has established 718 million Won of allowances relating to the lawsuit.

f) During May 2010, Kyongnam Bank, a consolidated subsidiary of the Company, discovered that certain employees issued unauthorized bank guarantees primarily on loans and specified trusts in the amount of 379 billion Won from December 2008 to April 2010. As of June 20, 2011, 17 counterparties had filed lawsuits claiming 316 billion Won against Kyongnam Bank with respect to such transactions. Additional lawsuits may be filed against Kyongnam Bank with respect to such transactions, and the final outcome of such litigation remains uncertain. At December 31, 2010, the Company had accrued 128 billion Won of contingent liabilities in such unauthorized guarantees. This is management s best estimate of what the Company believes it will held liable in connection with the unauthorized guarantees made on behalf of the Company. The amount accrued could change materially as a result of the Company s further legal actions and the outcome of legal proceedings, if instituted against the Company.

Lease commitments

The Company leases certain office space and equipment under non-cancelable agreements. Future minimum rental commitments for non-cancelable leases as of December 31, 2010 were as follows:

	Korean Won (in millions)	
	Capitalized leases	Operating leases
2011	37,546	125,210
2012	21,680	120,620
2013	6,000	112,889
2014	6,000	98,272
2015	1,978	90,239
2016 and thereafter		92,194
Total minimum lease payments	73,204	639,424
Amount representing interest	(4,223)	
Present value of minimum lease payments	68,981	

Total rental expense for the years ended December 31, 2008, 2009 and 2010 was 228,410 million Won, 237,788 million Won and 218,880 million Won, respectively.

In lieu of rent, certain lease agreements require the Company to advance a non-interest-bearing refundable deposit to the landlord for the landlord s use during the lease term. The amount of the advance is determined by the prevailing market rate. The Company has recorded an equal amount of rent expense and interest income related to these leases of 65,624 million Won, 68,612 million Won and 47,147 million Won on deposit balances of 1,194,003 million Won, 1,135,628 million Won and 1,129,953 million Won for the years ended December 31, 2008, 2009 and 2010, respectively. Such amounts were calculated based on the fixed interest rate for time deposits with similar maturities.

Credit-related commitments

The Company is a party to credit related financial instruments with off-balance sheet risk in the normal course of business. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Company will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Cash requirements under guarantees are considerably less than those under commitments because the Company does not generally expect the third party to draw funds under the agreement.

Commercial letters of credit, which are written undertakings by the Company on behalf of a customer authorizing a third party to draw drafts on the Company up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate and therefore have significantly less risk.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Company is potentially exposed to loss in an amount equal to the total unused commitments. For credit related financial instruments, the contractual amount of the financial instrument represents the maximum potential credit risk if the third party does not perform according to the terms of the contracts. A large majority of these commitments expire without being drawn upon. As a result, total contractual amounts are not representative of the Company s actual future credit exposure or liquidity requirements for these commitments.

Management computes specific and probable loss components for credit-related commitments. As of December 31, 2008, 2009 and 2010, the allowance for credit-related commitments amounted to 299,966 million Won, 296,442 million Won and 440,339 million Won, respectively, which is reported in Other liabilities.

As of December 31, 2009 and 2010, the financial instruments whose contract amounts represent credit risk to the Company were as follows:

	Korean Won (in millions)	
	2009	2010
Guarantees	14,596,500	13,150,833
Commercial letters of credit	6,452,370	6,467,866
Unused lines of credit:		
Commercial	29,790,122	33,484,959
Credit cards	21,960,785	23,056,773
Consumer	7,251,585	7,586,064
Commitments to extend credit	3,991,373	3,258,553

Fund contribution commitments

On December 17, 2008 the Company committed to contribute 1,015,446 million Won to the Bond Market Stabilization Fund aimed at stabilizing the local debt market. As of December 31, 2010, the Company s total contribution amounted to 507,723 million Won.

Pledged assets

The primary components of assets pledged as collateral for borrowings and other purposes as of December 31, 2009 and 2010 were as follows:

	Korean Won (in millions)	
	2009	2010
Short-term and long-term deposits	576,295	339,428
Available-for-sale securities	669,236	881,233
Held-to-maturity securities	8,240,975	6,155,051
Loans	499,821	1,744,888
Other pledged assets	143,257	138,544
Total	10,129,584	9,259,144

Obligation under guarantees

The Company provides a variety of guarantees to its customers to enhance their credit standing and enable them to complete a wide variety of business transactions. The table below summarizes all of the Company s guarantees as of December 31, 2010. The maximum potential amount of future payments represents the notional amount that could be lost under the guarantees if there were a total default by the guaranteed parties, without consideration of possible recoveries under recourse provisions or from collateral held or pledged.

	Korean Won (in millions)					
	Expire within one year	Expire after one year	Total	Current carrying value(1)	Collateral held	Maximum potential amount of future payment
Financial guarantees	1,623,007	530,266	2,153,273	11,761	594,876	2,153,273
Performance guarantees	7,295,675	3,701,885	10,997,560	23,818	2,950,643	10,997,560
Liquidity facilities to SPEs	1,152,753	2,105,800	3,258,553	35,290	24,487	3,258,553
Credit derivatives	106,945		106,945	351		106,945

(1) Recorded as other liabilities

Table of Contents

Financial guarantees are used in various transactions to enhance the credit standing of the Company s customers. They represent irrevocable assurance, subject to satisfaction of certain conditions, that the Company will make payment in the event that the customers fail to fulfill their obligations to third parties. Such financial obligations principally composed of standby letters of credit, and credit enhancement for debtors.

Performance guarantees are issued to guarantee customers tender bids on construction or similar projects or to guarantee completion of such projects in accordance with contract terms. They are also issued to support the customers obligation to supply specified products, commodities, maintenance or other services to third parties.

The Company typically has recourse to recover from the customer any amounts paid under these guarantees; in addition, the Company may hold cash or other highly liquid collateral to support these guarantees. In connection with financial guarantees and performance guarantees, the Company has recognized net unearned income amounting to 15,181 million Won and 17,444 million Won as of December 31, 2009 and 2010, respectively. Unearned income is included in Other liabilities.

Liquidity facilities to SPEs represent irrevocable commitments to provide contingent liquidity credit lines to SPEs. The SPEs are established by clients to have access to funding from the commercial paper market or the corporate debt market by transferring assets to the SPEs. The Company had commitments to provide liquidity to SPEs in amounts up to 4,623,712 million Won, 3,991,373 million Won and 3,258,553 million Won as of December 31, 2008, 2009 and 2010, respectively. Although the Company did not sell assets to some of these SPEs, it would be required to provide funding under the liquidity credit lines in the event that the SPEs do not hold enough funds to make scheduled payments on their outstanding senior debt securities. The Company has limited credit exposure to these SPEs because the risk of first loss is borne by the clients or other third parties, or the SPEs are over-collateralized with the assets sold to them.

The Company evaluates the performance risk of its guarantees based on the assigned referenced counterparty internal or external ratings. Where external ratings are used, investment-grade ratings are considered to be BBB- and above, while anything below is considered non-investment grade. The Company s internal ratings are in line with the related external rating system. On certain underlying referenced credits or entities, ratings are not available. Such referenced credits are included in the Not-rated category. The maximum potential amount of the future payments related to guarantees is determined to be the notional amount of these contracts, which is the par amount of the assets guaranteed.

Presented in the table below is the maximum potential amount of future payments classified based upon internal and external credit ratings as of December 31, 2010.

(In millions of Won)	**Investment Grade**	**Non-Investment Grade**	**Not Rated**	**Total**
Financial guarantees	1,790,200	345,450	17,623	2,153,273
Performance guarantees	6,448,383	4,483,761	65,416	10,997,560
Liquidity facilities to SPEs	2,999,973	258,580		3,258,553
Total	11,238,556	5,087,791	83,039	16,409,386

The Company has entered into credit derivatives with unrelated parties for credit enhancement purposes. These derivatives are recorded on the balance sheet at fair value. As of December 31, 2009 and 2010, these credit derivatives had an aggregate notional amount of 633,050 million Won and 106,945 million Won, respectively, which represents the maximum potential amount of future payments on the contracts. The carrying amount of these derivatives amounted to 192,265 million Won and 351 million Won of liabilities, as of December 31, 2009 and 2010, respectively.

In the normal course of the Company s business, indemnification clauses are often included in standard contractual terms with an assessment that risk of loss would be remote. In many cases, there are no stated or notional amounts included in the indemnification clauses and the contingencies triggering the obligation to indemnify which have not occurred and are not expected to occur. No amounts were reflected on the consolidated balance sheet as of December 31, 2009 and 2010 related to these indemnifications.

35. Concentrations of Geographic and Credit Risk

Geographic risk

Loans to borrowers based in Korea comprised 95.95% and 95.99% of the Company s loan portfolio as of December 31, 2009 and 2010, respectively. Investments in debt and equity securities of Korean entities comprised 98.63% and 99.42% of the Company s investment portfolio as of December 31, 2009 and 2010, respectively.

Credit risk

Concentrations of credit risk arise when a number of customers are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet their contractual obligations to be similarly affected by changes in economic conditions. The Company regularly monitors various segments of its credit risk portfolio to assess potential concentration risks and to obtain collateral when deemed necessary.

The table below indicates major products including both on-balance sheet (principally loans) and off-balance sheet (principally unused lines of credit) exposures as of December 31:

	Korean Won (in millions)					
	2009			2010		
	Credit exposure	On-balance sheet(1)	Off-balance sheet	Credit exposure	On-balance sheet(1)	Off-balance sheet
Commercial loans(1)	176,993,423	122,163,058	54,830,365	180,017,216	123,655,005	56,362,211
Credit cards	26,058,938	4,098,153	21,960,785	27,411,102	4,354,329	23,056,773
Consumer	69,300,399	62,048,814	7,251,585	71,286,719	63,700,655	7,586,064
Total	272,352,760	188,310,025	84,042,735	278,715,037	191,709,989	87,005,048

(1) Includes loans and due from customers on acceptances and excludes unearned income.
(2) In addition, the Company has exposure to credit derivatives in the notional amount of 633,050 million Won and 106,945 million Won as of December 31, 2009 and 2010, respectively.

36. Related Party Transactions

The Company considers transactions with its majority shareholder (KDIC), directors, employees and trust accounts to be related party transactions. A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and debt securities. These transactions are carried out on commercial terms and conditions and at market rates.

Loans to related parties

The table below summarizes the changes in the amount of loans to KDIC, trust accounts, directors and executive officers, and employees.

	Korean Won (in millions)								
	2008			2009			2010		
	KDIC	Directors	Employees	KDIC	Directors	Employees	KDIC	Directors	Employees
Loan as of January 1,	25,600	69	220,862	25,600	29	254,935		97	238,505
New loans			124,354		101	126,103		189	137,146
Repayments		(40)	(90,281)	(25,600)	(33)	(142,533)		(23)	(136,278)
Loan as of December 31,	25,600	29	254,935		97	238,505		263	239,373

Table of Contents

Other balances as of December 31, 2008, 2009 and 2010 and the related expense and income for the years then ended for related party transactions were as follows:

	Korean Won (in millions)										
	2008				2009				2010		
	KDIC	Trust(1)	Directors	Employees	KDIC	Trust(1)	Directors	Employees	KDIC	Trust(1)	Directo
ties	540,161				401,121				856,501		
s		12,894				5,320				7,067	
owed		4,130,672				2,603,490				1,848,768	
ns		33,835				22,397				33,501	
ome	1,593		1	12,984	852		1	11,439			5
ome s	23,184				23,930				23,290		
wed		252,124				103,712				65,563	
t	1,153				(283)				674		
ain,	196				63				206		

(1) Trust accounts are explained in Note 39.

37. Subsidiaries

Subsidiaries of the Holding Company as of December 31, 2009 and 2010 were as follows:

Subsidiary name	Country of incorporation	Percentage Ownership(1) 2009	2010
Woori FIS Co., Ltd.	Korea	100%	100%
Woori Asset Management Co., Ltd.	Korea	100%	100%
TY 2nd Securitization Specialty Co., Ltd.(2)(3)	Korea		0%
Woori Financial	Korea	52.52%	52.52%
Woori PE	Korea	100%	100%
Woori Private Equity Fund(4)	Korea	46.50%	46.50%
Kumho Investment Bank Co., Ltd.	Korea	41.44%	41.44%

Woori EL Co., Ltd.(2)	Korea	100%	100%
Sahn Eagles LLC.(2)(3)	U.S.A.	60%	60%
Woori BK Co., Ltd.(2)	Korea	100%	100%
KIB Invest LLC.(2)(3)	Korea	0%	0%
HUB 1st Co., Ltd.(2)(3)	Korea	0%	0%
HUB 2nd Co., Ltd.(2)(3)	Korea		0%
HUB 3rd Co., Ltd.(2)(3)	Korea		0%
Two Eagles KIB, LLC.(2)	U.S.A.		100%
Two Eagles, LLC.(2)	U.S.A.		55%
Woori F&I	Korea	100%	100%
Woori AMC Co., Ltd.	Korea	100%	100%
Woori F&I Fifth Asset Securitization Specialty Co., Ltd.(2)	Korea	100%	100%
Woori F&I Sixth Asset Securitization Specialty Co., Ltd.(2)	Korea	100%	100%
Woori F&I Seventh Asset Securitization Specialty Co., Ltd.(2)	Korea	100%	100%
Woori F&I Eighth Asset Securitization Specialty Co., Ltd.(2)	Korea	100%	100%
Woori F&I Tenth Asset Securitization Specialty Co., Ltd.(2)	Korea	100%	100%
Woori F&I Eleventh Asset Securitization Specialty Co., Ltd.(2)	Korea	100%	100%
Woori F&I Thirteenth Asset Securitization Specialty Co., Ltd.(2)	Korea	94.57%	94.57%

Subsidiary name	Country of incorporation	Percentage Ownership[1] 2009	2010
Woori F&I Fourteenth Asset Securitization Specialty Co., Ltd.[2]	Korea		100%
Woori F&I Sixteenth Asset Securitization Specialty Co., Ltd.[2]	Korea		100%
Woori F&I Seventeenth Asset Securitization Specialty Co., Ltd.[2]	Korea		100%
Woori F&I Eighteenth Asset Securitization Specialty Co., Ltd.[2]	Korea		100%
Woori EA Third Asset Securitization Specialty Co., Ltd.[2]	Korea		70%
Woori EA Fourth Asset Securitization Specialty Co., Ltd.[2]	Korea		70%
Woori EA Fifth Asset Securitization Specialty Co., Ltd.[2]	Korea		70%
Woori EA Eighth Asset Securitization Specialty Co., Ltd.[2]	Korea		51%
Woori SB Tenth Asset Securitization Specialty Co., Ltd.[2]	Korea	50%	50%
WR Loan, LLC.[2]	Korea		100%
WR Investment America, LLC.[2]	U.S.A		100%
Woori Bank	Korea	100%	100%
Woori Credit Information Co., Ltd.	Korea	100%	100%
P.T. Bank Woori Indonesia	Indonesia	95.18%	95.18%
Woori America Bank	U.S.A.	100%	100%
Korea BTL Infrastructure Fund	Korea	100%	100%
Woori Global Markets Asia Ltd.	Hong Kong	100%	100%
Swan SF Co., Ltd.[2][3]	Korea	0%	0%
Consus 8th Co., LLC.[2][3]	Korea	0%	0%
Zao Woori Bank Limited	Russia	100%	100%
Woori Bank (China) Limited	China	100%	100%
An-Dong Raja 1st Co., Ltd.[2][3]	Korea	0%	0%
KAMCO Value Recreation 1st Securitization Specialty Co., Ltd.[2][3]	Korea	15%	15%
IB Global 1st, LLC.[2][3]	Korea		0%
Real DW 2nd, LLC.[2][3]	Korea		0%
Hermes STX, LLC.[2][3]	Korea		0%
BWL1st, LLC.[2][3]	Korea		0%
Kumho Trust 1st Co., Ltd.[2][3]	Korea		0%
Woori More Conduit Co., Ltd.[2][3]	Korea		0%
Woori IB Global Bond Co., Ltd.[2][3]	Korea		0%
Hyundai Glory 1st, LLC.[2][3]	Korea		0%
KDB Capital 1st, LLC.[2][3]	Korea		0%
Vivaldi HL 1st Co., Ltd.[2][3]	Korea		0%
Asiana Saigon, LLC.[2][3]	Korea		0%
Kyongnam Bank	Korea	99.99%	99.99%
Consus 6th Co., LLC.[2][3]	Korea	0%	0%
Kwangju Bank	Korea	99.99%	99.99%
KAMCO Value Recreation 2nd Securitization Specialty Co., Ltd.[2][3]	Korea	15%	15%
Euro Quanto 2nd, LLC.[2][3]	Korea		0%
Hybrid 1st, LLC.[2][3]	Korea		0%

(1) Direct and indirect ownership are combined.
(2) Established as an SPE.
(3) As the Company is deemed as the primary beneficiary, these SPEs were included in the consolidated financial statements of the Company.
(4) Woori PE, as the general partner, controls Woori Private Equity Fund.

All holdings are in the common shares of the subsidiary concerned. Guaranteed trust accounts and certain VIEs, other than the SPEs listed above, which were consolidated as of December 31, 2010, are not included in the list of the subsidiaries (see Notes 1, 10 and 39).

Table of Contents

38. Segment Reporting

The segments presented below are based on the individual entity s independent financial operations, the nature of the products and services provided, the type of class of customers and the Company s management organization which the chief decision maker utilizes to allocate resources and assess performance.

Woori Bank segment Woori Bank has 22 subsidiaries, which are comprised of 1 domestic company, 5 overseas companies, 1 infrastructure fund and 15 SPEs. Woori Bank is engaged in the commercial banking business and foreign exchange operations. Woori Bank segment excludes the credit card operation of Woori Bank which is included in the credit card operation segment.

Kyongnam Bank segment Kyongnam Bank has 1 subsidiary, which is an SPE. Kyongnam Bank is engaged in the commercial banking business and foreign exchange operations. It primarily operates in the southeastern part of Korea.

Kwangju Bank segment Kwangju Bank has 3 subsidiaries, which are SPEs. Kwangju Bank is engaged in the commercial banking business and foreign exchange operations. It primarily operates in the southwestern part of Korea.

Credit card operation segment (formerly Woori Credit Card segment) As of December 31, 2008, 2009 and 2010, the credit card operation segment includes the credit card operation of Woori Bank.

Securities brokerage services segment Woori Investment & Securities Co., Ltd. (formerly LG Investment & Securities Co., Ltd.) comprises this segment and provides a full range of brokerage services, investment advice and financial planning to retail customers, and various investment banking services to corporate customers. As of December 31, 2010, Woori Investment & Securities Co., Ltd. has 11 subsidiaries, which are comprised of 1 domestic company, 7 overseas companies, 2 private equity funds, and 1 SPE. 34.96% of the shares of Woori Investment & Securities Co., Ltd. are owned by the Holding Company and the Company accounts for the investments in Woori Investments & Securities Co., Ltd. under the equity method.

Other operations of the Company comprise certain subsidiary activities including asset management activities and information system activities; none of which constitutes a separately reportable segment. The segment information presented below is based on Korean GAAP since that is the information used by the chief operating decision maker to allocate resources and evaluate performance of the segments. Korean GAAP differs from U.S. GAAP in several respects. Operating revenues and expenses and interest income and expense, related to both third party and inter-segment transactions, are included in determining the operating earnings of each respective segment. Transactions between the business segments are reflected based on the terms established by management.

Summaries of the business segment results in 2008, 2009 and 2010 are shown in the following table:

				Korean Won (in millions)			
Woori Bank	Kyongnam Bank	Kwangju Bank	Credit card operation	Securities brokerage services	Other	Total Segment	Inter-segment Transactions[1]
74,402,711	2,718,602	1,354,478	1,006,075	6,767,773	2,053,488	88,303,127	(1,227,915)
73,892,649	2,434,173	1,209,387	908,818	6,500,642	1,532,762	86,478,431	(594,501)
510,062	284,429	145,091	97,257	267,131	520,726	1,824,696	(633,414)
12,616,239	1,272,369	1,025,449	928,757	774,736	327,524	16,945,074	(7,969)
8,413,574	753,266	640,460	204,829	470,433	324,047	10,806,609	(65,076)
4,202,665	519,103	384,989	723,928	304,303	3,477	6,138,465	57,107
1,399,045	95,353	84,048	165,743	38,754	34,494	1,817,437	(1,133)
61,786,472	1,446,233	329,029	77,318	5,993,037	1,725,964	71,358,053	(1,219,946)
63,914,606	1,575,598	477,611	538,246	5,988,538	1,115,739	73,610,338	(638,194)
(2,128,134)	(129,365)	(148,582)	(460,928)	4,499	610,225	(2,252,285)	(581,752)
165,424	9,956	7,268		2,917	58,482	244,047	109,902
510,062	284,429	145,091	97,257	267,131	520,726	1,824,696	(633,414)
349,350	74,227	41,733	23,283	80,695	25,555	594,843	7,937
160,712	210,202	103,358	73,974	186,436	495,171	1,229,853	(641,351)
710					(5,368)	(4,658)	138,682
160,002	210,202	103,358	73,974	186,436	500,539	1,234,511	(780,033)
228,648,625	20,811,587	15,733,156	3,842,420	17,710,022	21,152,480	307,898,290	(16,903,995)

Woori Bank	Kyongnam Bank	Kwangju Bank	Credit card operation	Securities brokerage services	Other	Total Segment	Inter-segment Transactions[1]
Korean Won (in millions)							
43,447,346	1,843,266	1,235,134	1,050,566	5,387,127	3,171,338	56,134,777	(1,648,255)
42,497,610	1,586,816	1,152,156	793,685	5,262,440	2,022,246	53,314,953	(388,916)
949,736	256,450	82,978	256,881	124,687	1,149,092	2,819,824	(1,259,339)
10,485,045	1,143,089	906,869	999,784	651,128	416,077	14,601,992	(66,228)
6,739,952	603,624	488,677	128,033	304,130	449,271	8,713,687	(76,698)
3,745,093	539,465	418,192	871,751	346,998	(33,194)	5,888,305	10,470
1,696,040	65,152	153,987	200,682	111,860	69,399	2,297,120	174,657
32,962,301	700,177	328,265	50,782	4,735,999	2,755,261	41,532,785	(1,582,027)
33,917,923	909,114	502,437	464,970	4,844,123	1,466,942	42,105,509	(486,843)
(955,622)	(208,937)	(174,172)	(414,188)	(108,124)	1,288,319	(572,724)	(1,095,184)
143,695	8,926	7,055		2,327	36,634	198,637	(32)
949,736	256,450	82,978	256,881	124,687	1,149,092	2,819,824	(1,259,339)
189,888	62,832	20,975	62,165	35,911	34,377	406,148	11,178
759,848	193,618	62,003	194,716	88,776	1,114,715	2,413,676	(1,270,517)
734					17,298	18,032	(22,612)
759,114	193,618	62,003	194,716	88,776	1,097,417	2,395,644	(1,247,905)
223,063,453	20,508,278	15,902,304	3,725,148	16,102,911	24,204,508	303,506,602	(21,542,420)

Table of Contents

Korean Won (in millions)							
Woori Bank	Kyongnam Bank	Kwangju Bank	Credit card operation	Securities brokerage services	Other	Total Segment	Inter-segment Transactions(1)
25,231,328	1,703,926	1,130,222	1,039,646	4,049,936	3,683,684	36,838,742	(1,827,506)
24,132,148	1,509,571	988,363	722,037	3,755,139	2,448,536	33,555,794	(410,975)
1,099,180	194,355	141,859	317,609	294,797	1,235,148	3,282,948	(1,416,531)
10,141,526	1,158,441	903,874	995,719	600,292	485,895	14,285,747	(65,102)
5,901,796	552,077	433,786	122,681	268,705	475,362	7,754,407	(79,186)
4,239,730	606,364	470,088	873,038	331,587	10,533	6,531,340	14,084
2,255,445	88,769	135,713	79,003	12,261	315,584	2,886,775	16,693
15,089,802	545,485	226,348	43,927	3,449,644	3,197,789	22,552,995	(1,762,404)
15,846,528	859,875	409,090	520,353	3,472,980	1,493,704	22,602,530	(348,743)
(756,726)	(314,390)	(182,742)	(476,426)	(23,336)	1,704,085	(49,535)	(1,413,661)
128,379	8,850	9,774		1,193	163,886	312,082	261
1,099,180	194,355	141,859	317,609	294,797	1,235,148	3,282,948	(1,416,531)
231,289	50,054	36,330	76,861	68,665	31,338	494,537	13,312
867,891	144,301	105,529	240,748	226,132	1,203,810	2,788,411	(1,429,843)
854				(12,115)	(71,132)	(82,393)	(52,929)
867,037	144,301	105,529	240,748	238,247	1,274,942	2,870,804	(1,376,914)
224,263,330	21,855,176	16,518,217	3,943,121	17,488,130	27,068,945	311,136,919	(22,627,681)

(1) Includes eliminations for consolidation, inter-segment transactions and certain differences in classification under the management reporting system.

(2) Includes adjustment for the application of the equity method under U.S. GAAP to the investments in Woori Investment & Securities Co., Ltd. and Woori AVIVA Life Insurance Co., Ltd.

Table of Contents

The allowance for credit losses determined in accordance with U.S. GAAP for each of the segments as of December 31, 2009 and 2010 is summarized as follows:

	Woori Bank	Kyongnam Bank	Kwangju Bank	Credit card operation	Securities brokerage services	Other	Adjustment(1)	Total
As of December 31, 2009								
Allowance for loan and lease losses	2,994,325	170,673	208,466	68,001	159,000	118,840	(162,359)	3,556,946
Allowance for credit-related commitments	221,442	46,714	9,402	18,823		61		296,442
	3,215,767	217,387	217,868	86,824	159,000	118,901	(162,359)	3,853,388
As of December 31, 2010								
Allowance for loan and lease losses	4,122,378	272,378	246,361	64,456	131,172	168,369	(131,172)	4,873,942
Allowance for credit-related commitments	375,756	28,352	22,556	13,675				440,339
	4,498,134	300,730	268,917	78,131	131,172	168,369	(131,172)	5,314,281

(1) Includes adjustment for the application of the equity method under U.S. GAAP to the investments in Woori Investment & Securities Co., Ltd. (formerly LG Investment & Securities Co., Ltd.) and Woori AVIVA Life Insurance Co., Ltd. The entities are consolidated under Korean GAAP and are included in the securities brokerage services segment and other segment, respectively.

The charge-offs, including the charge-offs for repurchased loans, for each of the segments for the years ended December 31, 2008, 2009 and 2010 are summarized as follows:

	Korean Won (in millions)					
	Woori Bank	Kyongnam Bank	Kwangju Bank	Credit card operation	Other	Total

2008	323,276	42,438	39,821	104,654	7,712	517,901
2009	1,564,734	73,681	111,002	193,079	16,731	1,959,227
2010	1,680,434	69,248	114,917	118,861	41,462	2,024,922

Geographic segment disclosures have been excluded as assets and revenues attributable to external customers in foreign countries are not significant.

Table of Contents

The following is a reconciliation of the business segment s total assets under Korean GAAP as of December 31, 2008, 2009 and 2010 to the consolidated total assets under U.S. GAAP:

	Korean Won (in millions)		
	2008	**2009**	**2010**
Segments total assets under Korean GAAP	307,898,290	303,506,602	311,136,919
U.S. GAAP adjustments			
Cash and cash equivalents	7,604,753	12,338,280	12,392,890
Restricted cash	(5,414,405)	(3,862,048)	(7,579,963)
Interest-bearing deposits in other banks	(4,086,147)	(10,127,995)	(7,416,803)
Call loans and securities purchased	(126,824)	179,148	(1,085,383)
Trading assets	(9,901,019)	(9,854,046)	(8,290,420)
Investments	5,725,467	5,631,058	4,305,074
Loans (net of allowance for loan losses)	(10,798,748)	(8,097,387)	(6,131,561)
Due from customers on acceptances	789,132	790,989	667,204
Premises and equipment, net	(459,302)	(298,459)	(466,394)
Accrued interest and dividends receivable	(141,377)	(106,306)	(104,429)
Assets held-for-sale	351,096	591,227	135,129
Goodwill	(50,845)	(156,024)	(151,491)
Other intangible assets, net	(70,125)	(19,567)	(29,780)
Other assets	(3,270,520)	(1,949,457)	(1,815,353)
Total	(19,848,864)	(14,940,587)	(15,571,280)
Inter-segment transaction	(16,903,995)	(21,542,420)	(22,627,681)
Consolidated total assets under U.S. GAAP	271,145,431	267,023,595	272,937,958

The following is a reconciliation of the business segment s operating income under Korean GAAP for the year ended December 31, 2008, 2009 and 2010 to the consolidated operating income under U.S. GAAP:

	Korean Won (in millions)		
	2008	2009	2010
Segments operating income under Korean GAAP	88,303,127	56,134,777	36,838,742
U.S. GAAP adjustments			
Interest and dividend income			
Loans	(676,574)	(346,603)	(295,062)
Deposits in other banks	(71,507)	(70,222)	(85,421)
Trading assets	(1,180,585)	(399,850)	(314,988)
Investment securities	548,265	(448,151)	(597,616)
Call loans and securities purchased under resale agreements	(3,839)	1,617	(8,653)
	(1,384,240)	(1,263,209)	(1,301,740)
Non-interest income			
Trust fees, net	(16,165)	8,733	590
Fees and commission income	(1,041,610)	(1,292,740)	(1,694,031)
Trading revenue, net:	(66,896,631)	(35,163,266)	(14,965,195)
Investment securities gain (loss), net:	(821,413)	(41,170)	(205,784)
Other non-interest income	(54,931)	(10,484)	3,298
	(68,830,750)	(36,498,927)	(16,861,122)
Total	(70,214,990)	(37,762,136)	(18,162,862)
Inter-segment transaction	(1,227,915)	(1,648,255)	(1,827,506)
Consolidated operating income under U.S. GAAP	16,860,222	16,724,386	16,848,374

39. Trust Accounts

The Company manages funds on behalf of its customers through the operation of various trust accounts in accordance with the Korean Capital Market and Financial Investment Business Act. Trust accounts are classified into performance based trusts and guaranteed trusts.

For performance based trusts, amounts due to trust beneficiaries are based solely on the interest, dividends and gains/losses on asset sales. The performance based trusts do not represent assets and liabilities of the Company, are recorded in separate accounts from those of the banking business and are excluded from the consolidated financial statements. The Company also borrows from these trusts (see Notes 17 and 36). The total amounts of assets managed in these performance based trusts were 21,381,138 million Won and 23,561,917 million Won as of December 31, 2009 and 2010, respectively.

Guaranteed Principal Money Trusts require the Company to guarantee the return of the principal amount invested at the termination of a fixed term deposit. Additionally, the Company guarantees a specified rate of return on Guaranteed Fixed Rate Money Trusts. As a result of these guarantees the potential risk and rewards generated from guaranteed trusts are transferred to the Company and, therefore, such trusts are subject to consolidation by the Company. The accounts of such trusts are included in the accompanying consolidated financial statements. Total assets of the consolidated trust accounts as of December 31, 2009 and 2010 were 2,016,505 million Won and 1,878,443 million Won, respectively, and mainly consisted of trading securities, loans and other assets. Liabilities of these trust accounts were mainly consisted of deposits from customers which amounted to 1,905,857 million Won and 1,750,407 million Won as of December 31, 2009 and 2010, respectively (see Note 16).

Table of Contents

40. Parent Company

Condensed financial information of the parent company is as follows:

Condensed balance sheets

	Korean Won (in millions)	
	2009	2010
Assets		
Interest bearing deposits in other banks:		
Bank Subsidiaries	23,267	65,444
Investment in subsidiaries:		
Bank Subsidiaries	15,234,026	16,249,617
Non-bank subsidiaries	1,394,251	1,328,429
Other assets	38,784	160,287
Total assets	16,690,328	17,803,777
Liabilities		
Long-term debt	3,804,156	3,654,843
Other liabilities	20,155	180,801
Total liabilities	3,824,311	3,835,644
Equity	12,866,017	13,968,133
Total liabilities and equity	16,690,328	17,803,777

Condensed statements of income

	Korean Won (in millions)		
	2008	2009	2010
Interest and dividend income			
Deposits in other banks:			
Bank Subsidiaries	10,864	3,351	3,664
Investment securities:			
Bank Subsidiaries			
Non-bank subsidiaries	1,861	13,237	6,875
Total interest and dividend income	12,725	16,588	10,539
Non-interest income	458	20,289	35,723
Total operating income	13,183	36,877	46,262
Interest expense			
Long-term debt	143,982	239,224	244,030
Other			905
Total interest expense	143,982	239,224	244,935
Non-interest expense	33,824	36,939	75,410
Total operating expense	177,806	276,163	320,345
Loss before equity in net income of subsidiaries	(164,623)	(239,286)	(274,083)
Equity in net income of subsidiaries:			
Bank Subsidiaries	420,432	1,243,348	1,443,981
Non-bank subsidiaries	(105,504)	130,505	111,828
Total equity in net income of subsidiaries	314,928	1,373,853	1,555,809
Net income	150,305	1,134,567	1,281,726

Table of Contents

Condensed statements of cash flows

	Korean Won (in millions)		
	2008	2009	2010
Cash flows from operating activities:			
Net income	150,305	1,134,567	1,281,726
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in net income of subsidiaries	(314,929)	(1,373,853)	(1,555,809)
Dividends received from subsidiaries:			
Bank Subsidiaries	200,326	2,455	362,779
Non-bank subsidiaries	47,785	13,750	22,435
Others	44,503	(39,369)	96,229
Net cash provided by (used in) operating activities	127,990	(262,450)	207,360
Cash flows from investing activities:			
Proceeds from sales of investments in subsidiaries:			
Bank subsidiaries			105,850
Non-bank subsidiaries			
Purchases of investments in subsidiaries:			
Bank subsidiaries	(880,000)	(300,000)	
Non-bank subsidiaries	(245,584)	(22,097)	
Others	8,922	18,010	(1,119)
Net cash provided by (used in) investing activities	(1,116,662)	(304,087)	104,731
Cash flows from financing activities:			
Net Increase in other borrowed funds		60,000	100,000
Proceeds from long-term debt	1,777,023	1,160,454	600,687
Payment on long-term debt	(500,000)	(750,000)	(890,000)
Cash dividends paid	(201,503)		(80,601)
Net cash provided by (used in) financing activities	1,075,520	470,454	(269,914)
Net increase (decrease) in cash and cash equivalents	86,848	(96,083)	42,177
Cash and cash equivalents, beginning of year	32,502	119,350	23,267
Cash and cash equivalents, end of year	119,350	23,267	65,444