

WOORI FINANCE HOLDINGS CO LTD
Form 20-F
April 30, 2012
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As filed with the Securities and Exchange Commission on April 30, 2012

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

FORM 20-F

(Mark One)

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

OR

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

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 Common Stock, par value (Won)5,000 per share	New York Stock Exchange 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.

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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.

806,013,341 shares of Common Stock, par value (Won)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. Yes 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. Yes 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. Yes 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). Yes 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):

Large accelerated filer Accelerated Filer Non-accelerated filer

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

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board 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.
 Item 17 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). Yes 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. Yes No

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

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The financial statements included in this annual report are prepared in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. As such, we make an explicit and unreserved statement of compliance with IFRS as issued by the IASB with respect to our consolidated financial statements as of and for the years ended December 31, 2010 and 2011 included in this annual report. Unless indicated otherwise, the financial information in this annual report (i) as of and for the years ended December 31, 2010 and 2011 has been prepared in accordance with IFRS as issued by the IASB, and (ii) as of and for the years ended December 31, 2007, 2008 and 2009 has been prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, which is not comparable to information prepared in accordance with IFRS. For an explanation of how the transition to IFRS has affected our consolidated financial statements, see Notes 47 and 48 of the notes to our consolidated financial statements.

In accordance with rule amendments adopted by the U.S. Securities and Exchange Commission which became effective on March 4, 2008, we are not required to provide a reconciliation to U.S. GAAP. Furthermore, pursuant to the transitional relief granted by the U.S. Securities and Exchange Commission in respect of the first-time application of IFRS, no audited financial statements and financial information prepared under IFRS as of or for the year ended December 31, 2009 have been included in this annual report.

Unless expressly stated otherwise, all financial data included in this annual report are presented on a consolidated basis.

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 under U.S. GAAP as of April 2008. Under IFRS, Woori Aviva Life Insurance is accounted for as part of our investments in jointly controlled entities and associates.

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 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 (Won) 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 30, 2011, which was (Won)1,158.5 = US\$1.00.

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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, future, goal, intend, positioned, predict, project, risk, seek to, shall, should, will likely result, will pursue, plan and words and terms of similar substance 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 4B. Business Overview and Item 5. Operating and Financial Review and Prospects 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 provisions for credit and other 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;

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the performance of the financial markets in Korea and globally;

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*

The selected consolidated financial and operating data set forth below as of and for the years ended December 31, 2010 and 2011 have been derived from our audited consolidated financial statements, which have been prepared in accordance with IFRS as issued by the IASB. Our consolidated financial statements as of and for the years ended December 31, 2010 and 2011 have been audited by Deloitte Anjin LLC, an independent registered public accounting firm.

Pursuant to the transitional relief granted by the U.S. Securities and Exchange Commission in respect of the first-time application of IFRS, financial and operating data as of and for the years ended December 31, 2007, 2008 and 2009 derived from our consolidated financial statements prepared in accordance with U.S. GAAP have not been included below.

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 Statement of Comprehensive Income Data**

	Year ended December 31,		
	2010	2011	2011 ⁽¹⁾
	(in billions of Won except per share data)		(in millions of US\$ except per share data)
Interest income	(Won) 14,057	(Won) 15,045	US\$ 12,986
Interest expense	7,634	7,783	6,718
Net interest income	6,423	7,262	6,268
Fees and commissions income	1,688	1,774	1,532
Fees and commissions expense	572	579	500
Net fees and commissions income	1,116	1,195	1,032
Dividends	201	203	175
Gain on financial assets at fair value through profit or loss	39	119	103
Gain on available-for-sale financial assets	1,073	1,073	926
Gain on held-to-maturity financial assets	0	0	0
Impairment loss on credit loss	2,873	2,269	1,958
Other net operating expenses ⁽²⁾	(3,910)	(4,423)	(3,818)
Operating income	2,069	3,160	2,728
Share of profits of jointly controlled entities and associates	30	17	14
Net income before income tax expense	2,099	3,177	2,742
Income tax expense	498	744	642
Net income	(Won) 1,601	(Won) 2,433	US\$ 2,100
Net income attributable to owners	1,289	2,137	1,844
Net income attributable to the non-controlling interests	312	296	256
Other comprehensive income (loss), net of tax	(236)	(385)	(332)
Loss on available-for-sale financial assets	(205)	(375)	(323)
Share of other comprehensive loss of jointly controlled entities and associates	(21)	(38)	(32)
Gain (loss) on overseas business translation	(19)	25	21
Gain on valuation of cashflow hedge	9	3	2
Total comprehensive income	(Won) 1,365	(Won) 2,048	US\$ 1,768
Comprehensive income attributable to owners	1,052	1,730	1,493
Comprehensive income attributable to non-controlling interests	313	318	275
Basic and diluted earnings per share	(Won) 1,599	(Won) 2,649	US\$ 2.29
Per common share data:			
Net income (loss) per share basic	(Won) 1,599	(Won) 2,649	US\$ 2.29
Weighted average common shares outstanding basic (in thousands)	806,013	806,013	806,013
Net income (loss) per share diluted	(Won) 1,599	(Won) 2,649	US\$ 2.29
Weighted average common shares outstanding diluted (in thousands)	806,013	806,013	806,013
Cash dividends paid per share	(Won) 250	(Won) 250	US\$ 0.22

(1)

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Won amounts are expressed in U.S. dollars at the rate of (Won)1,158.5 to US\$1.00, the noon buying rate in effect on December 30, 2011 as quoted by the Federal Reserve Bank of New York in the United States.

(2) For a description of other net operating expenses, see Note 39 of the notes to our consolidated financial statements.

Table of Contents**Consolidated Statement of Financial Position Data**

	2010	As of December 31, 2011	2011 ⁽¹⁾
	(in billions of Won)		(in millions of US\$)
Assets			
Cash and cash equivalents	(Won) 4,871	(Won) 6,417	US\$ 5,539
Financial assets at fair value through profit or loss	22,184	25,600	22,098
Available-for-sale financial assets	21,998	19,672	16,981
Held-to-maturity financial assets	19,886	20,036	17,295
Loans and receivables	216,792	235,160	202,986
Investments in jointly controlled entities and associates	745	928	801
Investment properties	643	499	431
Premises and equipment	3,097	3,135	2,706
Intangible assets and goodwill	295	448	387
Current tax assets	9	57	49
Deferred tax assets	59	80	69
Derivative assets	131	327	282
Assets held for sale	88	56	48
Other assets ⁽²⁾	379	377	325
Total assets	(Won) 291,177	(Won) 312,792	US\$ 269,997
Liabilities			
Financial liabilities at fair value through profit or loss	(Won) 8,838	(Won) 9,622	8,305
Deposits due to customers	185,428	195,930	169,124
Borrowings	34,266	34,667	29,924
Debentures	29,111	29,266	25,262
Provisions	761	892	770
Retirement benefit obligation	70	120	103
Current tax liabilities	174	274	237
Deferred tax liabilities	213	260	225
Derivative liabilities	5	33	29
Other financial liabilities ⁽³⁾	11,648	19,084	16,473
Other liabilities ⁽⁴⁾	399	570	492
Total liabilities	(Won) 270,913	(Won) 290,718	US\$ 250,944
Equity			
Owners' Equity	(Won) 15,701	(Won) 17,525	15,126
Capital stock	4,030	4,030	3,479
Hybrid securities		309	267
Capital surplus	180	176	151
Other equity ⁽⁵⁾	1,002	587	506
Retained earnings	10,489	12,423	10,723
Non-controlling interests	4,563	4,549	3,927
Total equity	(Won) 20,264	(Won) 22,074	US\$ 19,053
Total liabilities and equity	(Won) 291,177	(Won) 312,792	US\$ 269,997

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- (1) Won amounts are expressed in U.S. dollars at the rate of (Won)1,158.5 to US\$1.00, the noon buying rate in effect on December 30, 2011 as quoted by the Federal Reserve Bank of New York in the United States.
- (2) For a description of other assets, see Note 18 of the notes to our consolidated financial statements.
- (3) For a description of other financial liabilities, see Note 24 of the notes to our consolidated financial statements.
- (4) For a description of other liabilities, see Note 24 of the notes to our consolidated financial statements.
- (5) For a description of other equity, see Note 29 of the notes to our consolidated financial statements.

Table of Contents**Profitability Ratios and Other Data**

	Year ended December 31,	
	2010	2011
	(in billions of Won except percentages)	
Return on average assets ⁽¹⁾	0.44%	0.70%
Return on average equity ⁽²⁾	6.45	9.95
Net interest spread ⁽³⁾	2.12	2.31
Net interest margin ⁽⁴⁾	2.29	2.50
Cost-to-income ratio ⁽⁵⁾	47.56	47.95
Average equity as a percentage of average total assets	6.79	7.04
Total revenue ⁽⁶⁾	(Won) 17,058	(Won) 18,214
Operating expense ⁽⁷⁾	12,116	12,785
Operating margin ⁽⁸⁾	4,942	5,429
Operating margin as a percentage of total revenue	28.97%	29.81%

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

(2) Represents net income attributable to owners as a percentage of average equity. Average balances are based on daily balances for Woori Bank, Kyongnam Bank, Kwangju Bank and Woori Investment & Securities 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 (excluding impairment loss on credit loss) to the sum of net interest income and non-interest income.

(6) Represents the sum of interest income, dividend income, fees and commissions income, gain on financial assets at fair value through profit or loss, gain on available-for-sale financial assets and gain on held-to-maturity financial assets.

The following table shows how total revenue is calculated:

	Year ended December 31,	
	2010	2011
	(in billions of Won)	
Interest income	(Won) 14,057	(Won) 15,045
Fees and commissions income	1,688	1,774
Dividends	201	203
Gain on financial assets at fair value through profit or loss	39	119
Gain on available-for-sale financial assets	1,073	1,073
Gain on held-to-maturity financial assets		
Total revenue	(Won) 17,058	(Won) 18,214

(7) Represents interest expense, fees and commissions expense and other net operating expense, excluding impairment loss on credit loss of (Won)2,873 billion and (Won)2,269 billion for 2010 and 2011, respectively.

The following table shows how operating expense is calculated:

	2010	2011
	(in billions of Won)	
Interest expense	(Won) 7,634	(Won) 7,783
Fees and commissions expense	572	579

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Other net operating expenses	3,910	4,423
Operating expense	(Won) 12,116	(Won) 12,785

⁽⁸⁾ Represents total revenue less operating expense.

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	2010	As of December 31, 2011
	(in billions of Won)	
Total loans ⁽¹⁾	(Won) 201,235	(Won) 212,492
Total non-performing loans ⁽²⁾	6,550	3,780
Other impaired loans not included in non-performing loans	475	238
Total non-performing loans and other impaired loans	7,025	4,018
Total provisions for credit losses	4,718	3,759
Non-performing loans as a percentage of total loans	3.25%	1.78%
Non-performing loans as a percentage of total assets	2.25	1.21
Total non-performing loans and other impaired loans as a percentage of total loans	3.49	1.89