

Achieving Excellence Together

Annual Report 2003



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Hana Bank commenced its operation as a short-term investment finance company in 1971. The Bank received its full banking license in 1991.

The Bank reached KRW 10.0 trillion (US\$ 8.3 billion) of total deposits in 1995, outperforming its market competitors.

Through the mergers and acquisitions with Chungchong Bank and Boram Bank, the Bank leveraged its asset up to KRW 47.1 trillion (US\$ 39.3 billion) at the end 1999. Successfully completing the merger with Seoul Bank, Hana Bank is now positioned as one of the top three players in Korea with assets totaling KRW 91.8 trillion (US\$ 76.6 billion) and a worldwide network of 580 branches. Seeking asset quality and profitability as well as external growth, the Bank has historically maintained one of the lowest NPL ratios in the industry. Hana has also maximized shareholder value, as evident from maintaining its high dividend policy for more than thirty profitable years in a row.

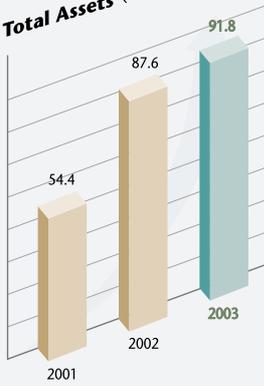
As a result, Hana Bank's achievements have drawn the attention of notable financial institutions and journals at home and abroad. Such accolades include: The 'Best Bank in Korea' by Euromoney in 1993 and by Finance Asia in 1997, the 'Best Domestic M&A House in Korea' by Euromoney in 2000 based on the acquisitions of Boram Bank and Chungchong Bank, and the 'Best Domestic M&A Case' for its merger with Seoul Bank by Finance Asia. Building on such solid results, Hana Bank carries forward to setting reputation as a superior comprehensive financial services network.



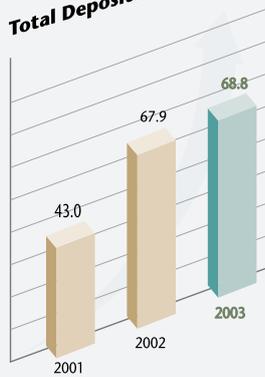
Financial highlights

Size & Earnings

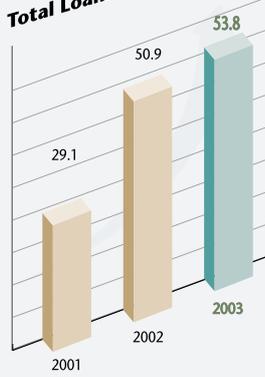
Total Assets (In Trillions of KRW)



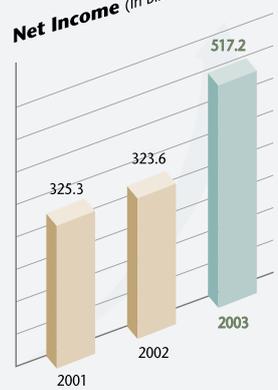
Total Deposits (In Trillions of KRW)



Total Loans (In Trillions of KRW)



Net Income (In Billions of KRW)

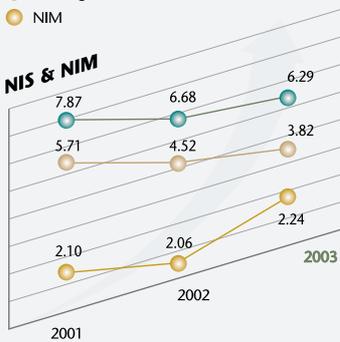


Financial Ratio

(%)

- Lending Rate
- Funding Rate
- NIM

NIS & NIM



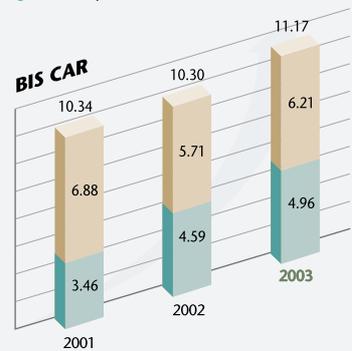
- Coverage against Substandard & Below
- Substandard & Below

Asset Quality



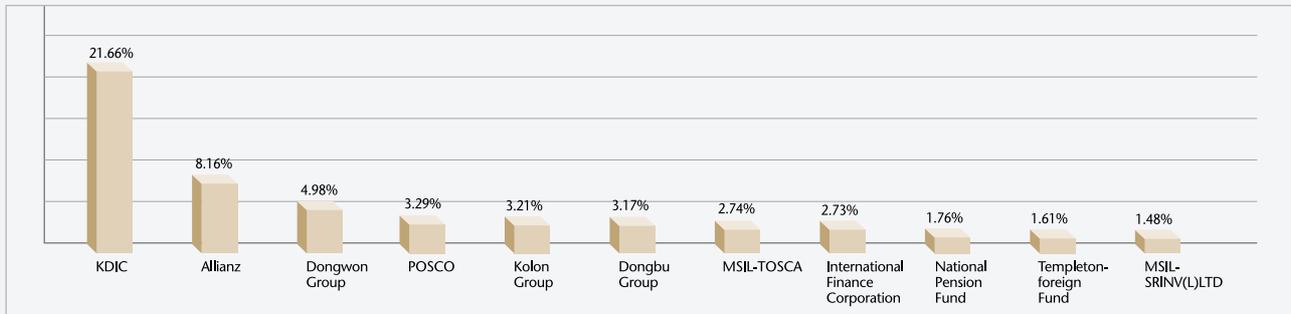
- Tier I Capital
- Tier II Capital

BIS CAR



Shareholders Information

Major Shareholders as of December 31, 2003



- Number of shares owned by foreign investors : 73,341,971 shares (37.1%)
- Number of foreign shareholders : 462
- Total number of shareholders : 23,396

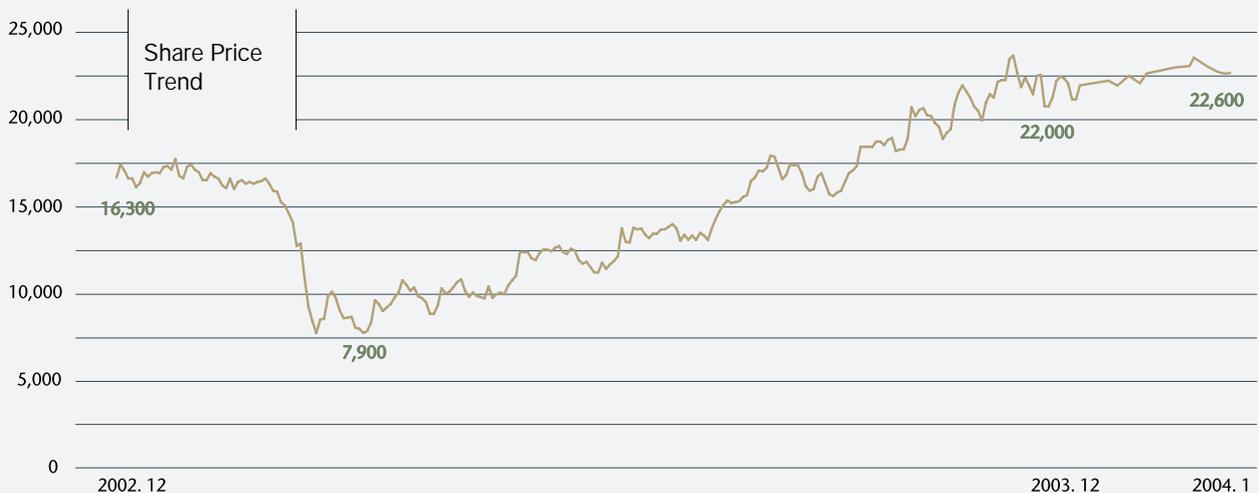
Share Data as of December 31, 2003

Type	Shares Authorized	Shares Issued	Par Value
Registered Common Share	2,000,000,000	197,432,203	5,000

- KRW 49,998 million of convertible bonds were outstanding as of December 31, 2002, the last day of conversion period. The bonds were not converted and were redeemed on maturity as scheduled. The date was January 31, 2003.
- The number of treasury stock at the end of 2003 was 27,506,285 shares.
- The number of exercisable stock options as of December 31, 2003 was 1,358,262 shares.
- 5,078,755 shares of treasury stocks were retired with profit on the date of March, 25, 2004. As a result, the number of shares issued decreased to 192,353,448 shares.

Share Data Trend

	1999	2000	2001	2002	2003
Dividends Declared Per Share					
(Cash - KRW)	400	200	200	500	500
(Stock - Shares)	-	-	0.04	-	-
EPS (KRW)	1,353	124	2,457	2,304	3,167
BPS (KRW)	11,735	11,442	12,692	15,863	19,155
Share Price (High)	19,500	11,800	17,050	21,700	23,700
Share Price (Low)	8,000	4,320	5,550	15,200	7,900
P/E (Times)	5.9 ~ 14.4	34.8 ~ 95.2	2.26 ~ 6.94	6.60 ~ 9.41	2.49 ~ 7.48



Chairman's Letter to Shareholders



Dear Shareholders,

Each year, we are forced to face and manage the risks and difficulties that are an inherent part of the changing financial landscape. As you are aware, 2003 was another eventful year in this respect and, in particular, the Bank spent the year embroiled in the nationwide whirlwind of credit-related crises, including the problems related to SK Networks, the high delinquency rate of household loans, and the LG Card situation. However, through the tireless efforts of Hana Bank people and their risk management capabilities, we were able to post significant results for 2003 in sharp contrast to a considerable number of domestic banks that inevitably suffered heavy losses under such challenging circumstances.

In 2003, Hana Bank recorded KRW 517.2 billion in net profit for the year, reflecting an increase of KRW 193.6 billion from the previous year, limited the ratio of loans classified as substandard and below to 1.98%, and maintained the coverage ratio at 98.32% through establishing a sound asset structure rather than increasing its sheer size.

Besides implementing our growth strategy of focusing on improving quality over volume, other accomplishments of the Bank in 2003 include establishing the basis for another takeoff through completing the IT system integration and rationalizing our branch offices following the merger with Seoul Bank. In 2004, Hana Bank also plans to carry out the work of overhauling the process for improving the Bank's productivity and efficiency.

On December 2, 2003, the Bank announced its vision of becoming a "Premier Financial & Information Services Network" to keep abreast with the rapid changes in the financial business environment. Also, as expressed in our newly-adopted slogan, the Bank will "Achieve Excellence Together" and realize our vision by upgrading aspect of our businesses.

Under its new vision, the Bank aims to join the world's Top 100 banks in Asset Size and Tier 1 Capital by 2006, and in Market Capitalization by 2009. The Bank also plans to configure an efficient system for providing comprehensive financial services, while considering various methods, including M&A or strategic alliances, to improve its present structure that is heavily dependent on the bank, and to enhance its securities and insurance sectors.

In an effort to implement its vision, Hana Bank has also set forth and will accomplish the following missions through detailed action plans:

- Pursue customers' satisfaction as a trustworthy financial service partner.
- Maximize shareholders' value as a successful business partner.
- Create employee empowerment through an enjoyable and exciting workplace.
- Contribute to the community as a leading financial service company.

Especially to preserve our shareholders' value, Hana Bank will strengthen its communication with shareholders and investors, and adopt an evaluation indicator that links the performance of directors and employees to the shareholders' value in the market as a means of pursuing the highest stock price in the banking industry and emphasizing transparency in overall operations. The Bank invites our shareholders to watch how it takes one meaningful step after another towards the realization of this new vision.

To achieve higher operational results with maximization of the synergistic effect from the merger with Seoul Bank, Hana Bank made the upward adjustments in its targets for 2004. The Bank's plan for 2004 also includes solidifying its position as a market leader through focusing on the enhancement of quality on par with its increase in size.

In 2004, Hana Bank will expand its reach worldwide. The Bank took over Qingdao International Bank in Shandong Province, China, a joint venture with Industrial and Commercial Bank of China at the end of 2003, and then established a network of operations centered around it, including existing branches in Hong Kong and Shanghai and one in Shenyang that is scheduled to be opened in the first half of 2004. This expanded network will provide comprehensive financial services that link the headquarters of Korean businesses and their factories in China in the short term, and develop as a localized bank for the Chinese and their businesses in the long-term.

Concurrently, the Bank will unite as one to push ahead with the following goals in 2004: it will foster an environment for learning and increase financial support for its employees to nurture their expertise. Hana Bank will also aim to become a bank that can satisfy customers in all respects through improvements in the quality and speed of work processing, as a means to enhance the Bank's brand value. It will build an image as a 'Sharing Bank' that contributes to the community in economic, cultural, and environmental areas and increase its reputation as a 'Bank of Choice' by people in the community.

In 2004, the Korean financial market is expected to be a venue for full-blown competition, with the advent of powerful players from the global market and from those institutions made larger through mergers. However, Hana Bank will remain as solid as ever, based on the strength and support of our shareholders.

We appreciate your continued interest in and support of us.

Cordially,

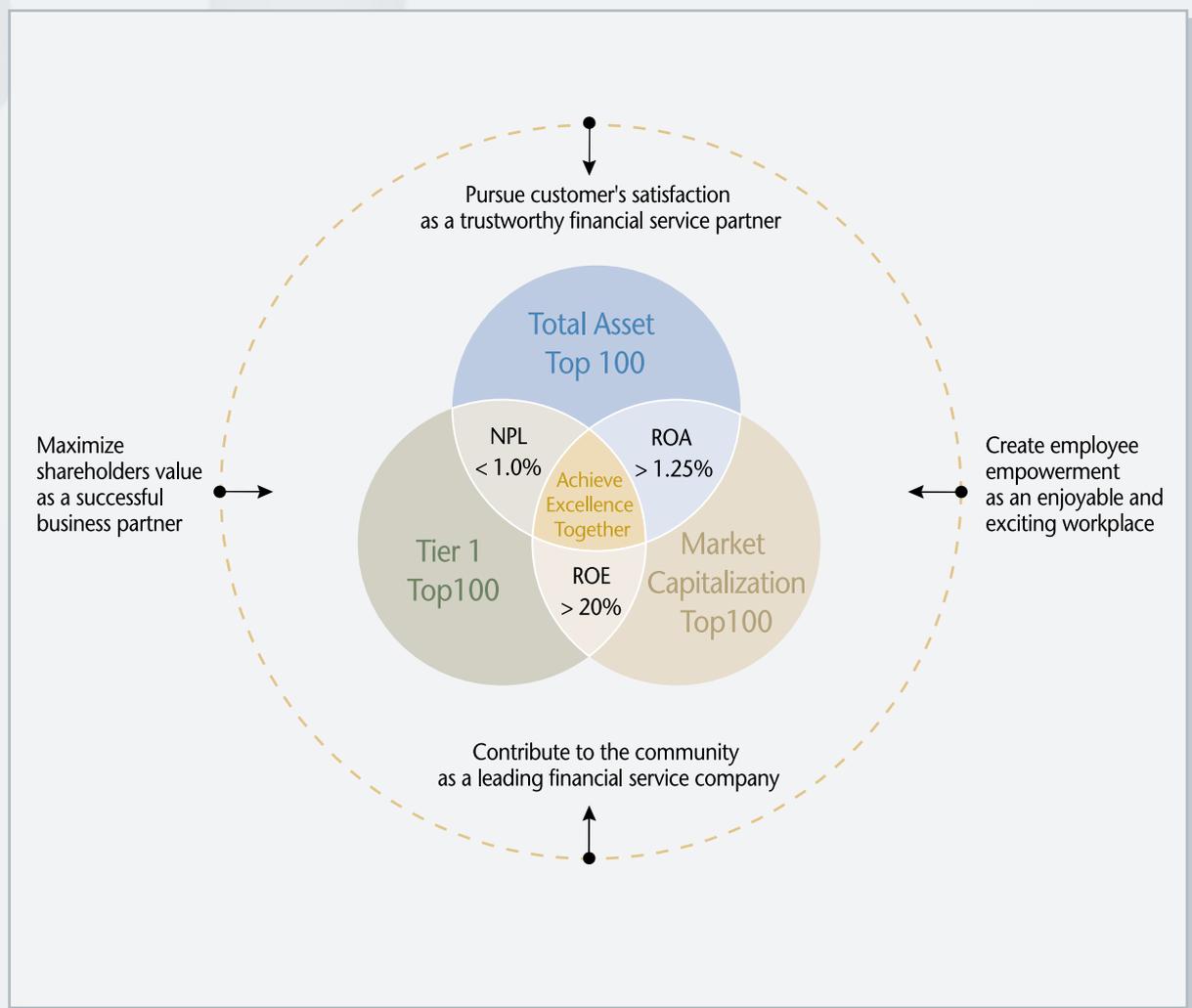


Seung-Yu Kim | Chairman & CEO

Vision

Hana Bank aims to be a Premier Financial & Information Services Network. We will achieve this vision as we complete following mission : pursue customer satisfaction, maximize shareholders' value, contribute back to the community, and create employee empowerment.

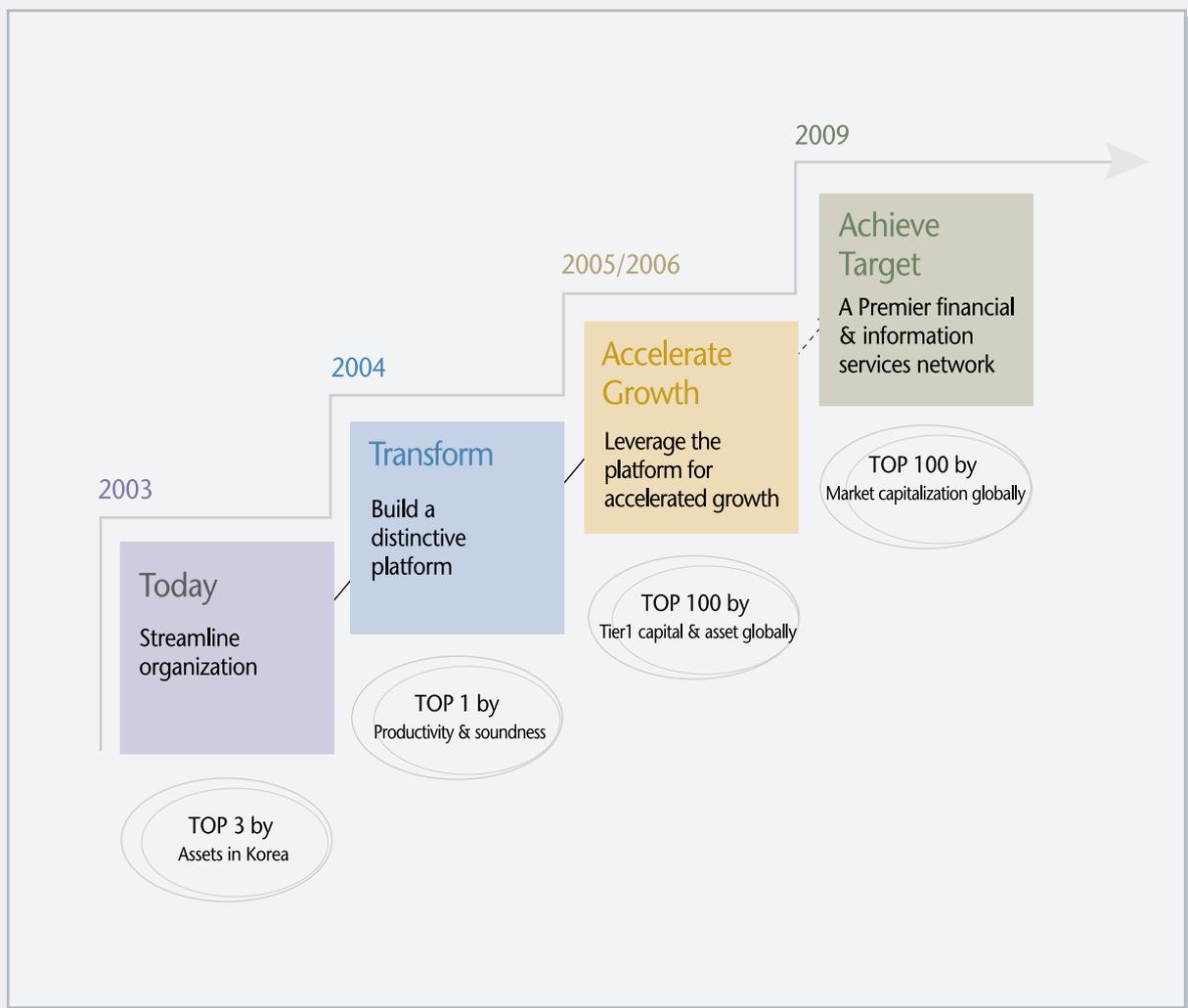
To embody our strategic goals, we aspire to be one of the world's top 100 banks in terms of asset size, Tier I capital, and market capitalization. And our policies will focus on enhancing the Bank's financial strength to a level of more than 20% of ROE, 1.25% of ROA, and less than 1.0% of NPLs. In pursuing such a long-term vision, we will achieve market excellences to deliver meaningful value to all the members of our network.



A Clear Roadmap for the Vision

Hana Bank will follow its well-articulated path to the vision. In 2003, we secured our position as a number three player in the Korean banking industry and strengthened our core competencies. Our plan for 2004 includes building up a differentiated business platform as well as recovering the highest productivity and asset soundness.

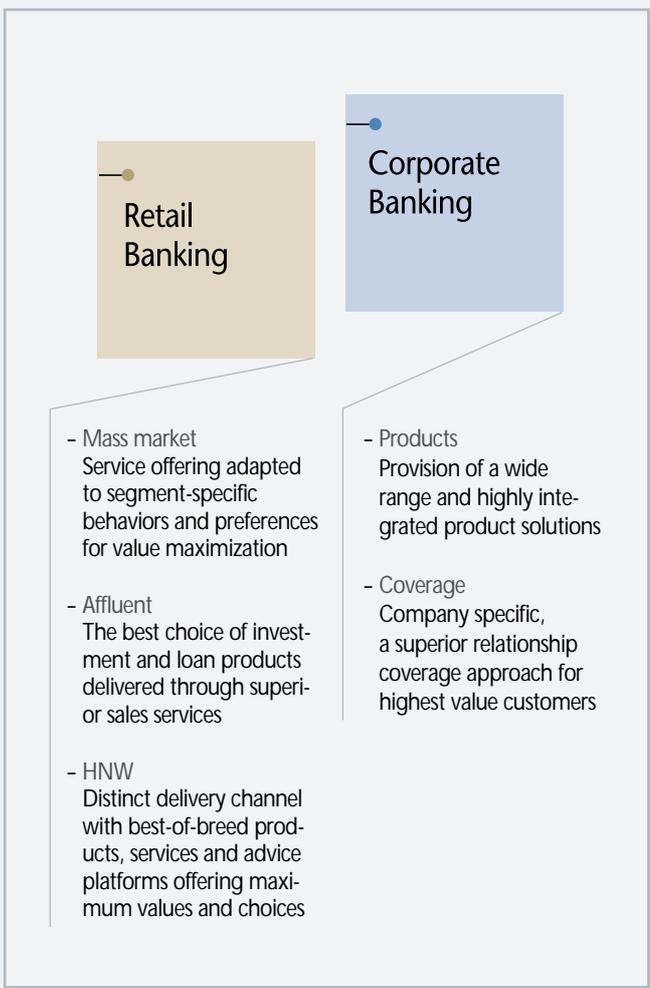
Until 2006, Hana Bank plans to become the world's top 100 banks in asset size and Tier I capital. We believe by then, the Bank will be on the right track for growth with its accelerated earning stream. We also expect that the Bank will reach its vision of a Premier Financial & Information Services Network by 2009. And the position of the world's top 100 banks in market capitalization will be our ways of contributing our values back to our shareholders and community.



Mission &

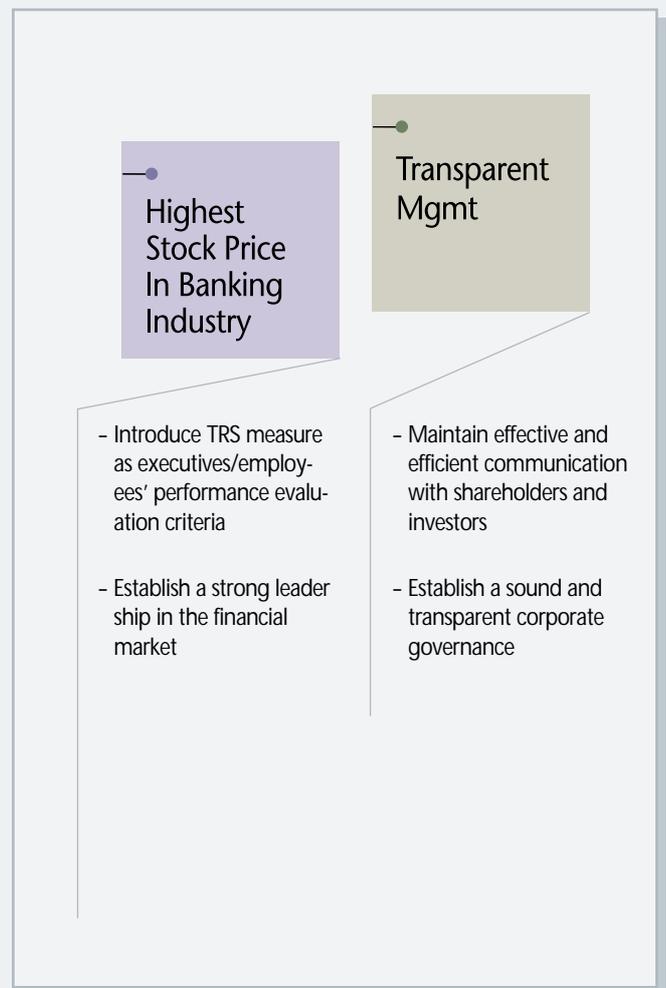
Pursue Customers' Satisfaction

As a financial partner, we will pursue customers' satisfaction. We will offer segmented products and services, provide more integrated corporate financing solution, and improve our relationship management with clients.



Maximize Shareholders' Value

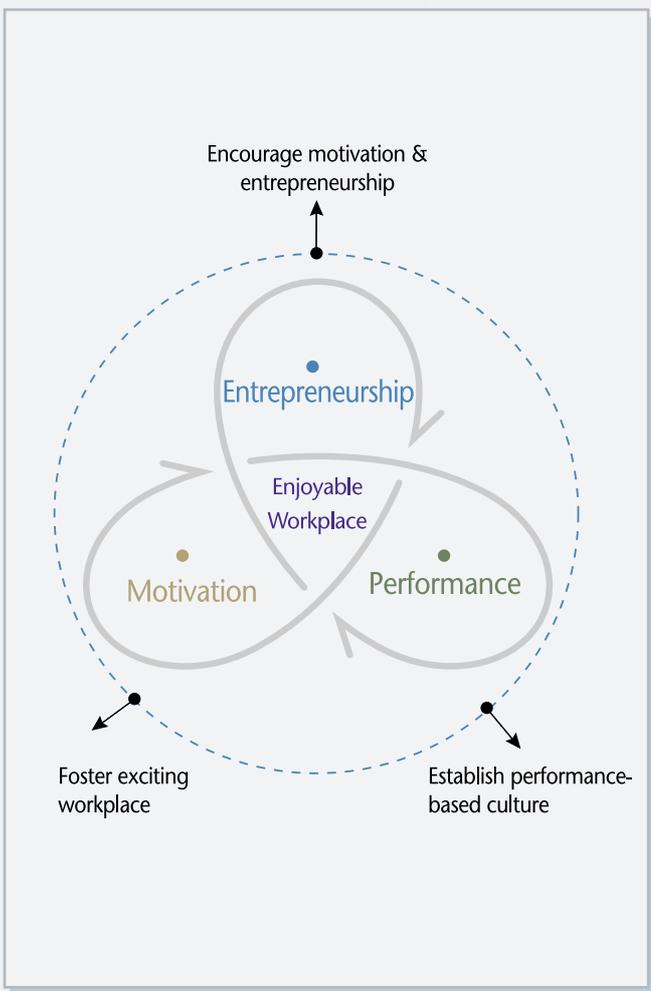
As a business partner, we will maximize shareholders' value. To achieve the mission, we will link shareholders' value to our performance evaluation and will pursue the highest stock price in the Korean banking industry.



Initiatives

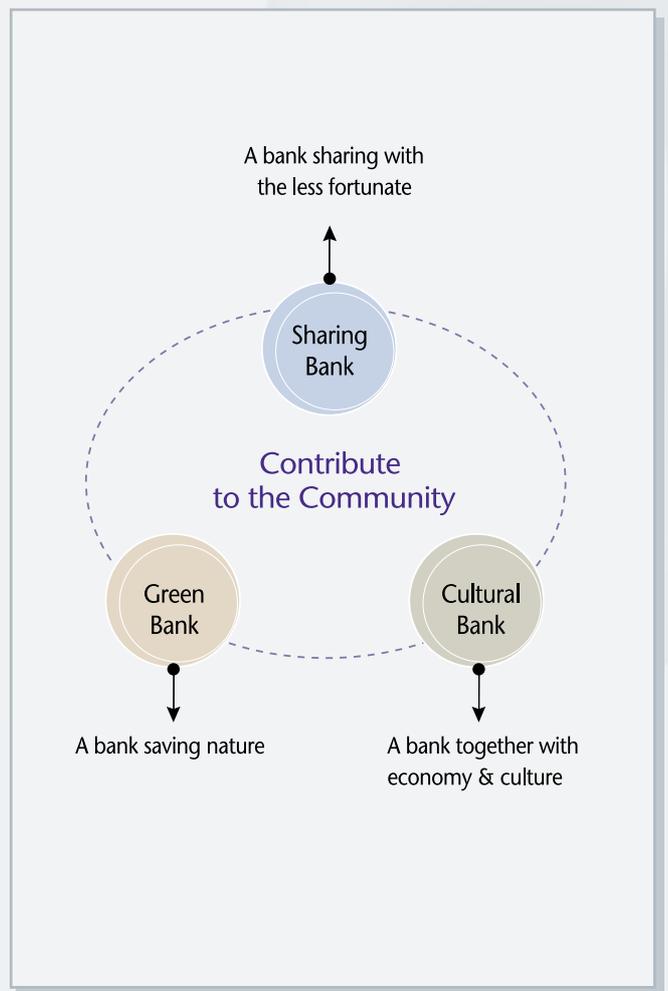
Create Employee Empowerment

As an enjoyable and valuable work place for its people, Hana Bank will create employee empowerment. Thus, our policies on human resources will stress on encouraging entrepreneurship, performance-based compensation, and proper motivation.



Contribute to the Community

As a leading financial company, we will contribute our values back to the community. The mission includes our efforts to share with the less, support culture and economy for better life, and to protect nature for more pleasant living environment.



Hana Bank at a Glance

Launched "SOHO" financial team

Hana bank initiated the "SOHO" financial team in its Myeongdong branch, which provides service from 2 p.m. to 10 p.m. four days a week. The Bank established this upgraded service as part of its efforts to deliver customer satisfaction around the clock.



Settled SK Networks Issue

Hana bank set up a team against SK Networks issue and successfully suggested the foundation of standardized corporate restructuring through cooperating and sharing the information with representatives from other banks. This procedure was processed fairly as well as transparently and meaningful as the first case of autonomous cooperation and agreement among financial institutions

02

04

01

Launched Hana Life Insurance

Hana Bank launched Hana Life Insurance through joint investments with the Bank's strategic business partner, the Allianz Group. With this move, Hana Bank will realize the financial information service network it has been pursuing and initiate a full-blown bank assurance business in order to secure the leading position in this sector.



03

Opened "Hana Life Care Center"

Hana Life Care Center opened in the Jamwon branch to provide a broad range of banking and non-banking services such as travel or insurance products, gift certificates and SR in response to a variety of customers' needs.



05

Completed IT Integration

Hana Bank successfully merged with Seoul Bank and has fully consolidated the two lenders' computer systems to grant customers more stable and diversified financial services. The combined data of 46 million bank accounts and 15 million customers on one computerized system heralds a comprehensively merged financial service company.





Restructured and re-opened "Hanaville"

Located in Yongin city, "Hanaville" has re-opened after fifteen months' renovation and can now accommodate over 150 people. This training center is furnished with the best facilities and surrounded by a healthy natural environment to stand as the best training center, which is managed by Everland on behalf of the Bank.



Introduced "Bancassurance"

In July, Hana Bank introduced innovative financial products like Bancassurance, which allows banks, brokerages and other financial institutions to sell insurance policies. This will provide increasing benefits derived from commission earned and deliver a wide range of products over time to satisfy customers' needs.



Announced "Hana Bank's Vision"

Hana Bank announced its official vision of becoming a "Premier Financial & Information Services Network" in celebration of the first anniversary since its merger. The Bank also promoted its philosophy under the slogan, "Achieve Excellence Together."

06

07

Wealth Management Group

Hana bank launched a Wealth Management Group in 2002 to continue expanding the scope and level of its services to facilitate our VIP clients' objectives. Wealth Management Group consists of wealth management teams for high net worth individuals worth more than KRW 1 billion and selected corporations.

In 2004, in particular, the Wealth Management Group intends to strengthen its customized services and build long-term relationships with all VIP clients based on its excellent standards of confidentiality, compliance, and innovation.



08

09

Took over "Qingdao International Bank" in a JV

On October 30, Hana Bank's CEO, Seung-Yu, Kim, signed a Joint Venture Agreement on Qingdao International Bank ("QIB") with Mr. Jiang Jianqing, CEO of Industrial and Commercial Bank of China ("ICBC").

Hana Bank intends to append a capital increase of USD 16 million to its current USD 20 million investment in QIB to raise its current level of ownership from 50% to 72.2%. Hana Bank will make another capital increase of USD 12 million to accelerate its application for RMB business. Hana Bank intends to leverage its corporate banking know-how and ICBC's network efficiency to increase its presence in the Chinese banking market in connection with the branch network it intends to open in Shenyang sometime next year. Furthermore, Hana Bank will utilize its broad network in China for RMB business.



10



Aligned for Excellence

Hana Bank strives for a world-class governance structure that would ensure its excellences in managerial efficiency and transparency.



5 4 3 1 > Seung-Yu Kim : Chairman & CEO 2 > Kyo-Joong Yoon : Senior Deputy President 3 > Jong-Yeol Kim : Deputy President
1 2 4 > In-Su Lee : Deputy President 5 > Soon-Chul Lee : Standing Member of Audit Committee



Corporate Governance

Hana Bank has long been held as the benchmark against which other institutions measure themselves in terms of transparency, efficiency and high-value. Its corporate governance structure is always subject to perusal by personnel, customers, shareholders, and outside investors, while the Bank's decision-making process operates in accord with its mission of 'Adhering to Market Principles, Protecting Investors, and Maximizing Shareholder Value.'

The independence of the Board of Directors — so crucial to ensuring policy-making remains beyond reproach — is guaranteed by having outside directors with high-caliber business credentials or backgrounds comprise a majority of the Board. Together they oversee the Bank's ongoing operations, while contributing their expertise and professional judgment to managerial decisions in order to keep the Bank well balanced and better reflect shareholders' interests.

Board of Directors Steering Committee

The Steering Committee consists of eight Board members who organize the BOD and its committees, validate the governance structure and put into practice the tasks that the Commercial Code of Korea prohibits the BOD from doing.

Management Development and Compensation Committee

The Management Development and Compensation Committee contributes to a fair and meritorious reward culture by evaluating management's performance and determining the level of compensation for the CEO and standing directors. It also commits to revising and coming up with fresh standards for measuring managerial performances as and when corporate changes dictate. The committee consists of four outside directors.

Risk Committee

The Risk Committee reviews the Bank's risk management activities and minimizes its susceptibility to market risk, credit risk, operating risk and other hazards inherent in the banking industry by managing its overall risk management strategy. Part of the role of its two standing directors and four outside directors therefore involves revising and implementing internal regulations.

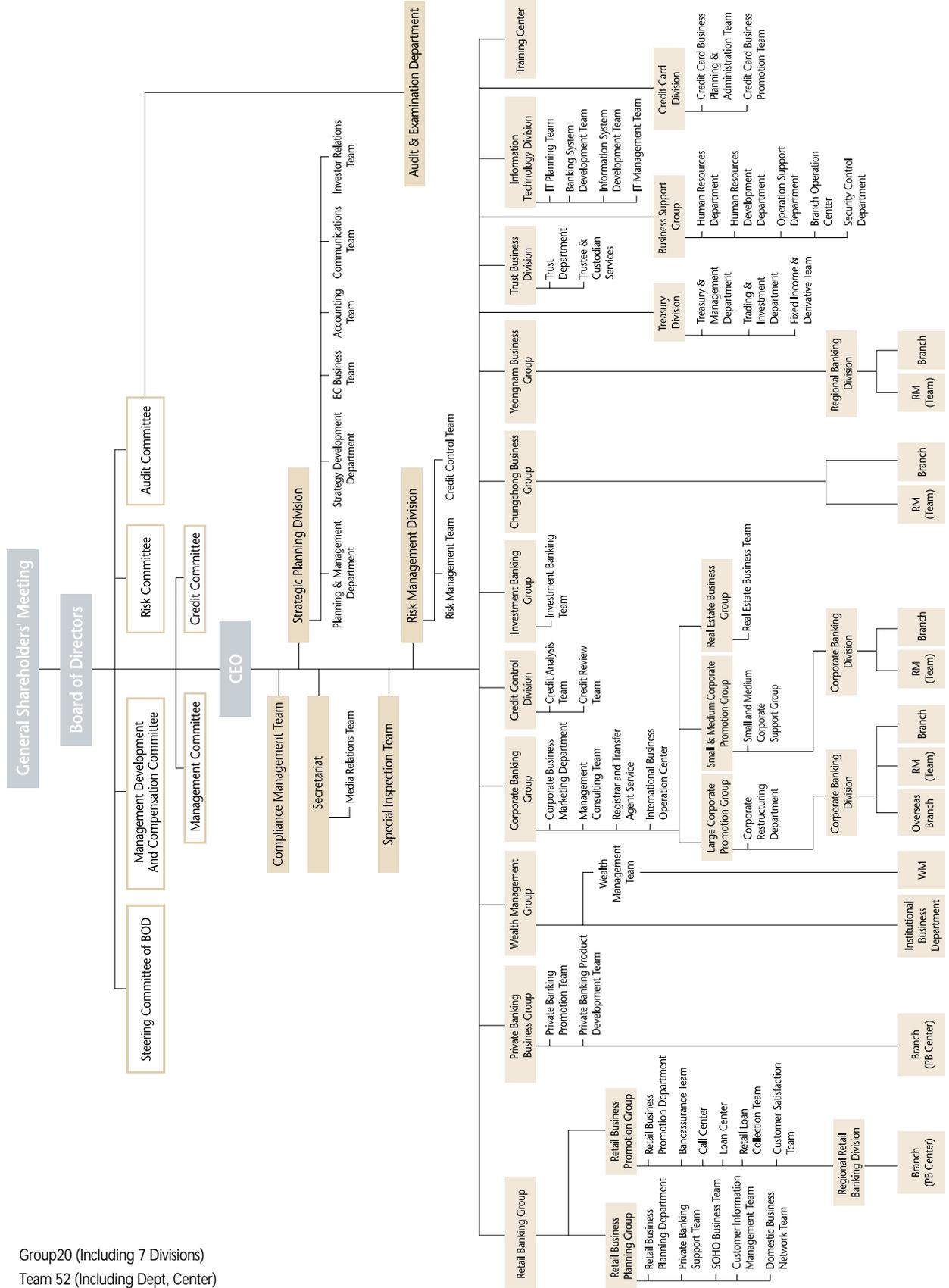
Audit Committee

The Audit Committee liaises with independent auditors and provides a framework to crosscheck their activities, although it was principally formed to keep track of management's activities and evaluate the Bank's internal control systems. It consists of four members of the BOD, including one standing member of Audit Committee and three outside directors.

Candidate Recommendation Committees for CEO, Audit Committee and Outside Directors

To preserve the independence of Outside Directors and the Audit Committee, these members are initially nominated by Candidate Recommendation Committees, which operate independently from the BOD. Also, the candidate for CEO of the Bank is nominated by Recommendation Committee to ensure procedural transparency throughout the whole process of election. These Recommendation Committees are composed of all Outside Directors except the Committee for Outside Directors, comprised of two Standing and six Outside Directors.

Organization Chart



Group20 (Including 7 Divisions)
Team 52 (Including Dept, Center)



Progressing toward Excellence

Hana bank enhances its value by improving profitability as well as establishing a sound asset structure.



Vision & Strategy

Pursuing our vision and corporate values, Hana Bank will focus on key strategic issues in the upcoming year

Our business environment emphasizes on the need for self-innovation more than ever. The market has experienced the trends of diversification and globalization, leaving no more room for minor players. And regulatory restrictions force us to improve our financial stability and system to a level of global market. Hana Bank responded to these challenging circumstances with its growth both in size and scope of operation based on strong earning stream and asset soundness.

The Bank acquired Chungchong Bank in 1998, merged with Boram Bank in 1999, and completed transformational merger with SeoulBank in 2002, resulting in one of major commercial banks in the nation. Concurrently, the Bank has also broadened its scope of operation to investment banking, bancassurance and asset management businesses. We are considering an expansion of our business in credit cards and consumer finance area, at the same time diversifying our spectrum of subsidiaries and networking to internal/external sources.

In an effort to globalize its network, the Bank will extend its geographic reach to East Asia, especially centered on China. We have already positioned ourselves in Hong Kong, Shanghai, and Qingdao. When we open a branch in Shenyang, we will be able to form a network around China Sea to support business activities between the two countries. The Bank aspires to localize this overseas network in China for further expansion into the continent. And this growth both in size and scope provided us with a blue print of a comprehensive financial & information services network.

Hana Bank's vision is to build up a Premiere Financial & Information Services Network. As a way of achieving our vision as well as gaining the market's respect on our quality excellence, we will enhance our contribution to the values for the entire network, including shareholders, customers, the community, and ourselves as followings. First, Hana Bank intends to redefine its relationship with shareholders as business partners who can share the cake of growth together in the form of dividend payout as well as market capitalization. Second, we will nurture our core competency to properly correspond to customers' demands at any time and any place they want, delivering them more value. Third, the Bank will increase its contribution to its people in terms of encouraging and supporting their expertise, entrepreneurship, and performance-based culture. Lastly, Hana Bank will contribute back to the community by its commitment as a corporate citizen on cultural, economic and environmental issues.

Pursuing our vision and corporate values, Hana Bank will focus on some strategic issues in the upcoming year. To comply with its path to achieve vision, the Bank will solidify its position as the best domestic bank in terms of productivity, profitability and asset soundness in 2004. Especially, we will concentrate business competencies to achieve qualitative improvement as well as quantitative growth, preempt emerging markets such as asset management and investment banking, and secure stable growth in consumer finance sector.



Chong-Suk Choi
Senior Executive Vice President &
Division Head
Strategic Planning Division



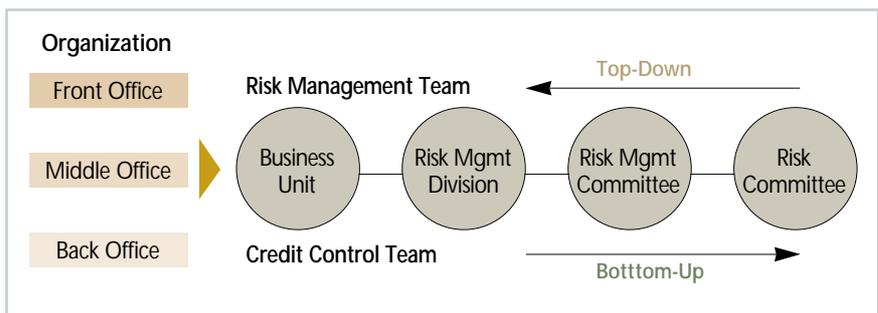
Risk Management

Hana Bank's risk management efforts are led by the Risk Committee, the Risk Management Committee and the Risk Management Division.

Risk Management System

1. Risk Management Governance

Hana Bank's risk management operations are mainly structured around its Risk Committee, Risk Management Committee and Risk Management Division. The middle office at each business unit within the Bank is also responsible for carrying out everyday risk management tasks as defined by the above three groups and submits its regular risk management-related reports to the upper echelons of the organization.



2. Risk Committee

The Risk Committee defines and manages limits for overall risk exposure as well as for each type of risk and is responsible for establishing basic risk strategies and policies. It consists of two standing directors (including the CEO) and four outside directors.

3. Risk Management Committee

The Risk Management Committee monitors each business group according to the established internal risk limits and guidelines and examines the Bank's exposure to each type of risk on a monthly basis.

4. Risk Management Division

The Risk Management Division consists of the Risk Management Team that is responsible for managing market, liquidity and operational risk, and the Credit Control Team that overlooks credit risks. The teams monitor the risk status of the Bank, measure the risks, track assets exposed to such risks and forecast changes for given risk variables. The teams report their findings to the upper committees and senior management.

5. Risk Management System

Hana Bank established a comprehensive risk management system in August 2002. This includes the Market Risk System for managing price risks, the Asset and Liability Management (ALM) system for managing interest rates and liquidity, the Credit Exposure Calculation System, the Credit Value-at-Risk (VaR) models, and the risk data mart. Though such systematic approaches, the Bank, as part of its efforts to manage market risks, has also improved its trading system for Korean won and foreign currencies.



Kang M. Lee
Senior Executive Vice President &
Division Head
Risk Management Division

Risk Management

The Risk Committee stands at the top of the hierarchy in terms of credit approval.

After heavily fortifying its risk management system, the Bank is now able to calculate its exposure according to a range of categories (debtors, products, industries, organizations and others) from a company-wide perspective that comprises its overseas branches. Additionally, the Bank has built a sound foundation for ensuring efficient capital management and Risk Adjusted Performance Measurement (RAPM), as well as calculating economic capital based on the volume of risk by both standard and internal models to meet the requirements of the financial authorities and the international Basel Accord.

Credit Risk Management

The Bank's framework for credit risk management is based on the following principles:

- 4 Credit Management — Credit limits are established based on types of borrower, loan, industry, geographic area and nation, and are controlled in a way that minimizes the concentration of credit, maintains the proper level of liquidity, and keeps a firm grip on acceptable risks.
- 4 Loan Approval — Loans are approved by different decision-making entities depending on borrowers' credit ratings, net credit amounts and loan types.
- 4 Risk Monitoring — Independent credit risk control units constantly monitor any possible credit risks pertaining to the Bank and report their findings to the CEO independently of the Bank's loan-originating units.
- 4 Valuation of Firms — The primary decision-making factor for the Bank when reviewing each loan application is each borrower's capacity to meet their repayments based on their future cash flows. Collateral, guarantees and business affiliations are regarded as auxiliary factors since they are merely measures to affirm the Bank's relationship to the borrower and, in this sense, they are only a secondary means of settlement.
- 4 Evaluation and Compensation — The achievements and overall efficiency of a credit-originating representative of the Bank are evaluated and compensated based on their profitability and asset quality. Their net earnings of provisioning and credit losses will determine the profitability of the applicant.

Based on the principles mentioned above, the Bank's credit risk management procedures operate in the following order: (1) credit control policy (2) the lending decision-making process (3) a credit review after lending (4) its risk management system. The key factors affecting the credit risk management are portfolio limits including obligor limits by risk ratings, and a loan execution policy that reflects both product and industry analysis. From 2003, such limits have been set on the basis of certain rates of credit exposure to BIS capital ratios, which implies that the Bank will proactively manage portfolio limits to maintain economic capital and cover unexpected losses.

The Risk Committee stands at the top of the hierarchy in terms of credit approval. Relationship Managers (RMs) and heads of corporate business units have individual authority to approve loans below certain amounts. The Credit Control Division screens larger-sized loans while the Corporate



Ken J. Kim
Senior Executive Vice President &
Group Head
Private Banking Business Group



Risk Management

Hana Bank effectively assesses and controls gross and residual risks.



Bong-Yong Kim
Senior Executive Vice President & Division Head
Ho-Nam Regional Retail Banking Division

Restructuring Department manages bank credit. Consumer loans are approved and managed by the Loan Center. Each loan is reviewed twice a year to confirm a borrower's creditworthiness and determine the level of associated risks. These reviews provide an opportunity to examine the appropriateness of procedures and the quality of the asset portfolio.

Market Risk Management

1. Interest Rate Risk Management

Interest Rate Risk is defined as the risk that could potentially arise when interest rate fluctuations cause unexpected changes in the Bank's value and rate sensitive assets and liabilities. An interest rate, GAP, is calculated and managed each month to keep it at between 90% and 140% (the percentage of interest-earning assets/interest-bearing liabilities which mature within three months, sixth months and one year) to minimize losses from sharp fluctuations in market interest rates. And in this respect, the Risk Committee is responsible for setting limits on interest risk exposure.

2. Price Risk Management

Since November 1998, the Bank has managed Value at Risk (VaR) on its operating assets, such as marketable securities, trading stocks, foreign currency open positions, and derivatives, whose values are influenced by market variables (including share prices, foreign exchange rates and interest rates) in order to manage capital in line with market volatility.

Since the Bank developed a total risk management system in 2002, it has been able to monitor and manage its price risks in a more sophisticated and daily basis. In the meantime, the Bank plans to seek an approval for using an internal model-based method in measuring VaR from FSS during the first half of 2004 and believes this would allow the Bank to better manage its price risk with a more systematic method from the year 2005.

The Risk Committee reserves a certain portion of capital to cover price risk while settling limits on exposure and losses by product in consideration of its performance indicators that are reviewed on a quarterly basis. Reports are provided daily and compiled on a weekly, monthly, quarterly and annual bases.

3. Liquidity Risk Management

Liquidity Risk is the loss incurred when the Bank is unable to meet its liability obligations such as paying principle or interest on deposits and borrowings. The risk of losing effective investment opportunities could therefore be defined as liquidity risk. Exposure limits are set up for all assets and liabilities that generate any capital inflow and outflow that could result from any derivative product transactions.

The Risk Committee controls the indicators and limitations for managing liquidity risks. To guard against fluctuations in foreign exchange rates, reserves are maintained at more than 100% of the Won-Currency liquidity ratio (current assets/current liabilities due within three months) and more than 80% of the foreign-currency liquidity ratio, (current assets/current liabilities due within three months) respectively.

The Committee establishes policies for fund raising and management in order to stay within established exposure limits. Particularly, the risk management team measures the Korean-currency

Risk Management

The Bank views Basel II Capital Accord as a great opportunity to reform our infrastructure.

liquidity ratio on a weekly basis. Treasury and Trust Business Divisions of the Bank also analyze the capital market and monitor levels of capital supply and demand each day to closely manage liquidity, raise funds in the market and utilize surplus funds.

Operational Risk Management

“Operational risk” is defined as the risk of loss resulting from any inadequacy or failure pertaining to internal processes, people and systems or deriving from external events. Although the concept of operational risk is not yet as developed as credit risk and market risk, Hana Bank is working to put in place the necessary preparatory measures to adequately manage operational risk.

1. Use of checklists to manage operational risk

In July 2002, the key non-financial risks were identified for each department and prepared into checklists to be used when examining key risks. Such checklist examinations have resulted in the early identification of issues, action plans to solve and prevent their recurrence, as well as basic data necessary for the measurement of operational risk. Following the merger with Seoul Bank in 2002, the checklists have been updated as and when necessary.

2. Measurement of operational risk based on the standardized approach

Based on the Basel standardized approach and FSS guidelines, the Bank has developed a method of calculating operational risk capital. The Bank’s businesses were divided into 10 business areas and a factor was assigned to each business area (12%~18%). The sum of the gross income of each business area multiplied by the applicable factor is used as a yardstick to measure operational risk capital. In June 2003, the Risk Management Team developed a measurement system, based on the standardized approach described above, within its Risk Management System. The system regularly produces a measure for operational risk.

3. Development of an advanced operational risk management framework to meet the requirements of Basel II

The Operational Risk Task Force Team was launched in October 2003 and is an on-going consulting project related to building an advanced operational risk management framework.

Preparations for Basel II

The Bank views Basel II Capital Accord not simply as a new capital regulation but as a great opportunity to reform the Bank’s infrastructure. Basel II will become a new global standard in the banking industry and, in order to incorporate the Basel II spirit into our key risk control factors, Hana Bank is currently rebuilding a data mart as well as revising its risk measurement and control methods on the basis of PD (Probability of Default), LGD (Loss Given Default) and EAD (Exposure at Default). In addition, from January 2004, it will initiate a new risk rating system that generates facility grades from a matrix comprising borrower’s PD and LGD ratings and is plan to continue training its employees about the implications of the Basel II.



Hwan-Sang Koh
Compliance Officer
Compliance Management Team



Retail Banking Group

Hana Bank manages costs and re-evaluates the way it measures efficiency for process excellence.



Jung-Tae Kim
Deputy President & Group Head
Retail Banking Group

In 2003, the Retail Banking Group began paving the way to capitalize the synergy potential of our recent merger with SeoulBank so as to take a lead in the domestic retail banking market. Through the post-merger integration process, the Group realized that its new strategic capital lay in challenging the traditional approach to competition and value creation and that the Group could serve its customers better if armed with a greater knowledge of its assets and by improving the way it operates. With such an understanding of its customers and future growth opportunities, the Group concentrated on raising its Net Interest Margin (NIM) over volume in 2003.

In addition, it began exploring new opportunities by strengthening its NIM structure and cross-selling tools. In particular, through a well-articulated strategy to win a competitive edge with regards to its bancassurance business, which the company initiated in Korea ahead of all rivals, the Group won tremendous incentives as a market creator. In line with this, the Group introduced ELD to eliminate its customers' ongoing fears regarding low interest rates. This product was designed to ensure both high returns and stability, and created over KRW one trillion in revenue. At the same time, the Group successfully implemented effective and conservative measures to tighten risk management for its retail and credit card customers. These customer-centric executions of strategy heightened the Group's transparency and stability at a time when the domestic market was buckling under the weight of mass credit card delinquencies in 2003.

At the end of 2003, with 3,816 personnel running 374 branches and a headquarters overseeing 11 related departments, the Group posted total deposits of KRW 36.5 trillion and total loans of KRW 24 trillion. Among these, household deposits and loans amounted to KRW 25.5 trillion and KRW 18.8 trillion, respectively. With these figures taken into account, the Group posted an operating income of KRW 1,150 billion and a controllable income of KRW 660 billion, thanks to a base of approximately 365,000 main customers in 2003.

For 2004, the Group will be more productive and contribute to elevating the bank to a position where it can reach its vision of joining the world's top 100. In doing this it will observe the five core initiatives for collaboration and value creation: Productivity, Customer-centricity, VIP Market Leadership, Market Share Expansion and Risk Management.

To maximize productivity, the Group will target its mass market to manage costs and re-evaluate the way it measures efficiency for process excellence. The Group intends to continue emphasizing ways to improve NIM. It also aims to improve its low cost funding structure by strengthening the core deposit base through generating more opportunities in the areas of cross selling, salary transfer accounts, apartment maintenance fee accounts, and Internet and phone banking. This will be done while actively seeking product, service and CRM development by targeting customers with healthy credit histories. Furthermore, the Group will continue working for better net interest margins and general profitability by capitalizing its advantages as a Bancassurance market leader and by creating indirect investment products to improve both productivity and stability.

The Group will execute a customer-centric strategy in 2004. For this initiative, the Group will concentrate on successfully adapting a new CRM System (reorganized after the recent merger with Seoul Bank), while intelligently utilizing customer data and applying its HNW-driven strategy.

In order to maintain the Group's market leadership, the Group will expand its sales capabilities via

Retail Banking Group

Hana Bank will strive to raise the soundness of risk management and strengthen early warning systems.

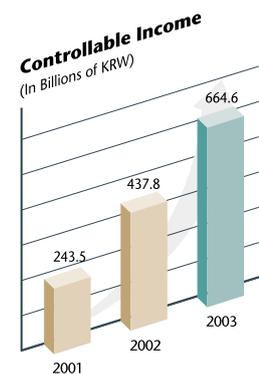
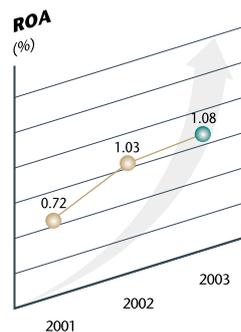
creative marketing activities. Furthermore, the Group will establish a systematic marketing strategy and provide better management tools based on CIS and case studies. The Group will also apply fair and reasonable performance reviews and establish reward systems while running world-class training programs for its PBs.

Upon completion of the post-merger integration process, especially as this pertains to the Company's general organization and risk management, the Group intends to expand its market share through aggressive sales and marketing programs in 2004. In order to realize such objectives, the Group will adopt a more systematic way of operating and managing data, and design particular sales and marketing tools for each specific customer segment.

The Group will strive to raise the soundness of its risk management and strengthen its early warning systems for credits bearing considerable hidden risks for household loans, SOHO loans and credit card loans based on their product group, location, and delinquency and write off ratios. The Group will view its risk management system as not simply a new regulation but a great opportunity to renovate the bank, thereby improving its structural well-being and transparency.



Deok-Jung Cho
Senior Executive Vice President & Group Head,
Retail Business Planning Group & Promotion Group
Retail Banking Group





Wealth Management Group

Hana Bank is regarded as a pioneer in the domestic PB services.

Hana Bank is regarded as a pioneer in the domestic market for private banking services. Its capabilities in this area are well regarded and sought by both domestic and international clients. In conjunction with the integration process that followed the recent merger with Seoul Bank in December 2002, the Bank launched a Wealth Management Division to continue expanding the scope and level of its services to facilitate our VIP clients' objectives.

The Wealth Management Group at Hana Bank consists of wealth management teams for high net worth individuals worth more than KRW 1 billion and selected corporations. Hana Bank's wealth managers are intensively trained specialists in various fields of financial services, who deliver a full spectrum of customized solutions to our customers from wealth management and life plans to real estate management, as well as providing non-banking services to help our customers' general prosperity. The combined resources of Hana Bank, Hana Securities, IBG, Hana-Allianz ITMC, and third party alliances ensure the products and services delivered are of the best quality and help boost our reputation for proactive marketing.

The Institutional Business Department, with almost 110 clients at the end of 2003, managed assets worth KRW 432.2 billion with funding of KRW 458.5 billion and achieved a 21.3% level of market growth based on its expertise and innovative marketing strategies. It plans to maintain a well-balanced rate of growth by focusing on improving its NIM and by expanding its sales capabilities. In 2004, in particular, the Wealth Management Division intends to strengthen its customized services for all VIP clients to build long-term relationships with them based on its excellent standards of confidentiality, compliance, and innovation.

In addition, in 2004, Hana Bank will not pause solidifying its leading position through its distinguished services to high net worth and ultra high net worth individuals. Throughout its business with high net worth individuals, the Bank discovered that their demands vary according to income level, geographic distribution, ages, and other categories of segment distinction.

To better serve these diversified and sophisticated demands of our HNW customers, the Bank has tried to find best ways to provide convenient and trustworthy solutions and, as a result, it is in process of launching Private Bankers' Business Group in the upcoming year. The Bank will specialize its core competencies on defining and solving the current and future needs of its HNW customers not only in terms of providing financial services and advices but also committing itself as a life trustworthy partner. With such redefined and further segmented groups of highly trained specialists, the Bank intends to further differentiate our services for the most affluent in Korea and strengthen its competitiveness and market leadership in the domestic HNW market.



Jong-Jun Kim
Executive Vice President & Group Head
Wealth Management Group

Credit Card Division

Hana Bank manages the asset soundness to the finest level among its peers.

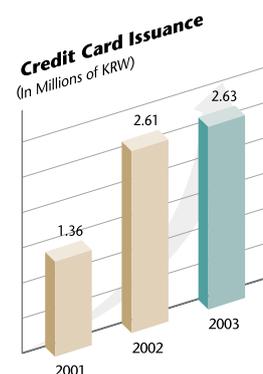
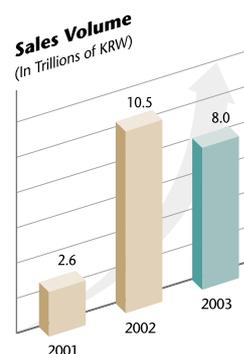
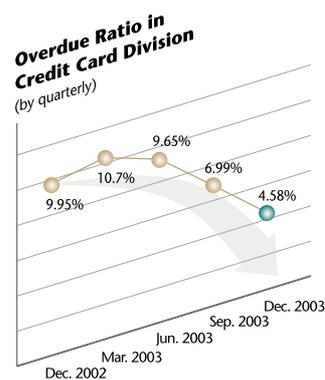
Without a doubt, 2003 was the toughest year in history for the domestic credit card industry. In addition to a nationwide surge in the ratio of overdue debt, the economic slowdown and regulatory changes made us reconsider the way we approached the market and the steps we need to take to create a sound credit culture in Korea. The Credit Card Division responded to this challenging market situation by implementing a conservative provisioning and write-off policy. Thanks to our proactive asset management and the hard work of every single member of Hana Bank, the overdue ratio at the end of 2003 decreased by more than 50% from its figure in 2002.

As for the loan loss provisioning, we erred on the side of caution by adopting an even more conservative approach than that laid down by the revised FSS regulation in 2002. The provisioning rate for credits classified as 'normal' increased from 1% to 3%, or from 7% to 12% for credits classified as precautionary.

As a result, the Division created a provision KRW 33.3 billion higher than the minimum required to cover its potential loan losses. Managing our asset soundness to the finest level among its peers, the Division achieved sales of KRW 8.0 trillion and recorded a net fee income of KRW 215.0 billion during 2003. Meanwhile, the number of cards issued increased by 23,708 from 2002.

The credit crisis in the household sector and the incident concerning LG card at the end of 2003 dramatically changed our perception of industry practices. From a practical standpoint, the Division is not only obliged to set new standards but is also determined to establish a new business model. It will therefore:

- 4 Pursue a sound asset portfolio over expanding its sheer market share.
- 4 Retain customers with good credits from our competitors.
- 4 Stress preliminary risk management to minimize costs pertaining to overdue credit.
- 4 Realign our fee revenue structure and seek new income sources.



Hee-Won Shim
Senior Executive Vice President & Division Head
Credit Card Division



Corporate Banking Group

The Corporate Banking Group has distinguished itself from its domestic competitors by providing better value for money and higher quality services.

From corporate cards to advisory services, and from overdraft accounts to debt and equity financing, the Corporate Banking Group has distinguished itself from its domestic competitors by providing better value for money and a higher quality service. In order to be more efficient and provide business solutions suited to each corporate client, the Group has sub-divided into the Promotion Group for Large Corporate and Small & Medium Enterprises to better distribute its expertise.

4 Marketing Channels of Corporate Banking Group

Classification	Divisions	RM Team	Branches	Employees
Corporate Banking Groups	7	28	65	1,049
Large Corporate Promotion Group	2	10	7	183
Small & Medium Corporate Promotion Group	5	18	58	866

A year of change amid a challenging market

The domestic corporate loan market recorded KRW 37.5 trillion year-on-year growth. In contrast, the SK Global and LG card incidents raised concern over how vulnerable large corporations are to credit risk, making 2003 arguably the most difficult year for the nation's large corporate loan market in recent memory. Such circumstances forced many banks to choose between growth and balance. Ultimately, Hana Bank opted against pursuing greater volume and focused on a new strategy of minimizing the risk of unbalancing its asset portfolio after the merger with Seoul Bank. In response to this, the Bank took measures to protect itself against excessive exposure from single borrowers and began scaling back credit to large corporations to minimize credit risk in the corporate loan sector, which helped stabilize the Group's loan portfolio. From last year, the Group's loans for large corporations decreased by KRW 2.2 trillion to KRW 5.8 trillion and loans for SMEs increased by KRW 1.8 trillion to KRW 8.1 trillion.

4 Market Shares in 2003

Classification		(In Trillions of KRW)				
		2001	2002	2003	Changes in 2003	Changes as %
Large Corporate	Hana Bank	11.8	12.3	9.5	-2.8	-22.8%
	Domestic Market	98.4	100.9	99.0	-1.9	-1.9%
	Market Share	12.0%	12.2%	9.6%	-2.6%	-
SMEs	Hana Bank	12.2	14.6	18.5	3.9	26.7%
	Domestic Market	172.4	207.3	246.7	39.4	19.0%
	Market Share	7.1%	7.0%	7.5%	0.5%	-
Total Corporate Loans	Hana Bank	24.0	26.9	28.0	1.1	3.9%
	Domestic Market	270.8	308.2	345.7	37.5	17.1%
	Market Share	8.9%	8.7%	8.1%	-0.6%	-

* Based on total loans of entire bank, including Corporate Banking Group.

The Group concentrated on heightening its profitability, creating a more efficient business environment after the merger, and seeking new income sources in 2003. As a way of meeting these goals, it implemented the following strategic initiatives:

- 4 Improve the Bank's corporate credit pricing system to secure stable business costs and minimize operating margins based on risk premiums for each client and product.
- 4 Reposition marketing channels to best reflect changes in the local commerce and growth in the local economy to help the Group optimize its business organization.



Chang-Sup Rhim
Senior Executive Vice President
& Group Head
Corporate Banking Group

Corporate Banking Group

Hana Bank has forged new paths for others to follow in the domestic market for investment banking services.

- 4 Expand fee revenue with an extended import-export service by 'foreign currency transaction branches.'
- 4 Expand into new areas such as managerial consulting services and real-estate related businesses with special task forces.
- 4 Perform a quality credit grade screening for each industry and enhance the corporate delinquency watch system for constant risk management.

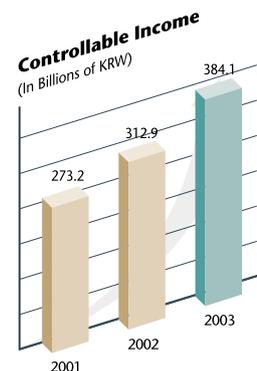
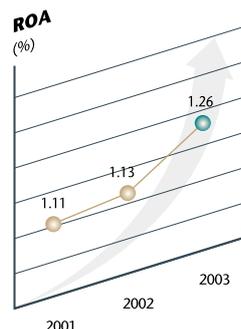
Our strenuous efforts to cope with market challenges resulted in buoyed up self-confidence and better profitability. Controllable income rose by KRW 71.2 billion from 2002 to stand at KRW 384.1 billion. In terms of asset management, the Group proved its upgraded managerial efficiency by achieving 1.26% of ROA, a 0.13%p increase from 1.13% in 2002.

Overall, 2003 was a year of marked change filled with various market challenges and the Group conquered them without compromising its values. Its commitment to maximize customers' satisfaction and achieve market excellence will continue unabated in 2004, along with a new range of strategies currently under consideration. These include:

- 4 Diversifying revenue sources such as operating activities through an overseas network and by enhancing the corporate intermediary business.
- 4 Enhancing managerial efficiency by improving both the operating process and the Group's Customer Relationship Management.
- 4 Raising the standard of risk management by periodically reviewing the loan portfolio and the operations of the overdue credit management system.
- 4 Fortifying RMs' core competences by continued training programs to deliver the most efficient and best quality services to corporate clients.



Bo-Sik Jun
Senior Executive Vice President & Group Head,
Large Corporate Promotion Group
Corporate Banking Group





Investment Banking Group

Hana Bank created new paths as a market leader in the domestic investment banking services

Hana Bank's Investment Banking Group (IBG) has forged new paths for others to follow in the domestic market for investment banking services. In conjunction with the Corporate Finance Group of Hana Securities, the IBG provides the full spectrum of investment banking services, from mergers and acquisitions to corporate restructuring, from debt financing to equity investments, from securitization to IPOs, as well as providing solid research capabilities to help our clients achieve their financial goals. In particular, the IBG's execution capabilities are well-regarded and sought after by both domestic and international clients. Additional synergies are achieved through the combined resources of Hana Bank, Hana Securities, Hana-Allianz ITMC, and Hana-Allianz Bancassurance.

With the continued advances in technology and globalization, market players are required to adapt quickly to the changing environment. In this regard, the Korean economy continues to restructure and move from being a financial market dominated by bank-lending to a more capital markets-oriented one. In order to accommodate the needs of corporate clients, a much broader range of banking products and services must be offered. This is also true for institutional investors that have become more active in the domestic market. The IBG continues to expand the scope of its services to facilitate our clients' objectives.

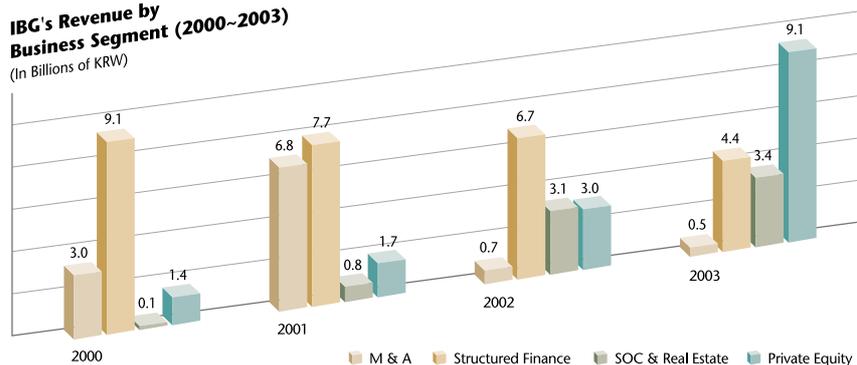
By the end of 2003, the IBG's Bank Division had successfully arranged and participated in syndicated financing exceeding a total of \$1.2 billion and helped maintain IBG's reputation as a market leader. In addition, the Bank Division continues to provide M&A advisory services to clients on both the buying and selling side with a total transaction value exceeding \$3.3 billion to be completed in 2004. The Bank Division anticipates increased activities through leveraged buy-out opportunities as a result of corporate restructuring efforts that commenced in 2003 and have run into 2004.

In 2003, the IBG's Securities Division issued \$0.9 billion in corporate bonds by an initial public offering. Also, the IBG ranked third in the industry as a fixed income brokerage and sixth in terms of ABS underwriting, with approximate total amounts of \$95.8 billion and \$1.3 billion, respectively. Following on from work that commenced in 2003, the IBG's Securities Division will continue with its mission to list no less than six companies on the KOSDAQ in 2004.



Eugene H.J. Bang
Senior Executive Vice President
& Group Head
Investment Banking Group

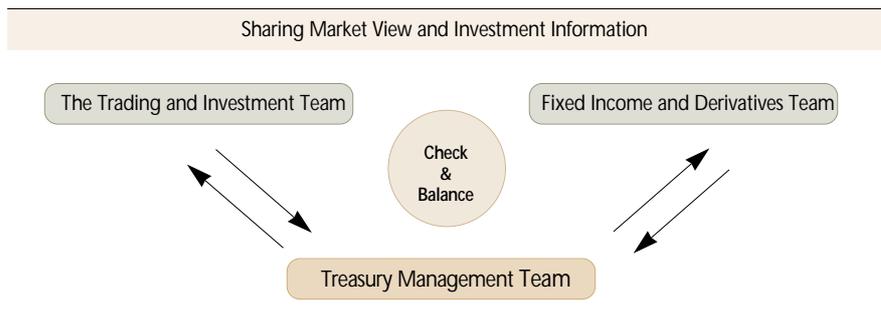
IBG's Revenue by Business Segment (2000-2003)
(In Billions of KRW)



Treasury Division

The Treasury Division will seek a steady growth of our current income from portfolios.

Since the merger with Seoul Bank in 2002, the Division has continuously reformed itself to meet the increasingly volatile and dynamic market conditions. One of its reform-based initiatives involved setting up a new unit called the "Fixed income and Derivatives team" in November 2003. This was designed to meet customers' diverse needs as well as help expand the derivatives markets in Korea. Investments in derivatives and related profits grew astoundingly in 2003 and are expected to double in volume this year.



The Division is comprised of three units. First is the *Treasury and Management Team*, which is in charge of the Treasury, middle-office, back-office and corresponding banking functions. In addition, one of its main functions is to maintain an appropriate liquidity level for the bank through both long term and short term financing. The *Trading and Investment Team* manages financial assets such as Korean fixed incomes, shares and foreign currencies; and the *Fixed Income and Derivatives Team* mainly focuses on managing derivatives products and foreign currency denominated fixed income assets. All investment and trading activities are closely monitored by the middle office, with its self-developed Securities Management System and other corresponding systems for exchange desk and derivatives desk.

(In Billions of KRW)

Asset (Trading & Investment)	Book Value	Weighted Average Book Value	Interest Income(A)	Gain on valuation (Incl. Capital Adjustment)(B)	Gain on sale(C)	Total Return (A+B+C)
Domestic Fixed income Securities	13,851.3	12,932.1	638.1	-61.8	92.0	713.3 (5.52% per annum)

* Return from the domestic bond management in 2003.

In 2003, the growth rate of the Korean economy stood at 2.9%, with interest rates falling from 5.07% to 4.81% (3 year Treasury bond). With the aid of our dealers' acute market analysis, profits from our portfolios were moderately above market average at around 5.52%, thanks to well-guided fixed income securities management throughout the year. As the global and domestic economy is expected to rebound in 2004, the Division will strategically manage its asset diversification to enhance returns.

For 2004, the Division will seek a steady growth of our current income from portfolios. A more diverse portfolio can be negotiated to optimize current income. First, the Division will act more aggressively in arranging syndication markets. Second, customized and structured derivatives products will be continuously developed and marketed in both domestic and foreign markets. Finally, the Division is planning to issue a Euro bond that will level up our status in international capital markets.



Jeong-Ho Suh, Ph.D.
Senior Executive Vice President & Division Head
Treasury Division



Chungchong Business Group

Chungchong Bank has positioned itself as one of the strongest regional banks in Korea.



Sung-Ho Choi
Deputy President & Group Head
Chungchong Business Group

Having originated from Chungchong Bank in the pre-IMF era, Chungchong Business Group is known for being a role model of how a regional bank can progress after merging with a nationwide player. Since its acquisition by Hana Bank in 1998, the Group has scaled new heights in terms of productivity and now offers the highest level of customer satisfaction within the Daejeon and Chungchong area. Positioning itself as one of the strongest regional banks in Korea, the Group has been a reliable partner in boosting economic development in its area.

Core projects that the Group focused on in 2003 included:

- 4 Building a Negotiation Information Database System
- 4 for large corporate customers and for small and medium enterprises
- 4 Introducing the Hankkumi Card to the area
 - Issued 122,242 cards in total (including Hankkumi credit card) and attracted 1,314 vendors at the end of 2003.
 - The card was designed not only for transportation payments, but also to serve as a user-friendly financial service in people's daily lives. Supporting financial activities in hospitals, pharmacies, public events and grocery stores, etc., the card is contributing to a more convenient and advanced lifestyle.

As a result, 2003 became another year for Chungchong Business Group to reaffirm its leading position in Chungchong Province. As of the end of 2003, the Group's deposits and loans amounted to KRW 7.0 trillion(US\$5.9 billion) and KRW 5.2 trillion(US\$4.3 billion), respectively. And the Group anticipates further growth in 2004 with a booming local economy triggered by the transfer of the nation's administrative function to the Chungchong area. Accordingly, the Group set a more aggressive performance target for 2004 at KRW 8.4 trillion(US\$7.0 billion) in total deposits and KRW 6.1 trillion(US\$ 5.1 billion) in total loans.

As a means of achieving these business goals in 2004, the Group will observe the following guidelines.

- 4 Strengthen VIP Marketing from VIP centers by specialized channels
 - Market Assets, Infra Assets and Membership Assets
- 4 Promote Target Marketing for large corporate customers and for small and medium enterprises by using the Negotiation Information Database System
- 4 Improve the CSI (Customer Satisfaction Index) to meet our customers' high expectations
- 4 Diversify sources of fee income so as to increase commission income
- 4 Promote a sound corporate culture and encourage employee volunteerism

Aside from enhancing its business performance, the Group did not lose sight of its responsibilities to the community. Chungchong Business Group is proud to be a continued supporter of the handball team in Southern Chungchong Province and the lawn tennis club in the metropolitan city of Daejeon. In terms of promoting local cultural activities, the Group is hosting annual 'green concerts' in Daejeon and Cheongju (held in Cheonan in 2003). The Group will keep pushing ahead with its effort to be a 'bank of choice' by supporting the development of regional culture and by sharing the Group's achievement with the community.

Yeongnam Business Group

Yeongnam Business Group secured a sound position in the market with KRW 102.1 billion of controllable income and 1.96% ROA for 2003.

Yeongnam Business Group was formed immediately after the merger with Seoul Bank at the end of 2002. As a newcomer in the market, it faced an immediate hurdle in trying to integrate its employees smoothly, then worked on ways to curb the increasing delinquency ratio caused by uncertainty in the local economy so as to develop into a strong regional player. The Group achieved KRW 4.5 trillion in total deposits and KRW 5.3 trillion in total loans at the end of the first business year. It also secured a sound position in the Yeongnam banking market with KRW 102.1 billion of controllable income and 1.96% ROA for 2003.

These results put the Group in a good position to project ahead and set realizable targets for 2004, as its team continues maximizing the synergetic effects of working together and the local economy bounces back from a hard recession. Considering Hana Bank's relatively low market share in Yeongnam province, the Group believes that there is still more room to grow. Accordingly, it will first concentrate on extending our market share in this area then broaden the scope of our branch network and combat the local reliance on regional banks. We have outlined the following goals to accomplish these business objectives:

- 4 Realign our branch channels to give customers easier access.
- 4 Establish a corporate image as a stable nationwide bank.
- 4 Operate customer-segmented marketing strategies.
- 4 Provide our customers with more value and higher satisfaction.
- 4 Enhance internal controls to minimize operational risk.
- 4 Continue educational programs and on-the-job training to upgrade our business performance.

For better profitability, the Group will work hard to drive down funding costs by increasing low cost funds in the upcoming year. In terms of managerial planning, it will prioritize keeping customers happy as it anticipates that the number of retail deposit customers will increase 19% to 646,000 households, and the number of corporate loan clients will rise by 23% to 12,000 companies.

Its retail sector will begin using multilateral marketing to attract more customers in the Middle and Mass segment while increasing the number of Private Bankers to secure sufficient channels to high net worth individuals in the area. The Group will also seek out new revenue sources in the bancassurance business and indirect investment products that will eventually substitute themselves for some retail deposits. The firm stance taken on household loan delinquencies in 2003 will continue this year as they are rigorously monitored to keep them in check.

As most of large corporate clients concentrated their financing activities in Metropolitan area, the Group mainly targets on Small & Medium Enterprises (SMEs). We will support local business transactions among SMEs by promoting loans for corporate purchase or collection as well as expanding lines of credits related to the business with newly developing countries such as BRIC. Our business model for corporate banking sector in 2004 assumes that domestic economy will recover from manufacturing industry in the 2nd half of the year. And the Group aspires to be a reliable partner for the revival of local economy, not to speak of sharing our core value with community: highest shareholders' value, transparent management, and stewardship to our customers.



Hee-Dae Kim
Deputy President & Group Head
Yeongnam Business Group



Trust Business Division

Hana Bank's Trust Business Division differentiates itself from other banks through its solid sales network specifically targeting PB and corporate customers.



Wan-Sun Hong
Executive Vice President &
Division Head
Trust Business Division

As a leader in the trust business, Hana Bank's Trust Business Division focuses on responding swiftly to the rapidly changing financial business environment.

The Division's Trust Department makes it a point to enhance operational efficiency and stability, both in relation to the management of customers' assets in the form of securities and/or real estates. As befits one of Korea's most prestigious trustee banks, the Investment Trust Department strives to guarantee a first-rate service regarding custodies of marketable securities for investors both at home and abroad. The Department obtained the ISO 9001 certification from the SGS for its high quality service concerning the care and management of marketable securities.

Hana Bank's Trust Business Division differentiates itself from other banks through its solid sales network aimed at PB and corporate customers. The Bank has secured its position as a genuine leader in the area of banking trusts by concentrating on introducing new products led by mark-to-market funds, specified money trusts, cinema investment trusts and silver care trusts.

As of the end of 2003, the Division posted a total of KRW 11.64 trillion (i.e. KRW 6.4 trillion in money trusts and KRW 5.24 trillion in property trusts) in the trust business, plus KRW 22.1 trillion in securities investment trust business.

The Trust Business Division has extended its business into a new realm to better serve our customers and the community. In addition to becoming the first bank to develop the Cinema Investment Trust in 2001 to facilitate investment in the film industry, the Division again led other banks by developing the Silver Care Trust in 2002 to prepare for our aging society. The Division also established its computer-related infrastructure by adopting the ISO 15022-based SWIFT receipt/transmission system to invigorate the overseas custody business. This innovative tradition continued in 2003. The Division launched Hana Realty Club and provided services for management, acquisition or disposition of real estate on behalf of customers.

During 2003, the Division provided gifts and subsidies to a total of 14 elementary schools, plus 23 non-profit-making welfare organizations and special schools for the handicapped. This effort to evolve into a "Sharing Bank" was financed by the proceeds from community welfare enhancement programs. The Division aims to invite as many people and organizations as possible to join its trust business on behalf of the public good, as greater participation will reap greater community benefits.

Another crucial service being offered to customers is comprehensive property management. Invigorating the property trust business, the Division plans to streamline a cooperative network, with expert institutions providing better service on real estate and securities deposited by corporate or private customers.

The Division will also work toward improving assets and accelerating product development in cooperation with world-class asset operation firms. In the case of specified money trusts, the Division plans to provide comprehensive investment services by developing a wrap account-type product designed to form optimal portfolios suited to individual customers' characteristics and needs.

As for the asset custody business, the Division will do its best to strengthen its profitability by concentrating on attracting foreign investors, while diversifying customer segmentation by opening its doors to government-related funds, including pension funds, and welcoming insurance funds from life insurance companies. It will also aim to secure funds from investment trust-related and asset management firms.

IT Division

IT Division has established a detailed strategy to ensure a flawless post-merger system integration.

Hana Bank's long-term management plan is geared toward securing the title of Korea's leading bank by developing and reinforcing a strong banking system base. The IT Division, for our part, have established a detailed strategy to help catalyze the Bank's operations through standardization, visualization, differentiation, stability and efficiency – all as a means of ensuring customer satisfaction.

The Bank is constructing a property recovery system that can be enabled quickly in the event of a breakdown. Upon the establishment of the system, our on-line service will be able to minimize the loss of – or damage to – information because it reactivates within a maximum time frame of two hours and reduces the time that the service may be interrupted. The Division built up an exclusive network which connects the head office to our branches with two functions: facilitating internet and e-commerce networking in our ordinary course of business, and providing a backup service in the event of power shortages and other electrical mishaps. This ensures customers are not penalized for technical problems.

Contemporary financial institutions have been exposed to various market risks, such as the collapse of firewalls among industries, the advent of world-class players armed with advanced financial products, and the ever-changing needs of our customers. Hana Bank established necessary strategic information plans for each field to respond to this challenging environment and implement those plans on annual basis.

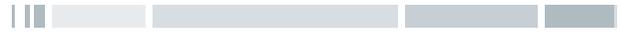
Our biggest challenge in 2003 was the IT integration between Hana and Seoul Bank. The initiatives were taken to minimizing our customers' inconvenience and loss of our resources, enhancing the strengths of both IT systems. We successfully integrated our computer system within merely 6 months, taking full advantage of our experience in IT integration from the past two mergers.

In addition to our successful post-merger integration of IT system, we were selected as the best bank for Internet banking by specialized Internet financial consultant company Stockpia in 2003. We were also awarded the first prize for digital knowledge management by the Ministry of Information & Communication and the Federation of Korean Industries. All of these awards reflect our dedication to providing the very best service to our customers.

Our plans for 2004 focuses on strengthening and expanding our advanced computer system. Through this, we will observe the best-banking principles and to preserve our customer base. In order to become a leading bank worldwide, Hana Bank will strengthen its integrated CRM construction, which is designed to support each business groups' operating activities. The Division's another crucial strategic issues in 2004 includes extending its e-channel business, developing Banking IC, and continuously expanding our information infrastructure such as Hana Credit Grading System and our Credit Risk Management.



Se-Woong Kim
Senior Executive Vice President &
Division Head
Information Technology Division



EC Business Team

Hana Bank consistently has evolved to exceed the ever-changing needs of our customers.



Sang-Seong Oh
Senior Executive Vice President & Group Head
Business Support Group

Innovative growth in the field of information technology is bringing rapid advances in automation and networking, as well as in the development of e-finance. These trends will continue well into the future and have already created a customer base that demands more convenient and wider-ranging financial services. As such, we at Hana Bank consistently rise to meet the ever-changing needs of our customers.

Accomplishments in 2003

Successful post-merger e-banking channel integration

4 We successfully completed the e-banking channel integration in a remarkably short time.

Immediately after the merger, customers at Hana Bank and Seoul Bank were provided with unified services on the same website, and before the end of the first half of the year, we completed the entire process of unification thereby reducing any inconveniences to our customers.

Expansion of transaction services and marketing function

4 Services provided over the Internet were continuously expanded, and we held various events for our customers in order to enlarge our customer base and their use of our e-banking services.

4 We continued various marketing activities through e-CRM channels such as e-mails, web magazines, and the short messaging service (SMS) as a means of providing optimized financial information and advice.

Profitable new e-business

4 We maintained our support for existing channels not only by reinforcing traditional fee-based e-businesses such as virtual accounts and firm banking, but by seeking new revenue sources for our e-business such as through our various IC card businesses, our escrow account service and our payment matching service (HPMS), which enables SOHOs to manage their capital more easily.

Plans for 2004

E-Banking: Taking new initiatives

4 We are planning to increase the numbers of transactions available through electronic channels as a means of shifting our offline customers to our online website so that low cost deposits and profitability will grow.

4 Our integrated e-CRM system will provide unified messaging to customers through SMS, e-mail, and via websites. In addition, the expanded function of the EBPP Center on our website will enable us to receive Giro[L.P.S1], national treasury funds, school registration fees, and much more. In addition to this, our upgraded HEMS (Hana E-mail Marketing System) will enable improvements to the online and offline marketing management of our branches.

Exploring new fields in e-business

4 Our full-scale escrow service will support electronic commerce settlements, and our distributor-connected service will help in the development of complex financial products and provide a solid base for e-commerce.

4 Alliances with mobile telecommunication companies will enable us to develop composite financial products for mobile banking.

4 Other e-business fields will also be explored like home networking, and B2B settlements; expect even more developments in the e-finance area in the near future.

Corporate Philanthropy

Corporate Culture: Socio-Cultural Activities

Hana Bank is devoted to establishing a corporate culture that promotes not only our company's basic duty of serving our shareholders, customers and employees but also our social responsibility as a company that benefits the public. In order to put those ideas into practice, we have built a corporate culture that is divided into three parts and named them accordingly. The Green Bank is responsible for conserving the environment, the Culture Bank promotes a love for art, and the Sharing Bank cares for our lonely neighbors.

Green Bank: Saving the Environment

Nature-Lovers' Poster Contest and 'Art Room of Your Dreams' Project



Every year, we hold an art contest under the theme of 'Loving Nature and Caring for the Environment.' Nationwide elementary school students participate in the contest. We also select three schools among the participants and donate an 'Art Room of Your Dreams' to them.

Nature-Lovers' Concert



We arrange various concerts of classical music orchestras, Korean pop singers, and local community choruses. We offer those concerts free of charge in order to promote the importance of protecting the environment and to introduce high-quality performance art to the general public.

Environmental Risk Evaluation System

We are the first Korean bank to introduce an environmental risk evaluation system. We screen loan applications under the system and restrict loans to companies with high environmental risks. It is a policy to indirectly prevent the destruction of the environment.

Forest Camp



This event was designed to open people's eyes to the importance of family and environmental conservation. The event began in June 1993 and last year celebrated its 25th anniversary. Forest Camp, which is free of charge, is highly welcomed by citizens thanks to a range of events including 'Forest Exploration' with local experts, a special 'Environment School,' and 'Concerts in the Forest.' It is also playing a vital role in promoting the health of the nation's forests.

Cultural Bank: Promoting a Love of Art

Sponsoring the Korea Festival Ensemble and Hosting Hana's Classic Academy

We are an official sponsor of the Korea Festival Ensemble, a 50-member chamber music group that was established in 1986. We are making efforts to make the general public more aware of classical music by financially supporting the Group on an annual basis and sponsoring its concerts. Hana Classic Academy, co-organized by Hana Bank and Korea Festival Ensemble, provides concert-style classical music lectures by the best performers in Korea. The academy opened in 2000 and is currently running its fifth six-month course.

Women's Writing Contest: A chance for women to turn their professional writing ability into a career.



We hold writing contests for talented housewives and students alike. The contestants write poems or essays about their everyday lives. We held the seventh contest in 2002 and the prize-winners in each sector officially entered Korea's literary circles by being featured in prestigious literary journals such as Shimsang and Art World.

Hana Love: A cultural space

We are the first Korean bank to run a free art gallery, Hana Love, in order to offer free exhibition space for artists who can't afford it and to provide opportunities for our customers to enjoy various cultural events. Hana Love is located in Pyunchang-dong, Seoul.

Calendar Design Contest



We provide budding designers at college with the opportunity to gain wider exposure by designing our corporate calendar by entering the Calendar Design Contest, which saw its seventh anniversary in 2003. Every year more than 400 university students majoring in design participate alongside professional designers in a contest that has already gained immense prestige in Korea.

Seoul Museum of Art

On December 6, 2002, we held a reception to celebrate the successful merger with Seoul Bank at Seoul Museum of Art, and also held a signing ceremony to help sponsor the museum into the future. On the occasion, we donated artist Lee Woo-whan's piece dubbed 'Form a Spot' (161*131cm, 1975) to the museum and promised to give our long-lasting support.

Sharing Bank: Giving hand to our lonely neighbors

One-on-One Volunteer Project to Help the Disabled

We established a firm alliance with a welfare association for the disabled in 1997. Since then, 600 executives and employees of Hana Bank have formed one-on-one relationships with the disabled who are living in welfare facilities and donated KRW 5,000 every month. As of August 2003, the executives and employees of Hana Bank had donated a total of KRW 240 million to this cause.

Sponsoring the Job Fair for the Disabled

We sponsor the annual Job Fair for the Disabled that is organized by KEPAD (Korea Employment Promotion Agency for People with Disabilities). We provide a venue for the event by donating our company building that is accessible via Euljiro-ip-gu station on subway line two. This ensures that disabled people who cannot move freely

have easy access to the job fair. In the past, we not only provided the venue but also provided generous sponsorship in the guise of necessities such as hanging placards, stationery and snacks.

Sponsoring Young Family Heads

We started helping the heads of young families from January 1990 to provide financial support through school and see them into responsible adulthood. Employees who are willing to help these youngsters voluntarily deduct money from their paychecks so as to furnish 80 young adults selected by the Korea Welfare Foundation with KRW 100,000 a month until they graduate from high school.

Participating in the Beautiful Foundation's Campaign



The Beautiful Foundation promotes campaigns to establish a new culture of giving. Hana Bank is an official sponsor of the foundation, and our President Kim Seung-yoo has been working as its director since it was first established in November 1999. Many executives of Hana Bank also participated in the 'Beautiful Store' (May 2003) and 'the Grand Flea Market' (November 2003) that were designed to practice sharing by encouraging donations. We plan to pursue this campaign long into the future as a part of our corporate culture.

Helping Malnourished Children



Twice a year when schools go on vacation, we donate 100 bags of rice to help boost the morale of underfed children in 18 study centers for a period of one month. Although it may appear a small token of help, this contribution provides each of these children with lunch for the duration of their vacation-which they would otherwise be forced to forego.



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Management's Discussion & Analysis

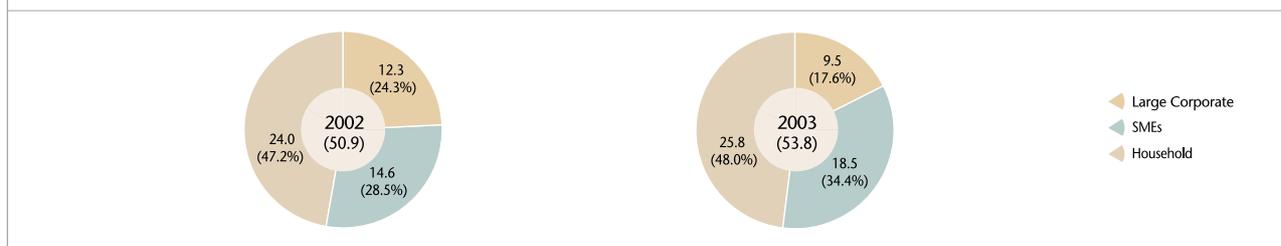
I. Overview

The year 2003 cast numerous challenges upon the Korean banking industry such as the SK Network accounting fraud, the credit delinquencies in retail and credit card markets, and the LG Card liquidity crisis at the end of the year. These difficulties have forced us to reflect upon the way we have conducted our business and redefine our strategic focus. We believe that such introspection helped us secure the leading market position in 2003 by successfully completing the post-merger integration with SeoulBank and by introducing new industry practices in regards to our fair treatment of the SK Network incident.

The Bank maintained its managerial policies to improve profitability, asset soundness and preliminary risk management. In applying these policies, we took into account the changes in the market this year. For example, the Bank rebalanced its total loan portfolio by increasing our exposure to SMEs by way of enhancing our interest revenue and by preparing for market risk in the large corporate loan sector. The Bank also reduced its lines of credit to the credit card business to manage credit risk. As a result, the Bank's total loans at the end of 2003 reached KRW 53.8 trillion, a KRW 2.9 trillion increase from last year, rebalancing our loan composition to 17.6% large corporations, 34.4% SMEs, and 48.0% household loans. In addition, our credit card business reduced its business volume to KRW 1.7 trillion, focusing on stronger asset soundness.

Total Loans

(In Trillions of KRW)



* Based on Ending Balance of Banking & Trust Accounts

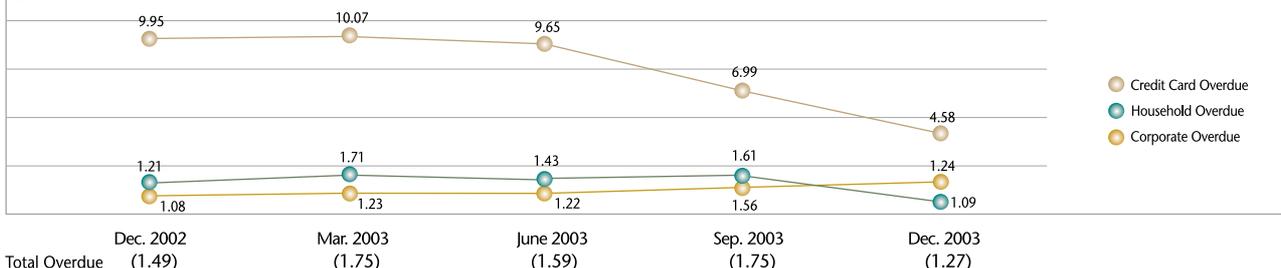
The Bank also has striven for maximization of revenue synergy since our merger with Seoul Bank in 2002. From an operating income perspective, we focused on improving our NIM by expanding the low-cost deposit base and by improving the match between interest-earning assets and interest-bearing liabilities. As for non-operating revenue synergy, the Bank concentrated on effectively managing its existing assets such as the disposition of real estate and overlapping assets as well as the sale of NPLs. These efforts expanded the Bank's revenue streams and positively affected the Bank's general operating income and non-operating income in 2003.

Another issue in 2003 was the sharp increase in overdue credit in the retail and credit card sectors. The Bank has been cautiously watching the trends of overdue ratios since this issue was first raised at the end of 2002, and managed to minimize the impact on our asset quality and earning stream. As a part of our efforts to maintain asset soundness, the Bank set aside KRW 829.1 billion for possible loan losses and wrote off KRW 526.3 billion of NPLs.

The Bank's overdue ratio, as a result, decreased to 1.27% from 1.49% in 2002. The Bank's ratio and coverage against substandard & below credits recorded 1.98% and 98.32%, respectively, which was the finest level among our peers.

Overdue Ratio

(%)



Management's Discussion & Analysis

Overall, the Bank earned KRW 517.2 billion from operations during 2003. Our increased earnings, following the necessary provisions due to the ongoing challenges in the credit card industry and the corporate sector such as SK Networks and LG Card, distinguished our financial indices from the market competitors.

The Bank's ROA and ROE in 2003 rose by 0.03%p and 3.01%p to mark 0.68% and 18.07%, respectively. EPS were buoyed by our enhanced earning power, increasing by KRW 863 to KRW 3,167. BPS reflected the increase in our shareholders' equity along with net income, resulting in a rise to KRW 19,155 from KRW 15,863 last year. BIS capital adequacy ratio also jumped to 11.17% from 10.30% in 2002, led by increasing Tier I capital.

II. Summary of Business Performance

Table 1) Statement of Income

For the year ending December 31, each year

	(in billions of Korean won)				
	1999	2000	2001	2002	2003
General Operating Income	775.7	800.6	1,057.1	1,191.1	1,986.2
Net interest income	523.0	693.6	769.9	904.0	1,441.3
Fees and commission income	208.9	144.3	258.5	315.8	557.4
Trading and evaluation income	73.8	6.5	83.8	41.3	74.9
Others	-30.0	-43.8	-55.1	-70.0	-87.4
General and Admin. Expenses	-299.0	-340.6	-396.5	-526.9	-882.0
Pre-provisioning Income	476.7	460.0	660.6	664.2	1,104.2
Provisioning for Credit Losses	-395.7	-521.6	-270.2	-153.6	-829.1
Operating Income	81.0	-61.6	390.4	510.6	275.1
Net of Non-operating Income	131.2	78.9	86.3	-54.5	217.7
Ordinary Income	212.2	17.3	476.7	456.1	492.8
Net of Extraordinary Income	0.0	15.8	0.0	0.0	0.0
Income Tax Expenses	-67.9	-12.6	-151.4	-132.5	24.4
Net Income	144.3	20.5	325.3	323.6	517.2
	CAGR of Net Income			37.59%	

Our net income in 2003 increased by KRW 193.6 billion compared to 2002. The Bank's net income has been increasing annually at a rate of 37.59% for the last 4 years. In 2003, this robust earning stream was even more accelerated by the expansion of business volume following the merger, improved NIM and NIS, and a tax shield from a net operating loss carryover. The gains from the disposition of fixed and overlapping assets and the sale of NPLs were other factors that supported the Bank's earnings. These improvements in our revenue aspect obviously exceeded the unavoidable increase in G&A expenses stemming from the merger and additional provisions necessary to cover the exposure to SK Networks and LG cards. We believe that the Bank will be able to realize the synergistic effects with even more solid operational results in 2004.

General operating income, the backbone of the Bank's earnings, grew by KRW 795.1 billion from last year to a total of KRW 2.0 trillion. This increase can be primarily attributed to a KRW 537.3 billion increase in net interest income from the growth in interest-earning assets with higher NIM. Secondary to this increase was the increment of KRW 241.6 billion in fees & commission income.

The merger inevitably increased our G&A expenses in 2003. Salaries and wages rose 64.78% from last year. Also contributing to the increase was the amortization of goodwill, which originated from the merger. Consequently, our cost-income ratio was up to 44.41% from 44.24% in 2002.

When we disregarded the amortization of goodwill, however, the ratio dropped to 42.31%, implying that the expenses incurring from our operations declined from 2002. Additionally, when we simply aggregated G&A expenses of the two banks in 2002, cost synergy from the merger became more evident.

Management's Discussion & Analysis

On an aggregate basis, G&A expenses increased by a mere KRW 18.0 billion from 2002 when combining salaries, wages and equipment expenses, decreasing by KRW 33.7 billion.

On the other hand, compared to last year the Bank set aside an additional KRW 675.5 billion for possible loan losses. KRW 350.8 billion of total provisions were for corporate loans, KRW 222.7 billion for household loans, and KRW 255.6 billion for the credit card business. This increase in provisions may be attributed to a natural increase due to the enlarged size of total credits and conservative provisioning for the household and credit card sectors since year-end 2002. The biggest drag on the Bank's earning in 2003, however, was provisioning to large corporations, including SK Networks and LG Card.

The Bank provisioned KRW 232.5 billion for its exposure to SK Networks, which amounted to KRW 245.6 billion at the end of 2003, based on FSS criteria on credit exposure. The ending balance of allowance for possible loan losses to the company was KRW 111.6 billion. KRW 63.5 billion was provisioned for our exposure to LG Card. The Bank's direct exposure to the company at year-end was KRW 215.5 billion and the Bank reserved KRW 63.7 billion against this exposure.

The Bank recorded KRW 275.1 billion of operating income after provisioning. The Bank also earned KRW 217.7 billion in non-operating income in 2003. This, our highest level of non-operating income in the past 5 years, reflects the revenue synergies from the effective management of non-operating assets such as overlapping fixed assets and NPLs. Another contributor to this increase was the gains on investment securities. Finally, the Bank realized an NOL carryover from the pre-merger period with Seoul Bank. As a result, the Bank's corporate tax expense decreased by KRW 156.9 billion from 2002, including the KRW 24.4 billion of corporate tax credit the Bank enjoyed with the increase in deferred tax assets.

Table 2) Balance Sheet

As of December 31, each year

	(in billions of Korean won)				
	1999	2000	2001	2002	2003
Interest-earning Assets	28,441.9	37,384.7	40,349.9	62,605.6	67,566.6
Due from banks (note 1)	2,220.6	1,565.5	1,234.1	830.8	470.9
Securities	9,185.8	11,557.6	11,188.5	14,521.5	14,975.2
Loans (Net of provision) (note 2)	17,035.5	24,261.6	27,898.1	47,253.3	52,120.5
Others	0.0	0.0	29.3	0.0	0.0
Other Revenue-earning Asset	641.9	813.8	1,609.9	4,623.4	4,063.4
Credit card receivable	118.4	440.4	1,003.5	2,160.0	1,668.1
Stock	522.3	360.9	606.4	750.2	852.0
Domestic import usance bill (note 3)	1.1	12.4	0.0	1,713.2	1,543.3
Non-revenue-earning Asset	3,294.8	3,575.6	3,342.0	7,191.0	8,936.5
Total Assets	32,378.5	41,774.1	45,301.8	74,420.0	80,566.5
Interest-bearing Liabilities	29,254.2	38,337.1	41,483.2	67,400.6	72,893.6
Deposits	23,019.7	28,753.3	33,450.1	54,676.7	57,608.7
Borrowings (note 4)	4,941.7	7,005.8	4,863.0	7,688.8	7,422.6
Debentures	920.4	1,771.1	1,942.5	4,119.0	6,298.7
Others	372.3	806.9	1,227.5	916.1	1,563.6
Non-interest-bearing Liabilities	1,358.8	1,678.7	1,890.0	4,288.8	4,418.0
Shareholders' Equity	1,765.6	1,758.4	1,928.7	2,730.5	3,254.9
Total Liabilities & Shareholders' Equity	32,378.5	41,774.1	45,301.8	74,420.0	80,566.5
Revenue-earning Assets to Expense-incurring Liabilities Gap	-170.4	-138.6	476.7	-171.6	-1,263.6
Leverage Ratio (times)	18.3	23.8	23.5	27.3	24.8
				CAGR of Total Assets	25.60%

Note 1) Exclude Reserve deposits in BOK which are non-interest-earning assets

Note 2) Interbank reconciliation funds are included in non-revenue-earning assets

Note 3) Accepted overseas guarantees included in the balance sheet since the end of 2002, according to the regulatory change by FSS

Note 4) Interbank reconciliation funds are included in non-interest-bearing liabilities

Management's Discussion & Analysis

Our year-end balance sheet represents our policies to maximize profits while maintaining proper risk management. The proportion of dues from banks and securities, which earns less interest revenue, has been decreasing over the past 5 years. The Bank, meanwhile, managed its asset portfolios to increase the percentage of high-yielding loans in its interest-earning assets. In 2003, as shown in the change of the total loans portfolio, the Bank focused on loans to SMEs and households with an aim to improve both profitability and manage risk in the large corporate sector. In particular, considering the risk factors in the credit card market, the Bank cut down on its lines of credits to the credit card business to emphasize asset soundness over excessive growth.

With the steady downward trend of market rates taken into account, the Bank widened its NIS by refinancing borrowings and debentures incurring high interest expenses. Our actions resulted in a similar structure of interest-bearing liabilities to the past, but a slightly higher proportion of debentures in 2003. The balance between funding and usage can be measured by the gap between revenue-earning assets and expense-incurring liabilities. This gap recorded a significant year on year decrease from 2002, triggered by declined dues from banks and credit card receivables. We believe that this change in the balance gap enhances the Bank's strategic focus in 2003 to avoid excessive asset growth. Shareholders' equity of the Bank at the end of 2003 was up KRW 524.4 billion, reaching KRW 3.3 trillion.

III. Breakdown of General Operating Income

1. Net Interest Income

Net Interest Income

Table 3) Interest Revenue and Expenses

For the year ending December 31, each year

	(in billions of Korean won)				
	1999	2000	2001	2002	2003
Interest Revenue	2,276.7	2,954.8	2,890.6	2,931.2	4,040.1
Interest revenue on due from banks	184.9	145.3	86.7	48.7	8.2
Interest revenue on securities	692.3	937.6	788.0	638.0	709.6
Interest revenue on loans	1,369.9	1,851.0	1,996.5	2,232.4	3,310.5
Others	29.6	20.9	19.4	12.1	11.8
Interest Expenses	1,753.7	2,261.2	2,120.7	2,027.2	2,598.8
Interest expense on deposits	1,269.9	1,622.6	1,562.2	1,560.2	1,995.5
Interest expense on borrowings	351.8	467.0	377.2	201.1	228.3
Interest expense on debentures	87.3	142.2	159.9	234.9	344.9
Others	44.7	29.4	21.4	31.1	30.2
Net Interest Income	523.0	693.6	769.9	904.0	1,441.3
Net Interest Income as % of General Operating Income	67.42%	86.64%	72.83%	75.89%	72.57%
				CAGR of Net Interest Income	28.84%

The Bank's net interest income in 2003 recorded KRW 1.4 trillion, which has been increasing for the last 4 years at a rate of 28.84%. The merger with SeoulBank not only expanded the size of interest-earning assets and interest-bearing liabilities, but also widened the increase in the net interest income arising between them. And, as previously mentioned, the Bank planned and managed its interest-earning structure to cut down on dues from banks and to refinance some of its borrowings. The Bank's portfolio management maintained the upward trend of the proportion of interest revenue from loans in total interest revenue. The percentage of interest expense on deposits in total interest expenses, however, decreased slightly, correlating to the increase in the loan-to-deposit ratio. Our net interest income as a percentage of general operating income in 2003 also recorded a slight decrease due to an increase in the proportion of fees and commissions income. This net interest income is based on funding and usage on an average basis, as illustrated in following.

Management's Discussion & Analysis

Funding and Usage

Table 4) Average Balance of Funding and Usage

For the year ending December 31, each year

(in billions of Korean won)

	1999	2000	2001	2002	2003
Interest-earning Assets	23,835.0	32,764.4	36,710.1	43,887.4	64,204.5
Due from banks (note 1)	2,665.7	1,800.8	1,440.2	1,134.4	259.7
Securities	6,852.9	10,627.5	11,059.0	10,436.6	14,032.9
Loans (Net of provision) (note 2)	14,316.4	20,336.1	24,172.4	32,306.2	49,912.0
Others	0.0	0.0	38.5	10.3	0.0
Other Revenue-earning Asset	425.6	717.6	1,178.1	1,828.1	4,229.4
Credit card receivable	117.2	262.3	722.4	1,240.2	1,959.6
Stock	308.0	453.5	455.6	578.7	715.2
Domestic import usance bill (note 3)	0.4	1.9	0.0	9.2	1,554.6
Non-revenue-earning Asset	1,860.1	2,203.2	2,692.5	3,791.3	7,025.3
Total Assets	26,120.8	35,685.2	40,580.7	49,506.7	75,459.3
Interest-bearing Liabilities	23,406.1	32,554.8	37,171.0	44,899.8	68,101.8
Deposits	17,145.6	24,166.5	28,319.1	36,177.1	53,847.4
Borrowings (note 4)	5,077.4	6,736.0	6,763.9	5,449.6	8,647.0
Debentures	948.8	1,401.2	1,772.9	2,943.8	4,906.6
Others	234.3	251.1	315.0	329.4	700.9
Non-interest-bearing Liabilities	963.1	1,369.4	1,562.0	2,458.8	4,495.9
Shareholders' Equity	1,751.6	1,761.0	1,847.8	2,148.1	2,861.5
Total Liabilities & Shareholders' Equity	26,120.8	35,685.2	40,580.7	49,506.7	75,459.3
Revenue-earning Assets to Expense-Incurring Liabilities Gap	854.6	927.2	717.2	815.6	332.1
Loan to Deposits Ratio	83.50%	84.15%	85.36%	89.30%	92.69%
Leverage Ratio (Times)	14.91	20.26	21.96	23.05	26.37
	CAGR of Average Assets			30.37%	

* Based on daily average balance

Note 1) Exclude reserve deposits on BOK which are non-interest-earning assets

Note 2) Interbank reconciliation funds are included in non-revenue-earning assets

Note 3) Accepted overseas guarantees included in the balance sheet since the end of 2002, according to the regulatory change by FSS

Note 4) Interbank reconciliation funds are included in non-interest-bearing liabilities

As the average balance of funding and usage in 2002 did not account for Seoul Bank's average business volume before the merger, the average balance this year increased greatly from last year. However, the decreasing gap between revenue-earning assets and expense-incurring liabilities in 2003 still indicates the Bank's consistent drive in the proportion of loans in its asset mix along with the refinancing of its borrowings and debentures to achieve higher NIS. This loan-centric portfolio management diminishes the portion of assets for liquidity adjustment in total assets, such as bonds purchased under resale agreements or dues from banks; therefore, the Bank is required to manage its liquidity in a more efficient manner. The Bank has supported such asset management practices by enhancing its system to monitor factors in the market that may threaten liquidity. The system was a success, evidenced by our liquidity ratio in KRW at the end of 2003 of 119.4%, a 7.2%p improvement from last year. The average balance of demand deposits more than doubled in 2003, as a result of the Bank's continuous efforts to attract low-cost deposits. Although this was inevitably accompanied by a rise in reserve deposits at BOK, the increase in low-cost deposits greatly contributed to improving the Bank's NIM. Capital leverages as an average rose in 2003 primarily due to the sudden increase in average assets. However, the Bank expects that the leverage will recover with increasing average capital in the near future, just as is the case in the capital leverage based on ending balances in 2002 and 2003.

Management's Discussion & Analysis

Table 5) Loans and Deposits Based on Average Balance

For the year ending December 31, each year

	(in billions of Korean won)				
	1999	2000	2001	2002	2003
Loans for Profitability	14,286.8	20,134.1	23,918.5	31,960.9	49,696.2
Won currency	11,920.2	17,840.5	21,887.9	29,647.0	46,264.0
Loans	8,250.9	12,946.0	17,538.1	26,281.2	42,582.9
Corporate loans	6,202.1	8,287.5	9,746.5	11,866.0	18,088.7
Household loans	1,854.5	4,067.3	7,320.4	14,083.1	24,121.3
Public enterprise loans	194.4	591.1	471.2	332.1	372.9
Notes bought	1,755.7	2,549.8	2,209.5	1,526.1	1,633.1
Advances to customers	179.7	181.8	105.5	45.5	101.1
Privately placed bonds	1,733.9	2,162.9	2,034.8	1,794.1	1,946.9
Foreign currency	2,366.6	2,293.6	2,030.6	2,313.9	3,432.1
Loans	1,281.4	968.6	1,167.9	1,285.6	1,834.1
Bills bought	1,052.9	1,302.8	862.7	1,008.7	1,536.8
Privately placed bonds	32.3	22.2	0.0	19.5	61.2
Loans for Liquidity	435.7	780.9	832.4	728.6	902.6
Won currency	302.8	637.6	744.2	649.3	755.9
Call loans	245.9	442.0	687.4	552.5	519.1
Bond purchased under resale agreements	56.9	195.6	56.8	96.8	236.8
Foreign currency	132.9	143.3	88.2	79.3	146.7
Call loans	132.9	143.3	88.2	79.3	146.7
Allowance for Possible Loan Losses	-406.1	-578.8	-578.4	-383.3	-686.7
Total Loans	14,316.5	20,336.1	24,172.6	32,306.2	49,912.0
Deposits in Won Currency	16,301.7	23,495.8	27,148.7	35,140.2	52,498.8
Demand deposits	679.5	803.2	924.2	1,208.3	2,671.7
Savings deposits	2,638.9	4,582.0	4,910.1	6,656.3	11,245.9
Time deposits	9,872.9	14,781.3	17,512.1	22,634.0	30,918.3
Installment deposits	776.5	1,129.9	1,238.6	1,311.8	3,203.4
Mutual installment deposits	672.2	576.1	855.9	1,276.0	1,792.3
Certificates of deposits	1,661.7	1,623.3	1,707.8	2,053.9	2,667.2
Deposits in Foreign Currency	843.9	670.8	1,170.5	1,036.9	1,348.5
Total Deposits	17,145.6	24,166.6	28,319.2	36,177.1	53,847.4
Low Cost Deposits as % of Total Deposits	19.35%	22.28%	20.60%	21.74%	25.85%

* Based on daily average balance

The Bank managed KRW 49.9 trillion worth of total loans in their banking account, a 54.50% growth from 2002. Loans for profitability were up 55.49% and amounted to KRW 49.7 trillion, and loans for liquidity such as call loans and bonds purchased under resale agreements were managed at a level of KRW 902.6 billion, a 23.88% increase from last year. The portion of loans for profitability compared to total loans has hovered above 98% for the past 5 years. Loans for liquidity, meanwhile, have decreased in terms of their proportion to total loans since the nation's foreign currency liquidity crisis in 1997 and 1998. The Bank's enhanced management of the maturity gap between loans and deposits enabled this reduction in low-interest rate loans.

Historically, we have pursued the growth of household loans in the loans for profitability category, resulting in an average KRW 10.0 trillion increase since the merger. In the Bank's corporate loan sector, the average balance grew more than KRW 6.2 trillion, driven by the rebalanced corporate loan portfolio focused on SMEs and SOHOs, which more than offset the decrease in loans to large corporations.

Management's Discussion & Analysis

One of our key focuses on the Bank's funding side was maximizing interest income by expanding our low-cost deposit base, which includes demand deposits and savings deposits. The expansion of the low-cost deposit base was substantiated by the merger with Seoul Bank. The percentage of low-cost deposits to total deposits in 2003 recorded 25.85%, the highest level in the past 5 years. The portion of deposits denominated in KRW was predominant.

The Bank maintained the stability and liquidity of our funding by managing the proportion of term products to total loans at over 70%. These term products include time deposits, (mutual) installment deposits and CDs. The Bank plans to increase the proportion of demand deposits for better profitability by further improving the matching of these term products and loans.

Table 6) Loan-to-Deposit Spread

For the year ending December 31, each year

	1999	2000	2001	2002	2003
Loans for Profit	9.43%	8.95%	8.18%	6.89%	6.60%
Won currency	9.68%	8.99%	8.34%	7.10%	6.84%
Loans	10.19%	9.16%	8.24%	7.05%	6.85%
Corporate loans	9.94%	8.85%	8.07%	6.85%	6.69%
Household loans	11.42%	9.97%	8.53%	7.24%	6.99%
Public enterprise loans	6.41%	8.07%	7.38%	5.68%	5.40%
Notes bought	8.53%	7.69%	7.54%	6.21%	6.27%
Advances to customers	5.68%	3.80%	3.89%	10.99%	6.37%
Privately-placed bonds	8.81%	9.94%	10.26%	8.62%	7.04%
Foreign currency	8.19%	8.66%	6.43%	4.19%	3.35%
Loans	6.86%	7.87%	5.73%	3.42%	2.95%
Bills bought	9.82%	9.28%	7.38%	5.20%	3.85%
Privately placed bonds	8.05%	7.21%	n.a.	3.18%	2.89%
Loans for Liquidity Control	5.07%	6.16%	4.91%	4.00%	3.55%
Won currency	4.95%	6.09%	4.96%	4.31%	4.01%
Call loans	4.84%	5.77%	4.92%	4.33%	4.09%
Bond purchased under RP	5.45%	6.80%	5.46%	4.19%	3.84%
Foreign currency	5.34%	6.49%	4.54%	1.51%	1.18%
Call loans	5.34%	6.49%	4.54%	1.51%	1.18%
Total	9.57%	9.10%	8.26%	6.91%	6.63%
Deposits in Won Currency	7.51%	6.74%	5.59%	4.40%	3.78%
Demand deposits	0.46%	0.44%	0.43%	0.31%	0.15%
Saving deposits	3.85%	3.76%	2.69%	2.01%	1.49%
Time deposits	8.66%	7.63%	6.21%	4.94%	4.48%
Installment deposits	9.58%	9.16%	8.95%	7.03%	6.25%
Mutual installment deposits	10.22%	8.45%	7.27%	6.42%	5.44%
Certificates of deposits	7.28%	7.89%	7.09%	5.62%	4.87%
Deposits in Foreign Currency	5.47%	5.84%	3.84%	1.51%	0.85%
Total Deposits	7.41%	6.71%	5.52%	4.31%	3.71%
Loan to Deposit Spread	2.16%	2.39%	2.74%	2.60%	2.93%

Management's Discussion & Analysis

The Bank's interest rate trend for loans and deposits for 2003 reflected the steady downward trend of the financial industry in Korea. Reflecting such market conditions, Hana Bank was able to even further widen its interest spread for its loans and deposits, based on its strengthened interest negotiation competency as a result of the recent merger with Seoul Bank. Our average interest rate on loans for profit in won currency, which comprises a significant portion of our total loans, decreased by 0.26%p from the previous year, while that of deposits in won currency decreased by 0.62%p. This 0.36% interest spread contributed to increasing our total interest spread for loans and deposits by 0.33%, rising to 2.93%.

The Bank's successful implementation of its NIM strategy, which places emphasis on proper pricing to reflect its risk premium for existing exposure and funding costs, induced a readjustment of interest rates on demand deposits and other deposits. At the same time, we focused on reducing our funding costs by refinancing a portion of our high-interest-bearing CDs from the Seoul Bank era. These efforts allowed us to substantially improve our NIS and NIM.

Net Interest Spread and Net Interest Margin

Table 7) Net Interest Spread and Net Interest Margin

For the year ending December 31, each year

	1999	2000	2001	2002	2003
Interest-earning Assets (IEA)	9.55%	9.02%	7.87%	6.68%	6.29%
Due from banks	6.94%	8.07%	6.02%	4.29%	3.17%
Securities	10.10%	8.82%	7.13%	6.11%	5.06%
Loans	9.57%	9.10%	8.26%	6.91%	6.63%
Interest-bearing Liabilities (IBL)	7.49%	6.95%	5.71%	4.52%	3.82%
Deposits	7.41%	6.71%	5.52%	4.31%	3.71%
Borrowings	6.93%	6.93%	5.58%	3.69%	2.64%
Debentures	9.20%	10.15%	9.02%	7.98%	7.03%
Others	19.08%	11.71%	6.79%	9.44%	4.30%
Net Interest Spread	2.06%	2.07%	2.17%	2.16%	2.47%
Net Interest Margin	2.19%	2.12%	2.10%	2.06%	2.24%
IEA/IBL Gap	428.9	209.6	-460.9	-1,012.5	-3,897.3
IEA/IBL Gap as % of Total Assets	1.64%	0.59%	-1.14%	-2.05%	-5.16%

The NIS for the Bank in 2003 was 2.47%, a 0.31%p increase from the previous year. Its movement was closely correlated to that of the loan-to-deposit spread, which is a determining factor for the net interest income of the Bank. The spread improved by 0.32% p while the interest rate for borrowings decreased by 1.05%p, due to the refinancing of high interest-bearing borrowings such as the subordinated borrowings. The interest rate on debentures decreased by 0.95%p from the previous year, also contributing to the further drop in interest expenses.

Thanks to such improvement in our NIS, the Bank posted a record-high NIM of 2.24%, the key driver for our interest-earnings. The gap between the interest-earning assets and liabilities, however, further decreased by KRW 2.8 trillion. To explain this widened gap, a couple of reasons need to be detailed. First, there was a slowdown in growth of our interest-earning assets as the Bank abstained from excessive asset growth to pursue better profitability and more conservative risk management. Secondly, the Bank enhanced its liquidity by issuing additional debentures with the advantage of lower interest expenses, preparing for the conversion in the current downward trend in market interest rates. Assuming that we can reduce the gap once we manage to grow our assets along with the current upward trend in interest for loans and deposits, the Bank feels comfortable with the current increase in the proportion of debentures, and expect with full confidence that we can further strengthen our NIM in 2004.

Management's Discussion & Analysis

2. Fees and Commission Income

Trends of Fees and Commission Income

Our fee income for 2003 reached KRW 557.4 billion, a KRW 241.6 billion increase from the previous year. This positive growth was driven by improvements in fees from our credit card operations, other fee income in won currency, along with fee income from our trust operations. In the meantime, the fee income as a percentage of general operating income recorded 28.06%, the highest figure in the past 5 years, reflecting the more stabilized earning structure of the Bank.

Table 8) Net of Fees and Commission

For the year ending December 31, each year	(in billions of Korean won)				
	1999	2000	2001	2002	2003
Fees from credit card operations (inc. corp. purchase cards)	28.1	47.2	88.8	143.5	249.8
Fees from guarantees & acceptances	14.3	9.0	8.6	7.3	12.0
Other fee income in won currency	14.7	31.2	25.7	46.0	123.3
Other fee income in foreign currency	13.2	24.0	23.3	29.2	47.3
Fee income from trust operation	138.6	32.8	112.2	89.8	125.0
Total Fee Income	208.9	144.3	258.5	315.8	557.4
Fee income as % of general operating income	26.93%	18.03%	24.45%	26.51%	28.06%

Credit Card Business Operation

The credit card business operation, accounting for the majority of the fee income of the Bank, is divided into general credit cards and corporate purchase cards. Fees from the general credit card operations totaled KRW 215.4 billion, a KRW 100.9 billion increase when compared with the previous year. At the same time, there was a significant increase in the total fee income related to credit cards from last year, primarily due to the recent merger with Seoul Bank. The total number of credit card customers remained at the same level, due to the Bank's strict risk management.

Fee Revenue related to the credit card operations totaled KRW 260.8 billion, a KRW 122.9 billion increase from the previous year. This increase was mainly a result of the KRW 115.6 billion increase in credit receivables and cash advance services. However, the Bank's expenses for the general credit card operations increased by only 22.0 billion in 2003. As a result, the return on credit card receivables recorded 16.38%, a slight increase compared to the previous year. Overall, our improved yield rate on the credit card business implies that the increase in our fee income from credit card business exceeds the natural increase of income as a result of the recent merger.

Table 9) Net of Fee Income from Credit Card Operations

For the year ending December 31, each year	(in billions of Korean won)				
	1999	2000	2001	2002	2003
Daily Average Credit Card Receivables	116.4	175.3	399.4	721.2	1,315.1
Credit card receivables	52.1	101.0	244.5	434.9	747.4
Cash advances	23.7	39.3	103.3	232.7	483.3
Credit card loans	40.6	34.9	51.6	51.3	82.8
Others	0.0	0.0	0.1	2.2	1.7
Net Fee Income from Credit Card Operations	28.1	38.5	71.4	114.5	215.4
Fee revenue	36.7	55.6	112.0	137.9	260.8
Revenue from credit card receivables	20.2	26.4	55.3	74.4	139.0
Revenue from cash advance	6.9	12.0	25.9	50.0	101.0
Revenue from credit card loans	6.6	4.5	5.9	5.1	9.5
Other revenue	3.0	12.8	24.9	8.4	11.3
Fee expenses	8.7	17.1	40.5	23.4	45.4
Return on Credit Card Receivables	24.12%	21.99%	17.89%	15.88%	16.38%

Management's Discussion & Analysis

Recognizing risk factors involved in the credit card and household sector, the Bank implemented proactive risk management policies as pressure from bad household and credit card loans began increasing at the end of 2002. Therefore, the Bank placed emphasis on preliminary and conservative risk management and asset quality improvement policies over immoderate growth in sales volume. Reflecting these changes made during the last year, the overdue accounts as a percentage of sales volume improved to 0.80% from 1.90%, despite the minute decrease in total sales volume. Furthermore, with our relatively sound asset portfolio that stresses approximately 50% of credit card receivables, the Bank maintained its excellence in asset quality over our peers in 2003.

Table 10) Credit Card Operation Data

As of December 31, each year

(in billions of Korean won)

	1999	2000	2001	2002	2003
Number of Credit Card issued	304,873	689,722	1,355,946	2,609,264	2,632,972
Household	289,849	664,238	1,270,654	2,519,952	2,528,109
Corporate	15,024	25,484	85,292	89,312	104,863
Sales Volume	620.5	1,259.5	2,628.2	10,534.0	8,041.5
Number of Merchants	44,086	54,428	71,694	196,681	173,499
Overdue, as % of Sales Volume	1.11%	1.39%	2.10%	1.90%	0.80%

Corporate purchase cards, first introduced by Hana Bank in 1999, are now used as a common payment method, substituting for bills & banknotes. When compared generally to other credit card operations, our productivity is not significantly better; however Hana Bank appreciates additional benefits such as the attraction of low-cost deposits from both vendors and buyers. This product also greatly contributes to the asset quality of the total credit card portfolio with its low delinquency ratios. Initiated in 1998 with a total customer base of just 882 institutions representing about 15 key companies, the business in 2003 grew into 98,632 customers with 336 key companies and a sales volume of KRW 644.5 billion.

Table 11) Net of Fee Income from Purchase Card Operations

For the year ending December 31, each year

(in billions of Korean won)

	1999	2000	2001	2002	2003
Purchase Card Receivables	0.8	87.0	323.0	519.0	644.5
Net Fee Income from Purchase Card Operations	0.0	8.7	17.3	29.0	34.4
Revenue from purchase card receivables	0.0	8.7	18.0	29.2	34.8
Fee expenses related to purchase cards	0.0	0.0	0.7	0.2	0.4
Return on Credit Card Receivables	1.53%	9.97%	5.36%	5.59%	5.34%
Number of Customers - Main Contractors	15	87	202	300	336
Number of Customers - Main Contractors & Subcontractors	882	15,297	45,645	64,552	98,632

Trust Business Operation

The Bank earned KRW 125.0 billion in its trust business operation in 2003, a KRW 35.2 billion increase from the previous year. The total average of trust deposits came to KRW 12,966.2 billion, a KRW 2,174.4 billion increase over the previous year. The trust management fee ratio has been tracking a decreasing trend since 2002, reflecting the restriction on the opening of cost method trust accounts, since it bears a correlatively high trust management fee ratio. However, in 2003 the figure increased slightly to 0.96%, mainly due to special factors like the sales of NPL and the reversal of allowance for valuation of receivables.

The prohibition of the cost method trust account reduced the trust management fee ratio of the Bank, but in fact brought a positive effect on trust fee income by reducing the operating risks inherent to trust operation. The losses from the trust operation, an amount equivalent to KRW 133.7 billion in 2000, were reduced to zero in 2001 after the closing of interest and principal guaranteed trust. We expect no further losses in the future.

Management's Discussion & Analysis

Table 12) Fee Income from Trust Operation

For the year ending December 31, each year

	(in billions of Korean won)				
	1999	2000	2001	2002	2003
Fees from trust operation	171.6	163.0	111.4	89.3	124.8
Losses from trust operation	-42.9	-133.7	0.0	0.0	0.0
Fees on early termination of trust accounts	10.0	3.5	0.8	0.5	0.2
Fee Income from Trust Business Operation	138.6	32.8	112.2	89.8	125.0
Average Trust Balance	14,235.7	12,249.7	9,319.7	10,791.8	12,966.2
Trust Management Fee Ratio	0.97%	0.27%	1.20%	0.83%	0.96%

Other Fee Income

In 2003, the Bank increased its other fee income in won currency by diversifying its income sources. As a result, other fee Revenue in won currency totaled KRW 205.3 billion, a KRW 95.9 billion increase compared to the figure prior to the merger with Seoul Bank. In the meantime, in 2003 the Bank spent KRW 19.3 billion more for fees related to total marketing expenses for household loan products than the previous year and, as a result, contributed in improving its fee income in won currency to KRW 123.3 billion, a KRW 77.3 billion increase.

For the same period, the fees related to loan products contributed a major income source for the Bank by recording a total of KRW 49.0 billion. Concurrently, the Bank earned KRW 32.1 billion from its ABS-related fees, thanks to its continuous efforts in the ABS market. In addition, the Bank improved its fee income related to remittance, the fees on CDs and ATMs, and the fees received as agency. Furthermore, the bank added fees from its Bancassurance business, which was initiated in 2003, as one of our new fee income sources.

Table 13) Other Fee Income in Won Currency

For the year ending December 31, each year

	(in billions of Korean won)				
	1999	2000	2001	2002	2003
Other Fee Revenue in Won Currency	24.7	40.6	66.7	109.4	205.3
Fees related to loan products	0.6	0.5	7.4	26.9	49.0
Fees from ABS operations	0.0	3.4	4.5	15.4	32.1
Fees on remittance services	7.4	8.9	11.2	12.5	30.1
Fees on CDs and ATMs	3.3	5.8	8.3	10.9	22.0
Fees received as an agency	1.4	3.2	3.3	9.4	16.0
Fees from bancassurance business	0.0	0.0	0.0	0.0	10.9
Fees on alliance services	0.0	0.8	4.0	7.0	7.7
Others	12.1	17.9	28.0	27.3	37.5
Fee Expenses in Won Currency	-10.0	-9.3	-41.0	-63.4	-82.0
Fee expenses related to promoting household loans	0.0	-0.4	-29.1	-35.9	-55.2
Others	-10.0	-8.9	-11.9	-27.5	-26.8
Net of Other Fee Income in Won Currency	14.7	31.2	25.7	46.0	123.3

Management's Discussion & Analysis

3. Income from Disposition and Evaluation

The Bank's general operating income reflects the income from trading securities, derivatives and foreign exchanges, excluding interest income and fees and commissions income. The Bank earned KRW 13.0 billion from its trading stocks in 2003, KRW 6.2 billion down from last year. The steady downward trend of the market interest rate, however, reversed our income from trading bonds to a loss of KRW 2.3 billion in 2003. Most of the income from derivatives, which amounted to KRW 27.5 billion, was related to foreign currency hedging.

The Bank does not consider this trading income as a mainstream of the Bank's business, and so has limited the volume of the trading activities to the minimum required for the Bank's operating activity. The Bank will maintain its conservative approach to its trading activities and stringently manage them to minimize volatility in our earnings.

Table 14) Income from Disposition and Evaluation

	(in billions of Korean won)				
	1999	2000	2001	2002	2003
For the year ending December 31, each year					
Income from trading stocks	54.3	-39.2	39.5	19.2	13.0
Income from trading bonds	-7.6	11.7	8.7	-1.3	-2.3
Income from derivatives	0.5	19.1	21.2	-2.5	27.5
Income from foreign exchange trading	26.5	14.9	14.5	25.9	36.7
Total	73.8	6.5	83.8	41.4	74.9

4. Other General Operating Income

Table 15) Other General Operating Income

	(in billions of Korean won)				
	1999	2000	2001	2002	2003
For the year ending December 31, each year					
Deposit insurance fee	-9.1	-18.6	-24.4	-31.3	-92.1
Contribution to credit guarantee fund	-23.9	-33.1	-35.5	-40.1	-55.8
Dividend from stocks	3.3	8.4	6.7	7.1	93.1
Other general operating income	-0.3	-0.4	-1.9	-5.7	-32.6
Net of Other General Operating Income	-30.0	-43.8	-55.1	-70.0	-87.4

Other factors included in general operating income are deposit insurance fees, contributions to the credit guarantee fund, dividend income, and other miscellaneous operating income. Deposit insurance fees are a mandatory payment to KDIC in compliance with the Depositor Protection Act. The insurance fee expense has increased in proportion to the volume of deposits. Also, a regulatory change in 2003 raised the fee rate by 0.1%, resulting in a 0.2% fee rate on the average balance of relevant deposits.

The Bank expensed at the same rate as the previous year for its contribution to the Credit Guarantee Fund. However, the increase in average corporate loans after the merger means the Bank incurred KRW 15.7 billion of additional expenses. The Bank recognized KRW 93.1 billion of dividend income in 2003, which is largely attributable to the liquidation dividend from an SPV for ABS issuance. However, the FSS requirement on provisions for credit card mileage programs added another miscellaneous general operating expense and led to KRW 32.6 billion of other general operating expenses.

Management's Discussion & Analysis

IV. General and Administrative Expenses

The Bank expended KRW 882.0 billion as G&A expenses for 2003, a KRW 355.1 billion increase from last year. As previously addressed in the overview, this increase was attributable to the merger and amortization of goodwill related to merger and the KDIC share buy-back. A full breakdown of G&A expenses more clearly illustrates these factors. As for salaries and wages, which increased by KRW 137.0 billion from 2002, the Bank recognized that average salaries and wages per capita decreased from last year, taking into account the average number of employees. The Bank is in the process of encouraging voluntary early retirement as of the end of March 2004. We expect that this effort to rationalize our human resources will contribute to a net decrease in salaries and wages for 2004.

A more detailed analysis of cost-income ratio, the Bank's G&A expense indicator, reveals how the amortization of goodwill incurred from the merger, along with the KDIC share buy-back, may distort the trend of G&A expenses. The amortization of intangibles, which amounted nearly to zero until 2001, has broadened the difference between the formal cost-income ratio and the net ratio of amortization of intangibles since 2002. We believe that this non-operating factor should be screened so as to fall under G&A expenses from pure operating activities. Excluding the negative impact from the amortization of intangibles, the cost-income ratio fell to 42.31% from 43.97% in 2002. In spite of this increased amount, we believe that our G&A expenses, in light of our earnings from operations, began decreasing in 2003. The Bank plans to manage the cost-income ratio at the 35% level in the long run and continue to slash the G&A expenses for operating activity to the lowest level possible via proper management of our resources.

Table 16) General and Administrative Expenses

For the year ending December 31, each year

	(in billions of Korean won)				
	1999	2000	2001	2002	2003
Salaries and wages	126.1	134.9	149.2	211.5	348.5
Retirement benefits	9.7	12.1	14.5	19.7	37.4
Fringe benefits	17.7	23.9	25.4	39.1	65.4
Depreciation	32.1	38.8	42.7	50.7	108.6
Amortization of intangibles	0.1	0.2	0.1	3.1	41.5
Taxes	20.5	22.7	37.9	43.1	44.3
Others	92.8	108.1	126.7	159.7	236.3
General and Administrative Expenses	299.0	340.6	396.5	526.9	882.0
Number of Employees on Average ¹⁾	3,149	3,271	3,385	4,016	7,070
Salaries and Wages per Capita (In millions of KRW)	40.0	41.2	44.1	52.7	49.3
Cost - Income Ratio	38.54%	42.55%	37.51%	44.24%	44.41%
Cost - Income Ratio Net of Amortization of Intangibles	38.53%	42.53%	37.50%	43.97%	42.31%

1) Excludes outside directors and part-timers

Management's Discussion & Analysis

V. Asset Quality & Loan Loss Provisioning

Table 17) Asset Soundness of Banking Account

As of December 31, each year	(in billions of Korean won, %)				
	1999	2000	2001	2002	2003
Normal	22,438.8	27,839.9	31,287.9	54,266.8	54,594.1
Precautionary	1,919.3	1,045.5	625.2	1,047.4	1,434.8
Substandard	1,710.9	1,180.9	479.4	616.2	812.6
Doubtful	421.2	464.0	201.5	216.5	165.3
Estimated Loss	153.0	68.8	101.1	147.3	156.4
Total Credits to be Provisioned	26,643.2	30,599.1	32,695.1	56,294.1	57,163.2
Allowance for possible credit losses	1,032.2	1,026.4	499.3	932.1	1,115.3
Bad debt expenses for each period	395.8	521.6	270.2	153.6	829.1
Asset Soundness Ratio (%)					
Precautionary and below ratio	15.78	9.02	4.30	3.60	4.49
Substandard and below ratio	8.58	5.60	2.39	1.74	1.98
Coverage against substandard & below	45.17	59.89	63.85	95.11	98.32
Bad Debt Expenses as % of Total Credits	1.49	1.70	0.83	0.27	1.45

* Based on FSS Standards (Including Banking, Trust, & Credit Cards)

Hana Bank has continued to show excellence in asset quality in the domestic financial market. However in 2003, Hana Bank faced difficulties related to SK Networks, concerns related to LG Card, and ongoing issues surrounding household loans and the credit card industry as a whole. The Bank recognized an increase of KRW 1,590.2 billion in its substandard and below credit, including KRW 570.4 billion being revaluated as substandard and below for possible default caused by weak solvency, KRW 678.4 billion of more than 3-months overdue, together with KRW 104.3 billion from bankruptcies and KRW 234.0 billion of loans that are damped enough to be classified as possible loan losses. For these, to cut down KRW 1,435.9 billion of loans that were classified as substandard and below the Bank reduced KRW 739.3 billion by writing off KRW 526.3 billion and rescheduling KRW 213.0 billion of loans. At the same time, the Bank collected KRW 358.6 billion of loans and sold KRW 86.4 billion. As a result, NPLs of the Bank increased by KRW 154.3 billion to reach KRW 1.1 trillion at the end of 2003. With this process, the Bank made 829.1 billion of loan loss provisioning, representing 1.45% of the total outstanding credits. This burden, however, induced rather positive results for the Bank. As the end of 2003, the precautionary and below ratio and the substandard and below ratio marked 4.49% and 1.98%, respectively. Against these, the allowance for possible loan loss was KRW 1,115.3 billion, bringing up the coverage against the substandard and below ratio to 98.32%. Such asset quality includes the portion from credit card operations, and we feel strongly that the Bank has achieved the most outstanding asset quality among its peers.

VI. Non-operating Income

Table 18) Non-operating Income

For the year ending December 31, each year	(in billions of Korean won)				
	1999	2000	2001	2002	2003
Net of income from disposition and valuation	119.4	79.0	70.0	-63.2	90.3
Income from investment stocks	88.5	-64.7	22.1	-78.0	19.5
Income from investment bonds	30.9	143.7	47.9	14.8	70.8
Gain/loss on the sale of fixed assets	-1.1	-0.6	-0.2	-0.4	44.6
Gain/loss on the sale of non-performing loans	9.3	-4.8	3.2	8.0	41.5
Others	3.6	5.2	13.3	1.1	41.2
Net of Non-operating Income	131.2	78.9	86.3	-54.5	217.7

Management's Discussion & Analysis

Hana Bank, in its first year as a merged bank, had planned to maximize its revenue synergy by cleaning up its overlapping fixed and non-performing assets in 2003; the Bank successfully achieved its goals. The Bank feels that the KRW 217.7 billion of non-operating income for the year reflects our achievements. KRW 44.6 billion was earned by successfully selling off fixed assets, including the former training center for the Seoul Bank employees, and the Bank also recorded the gains on NPL sales equivalent to KRW 41.5 billion. In addition, an upward movement in the gains on disposition and valuation of investment securities and write-offs of dormant accounts contributed in raising non-operating income.

VII. DuPont Analysis

In summary, the Bank's operating performance for 2003 can be restated in terms of contributions to ROA and ROE. The Bank realized synergistic effects in its revenue streams, which exceeded the natural expansion of earnings due to the merger. Overall increase in interest income ratio, fee income ratio, trading income ratio and other income ratios are solid evidence of the Bank's improved profitability.

However, the ratio of G&A expenses to total assets rose slightly with the post-merger increase in amortization of goodwill and salaries & wages. In particular, the loan loss provisioning ratio dropped to -1.10%, reflecting the Bank's provisioning posture to ensure better asset soundness. We believe that these upward changes in gross expense ratio indicate that the Bank still has more room to improve in its risk management and capital budgeting.

As a result of the 2003 operating performance, the Bank recorded ROA of 0.68%, a rise of 0.03%p from last year, and ROE of 18.07%, a 3.01%p increase year-on-year.

Table 19) DuPont Analysis

For the year ending December 31, each year	(%)				
	1999	2000	2001	2002	2003
Interest income ratio	2.00	1.94	1.90	1.83	1.91
Fee income ratio	0.80	0.40	0.64	0.64	0.74
Trading income ratio	0.28	0.02	0.21	0.08	0.10
Other income ratio	-0.11	-0.12	-0.14	-0.14	-0.12
General operating income ratio	2.97	2.24	2.60	2.41	2.63
Non operating income ratio	0.50	0.27	0.21	-0.11	0.29
Gross Income Ratio	3.47	2.51	2.82	2.30	2.92
SG&A/Asset	-1.14	-0.95	-0.98	-1.06	-1.17
LLP ratio	-1.51	-1.46	-0.67	-0.31	-1.10
Tax ratio	-0.26	-0.04	-0.37	-0.27	0.03
Gross Expense Ratio	-2.92	-2.45	-2.02	-1.64	-2.24
ROA	0.55	0.06	0.80	0.65	0.68
Equity/Assets	6.71	4.93	4.55	4.34	3.79
ROE	8.24	1.16	17.60	15.06	18.07
Equity excluding preferred share/Assets	4.90	4.01	3.99	4.21	3.79
ROE Excluding Preferred Share	11.28	1.43	20.09	15.51	18.07

* Based on daily average balance

Management's Discussion & Analysis

VIII. Capital Adequacy

The Bank's BIS capital was enhanced to KRW 5.7 trillion in 2003, a KRW 712.4 billion increase from year-end 2002. Primary contributors to this improvement were KRW 517.2 billion of the Bank's net income, a post-merger increase in allowance for possible loan losses to normal and precautionary classed assets, and a KRW 200.0 billion issuance of upper Tier II subordinated bonds in 2003.

Since its merger with Seoul Bank on December 2, 2002, the Bank's Tier I capital has been affected by its KDIC share buyback. The Bank purchased 6,108,000 shares from KDIC on December 23, 2002 and 12,216,000 shares on March 3, 2003, amounts equivalent to 10% and 20% of the entire shares that KDIC acquired from the Bank preceding the merger. From the implementation of the share buyback program, the Bank accounted for KRW 307.3 billion of treasury stocks, which negatively impacted its Tier I capital by the same amount. In 2003, the Bank resold to foreign institutional investors 5,000,000 shares of treasury stocks which the Bank acquired from KDIC, resulting in a KRW 101.2 billion increase in its Tier I capital. The Bank also disposed of 4,000,000 shares of its treasury stock to foreign institutional investors, recovering KRW 89.1 billion of Tier I capital. The 4,000,000 shares of treasury stock were acquired at the time of the merger by dissenting shareholders' exercise of stock appraisal rights.

In March 2004, the Bank retired 5,078,755 shares of treasury stock with its profit through a resolution of the Board of Directors. The retirement was done to comply with a prior agreement with KDIC; the retired treasury stocks had been acquired at the time of the Seoul Bank merger by dissenting shareholders' exercise of stock appraisal rights. The retirement reduced the number of shares issued to 192,353,448, without affecting the Bank's Tier I capital, as the Bank had already acquired treasury stocks for retirement.

Table 20) BIS Capital Adequacy Ratio

As of December 31, each year

	(in billions of Korean won)				
	1999	2000	2001	2002	2003
Tier 1	1,868.4	1,715.4	2,031.3	2,770.0	3,176.3
Tier 1 from common shares	1,395.6	1,380.0	1,833.3	2,770.0	3,176.3
Tier 1 from preferred shares issued to KDIC	472.8	335.4	198.0	0.0	0.0
Tier 2	735.5	1,041.2	1,021.2	2,247.6	2,582.7
Provisions	99.9	172.1	161.9	433.3	536.5
Upper tier 2	0.0	0.0	0.0	400.0	600.0
Lower tier 2	635.6	857.7	859.4	1,385.0	1,416.2
Others	0.0	11.5	0.0	29.4	30.0
Subsidiary Investment Deductions	-41.3	0.0	-14.9	-16.9	-45.8
Total BIS Capital	2,562.6	2,756.6	3,037.7	5,000.7	5,713.1
RWA	20,778.8	26,382.3	29,525.9	48,529.7	51,131.7
BIS CAR	12.33%	10.45%	10.29%	10.30%	11.17%
Tier 1	8.99%	6.50%	6.88%	5.71%	6.21%
Tier 1 excluding preferred shares issued to KDIC	6.72%	5.23%	6.21%	5.71%	6.21%
Tier 2	3.54%	3.95%	3.46%	4.60%	4.96%

Report of Independent Auditors

SAMIL PRICEWATERHOUSECOOPERS

PRICEWATERHOUSECOOPERS 

Samil PricewaterhouseCoopers
 Kukje Center Building
 191 Hankangro 2ga, Yongsanku
 Seoul 140-702, KOREA
 (Yongsan P.O. Box 266, 140-600)

To the Shareholders and Board of Directors of
 Hana Bank

We have audited the accompanying non-consolidated balance sheets of Hana Bank ("the Bank") as of December 31, 2003 and 2002, and the related statements of income, appropriations of retained earnings and cash flows for the years then ended, expressed in Korean Won. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hana Bank as of December 31, 2003 and 2002, and the results of its operations, the changes in its retained earnings, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw your attention to Note 33 of the financial statements, which states that as a result of its agreement with the creditors' committee of LG Card Co., Ltd. on November 24, 2003, the Bank provided additional loans of ₩129,700 million to LG Card Co., Ltd., which is currently experiencing a liquidity crisis. Also, on January 9, 2004, the Bank agreed on a debt-to-equity swap of ₩92,800 million and to provide additional loans of ₩92,400 million (to be included in the debt-to-equity swap) and to extend the maturity date of loans that mature during 2004. As a result, as of December 31, 2003, the Bank has a total of ₩385,700 million of loan balances to LG Card Co., Ltd. The actual loan loss amount may differ from the present estimates, depending on the outcome of the self-rehabilitating plans of LG Card Co., Ltd. and the effective execution of the additional loan extension agreements.

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



Seoul, Korea
 January 20, 2004

This report is effective as of January 20, 2004, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Non-Consolidated Balance Sheets

December 31, 2003 and 2002

	(in millions of Korean Won)	
	2003	2002
Assets		
Cash and due from banks (Note 3)	₩ 4,684,572	₩ 3,718,272
Trading securities (Note 4)	393,984	338,447
Available-for-sale securities (Note 5)	12,526,145	12,131,896
Held-to-maturity securities (Note 6)	2,698,401	2,619,139
Investments in associates (Note 7)	208,650	182,205
Loans (Note 8)	56,405,324	51,976,023
(Allowance for possible loan losses)	(1,056,236)	(839,289)
(Present value discounts)	(6,867)	(10,242)
Property, plant and equipment (Note 9)	1,478,393	1,338,100
(Accumulated depreciation)	(309,845)	(221,509)
Intangible assets (Note 9)	166,783	172,924
Guarantee deposits	568,414	590,479
Accounts receivable	731,475	484,954
Accrued income	429,683	530,729
Prepaid expenses	4,346	11,427
Deferred income tax assets (Note 24)	170,278	143,038
Others	1,472,958	1,253,423
Total assets	₩ 80,566,458	₩ 74,420,016
Liabilities and Shareholders' Equity		
Deposits (Note 10)	₩ 57,608,731	₩ 54,676,688
Call money	371,034	883,320
Borrowings (Note 11)	5,809,617	5,967,898
Bonds sold on repurchase agreements	1,095,627	441,876
Bills sold	133,457	653,115
Due to Bank of Korea in foreign currencies	12,821	40,057
Debentures (Note 12)	6,298,654	4,119,020
Reserve for possible losses on acceptances and guarantees (Note 13)	53,591	67,202
Due to trust accounts	1,563,631	916,098
Unearned income	94,998	94,350
Accrued expenses	1,219,404	1,312,841
Accounts payable	635,619	449,157
Others	2,414,364	1,981,824
Total liabilities	77,311,548	71,603,446
Commitments and contingencies (Note 15)		
Common stock, par value per share: ₩5,000, authorized: 2,000 million shares, issued and outstanding: 197,432,203 shares in 2003 and 2002 (Notes 1 and 16)	987,161	987,161
Capital surplus (Note 17)	1,275,521	1,244,247
Retained earnings (Note 18)	1,383,496	951,775
Capital adjustments (Notes 5, 7, 19 and 20)	(391,268)	(366,613)
Total shareholders' equity	3,254,910	2,816,570
Total liabilities and shareholders' equity	₩ 80,566,458	₩ 74,420,016

The accompanying notes are an integral part of these non-consolidated financial statements.

Non-Consolidated Statements of Income

Years Ended December 31, 2003 and 2002

	(in millions of Korean Won)	
	2003	2002
Operating revenues		
Interest income		
Interest on due from banks	₩ 8,241	₩ 48,704
Interest on securities	709,623	637,957
Interest on loans	3,432,469	2,287,504
Others	11,764	12,134
	4,162,097	2,986,299
Commission income	455,505	262,847
Other operating income		
Gain on disposal of trading securities	16,522	24,453
Gain on valuation of trading securities	15,636	3,097
Dividend on securities	93,081	7,139
Gain on foreign currency trading	187,143	114,887
Fees from trust accounts (Note 28)	124,758	89,310
Gain on derivatives	435,347	207,805
Others	9,947	29,443
	882,434	476,134
	5,500,036	3,725,280
Operating expenses		
Interest expenses		
Interest on deposits	1,995,451	1,560,185
Interest on borrowings	228,262	201,076
Interest on debentures	344,889	234,864
Others	41,591	31,108
	2,610,193	2,027,233
Commission expenses	133,450	91,448
Other operating expenses		
Loss on disposal of trading securities	10,995	7,215
Loss on valuation of trading securities	10,454	2,414
Loss on foreign currency trading	150,431	88,964
Provision for possible loan losses	839,066	183,062
Loss on derivatives	407,861	210,295
Others	180,494	77,115
	1,599,301	569,065
General and administrative expenses (Note 22)	881,994	526,888
	5,224,938	3,214,634
Operating income	275,098	510,646
Non-operating income (Note 23)	337,447	178,841
Non-operating expenses (Note 23)	119,746	233,352
Ordinary income	492,799	456,135
Extraordinary gain	-	5
Extraordinary loss	-	-
Income before income taxes	492,799	456,140
Income tax expense (benefit) (Note 24)	(24,352)	132,530
Net income (Note 25)	₩ 517,151	₩ 323,610
Ordinary income per share	₩ 3,167	₩ 2,304
Earning per share	₩ 3,167	₩ 2,304
Diluted ordinary income per share	₩ 3,163	₩ 2,300
Diluted earnings per share	₩ 3,163	₩ 2,300

The accompanying notes are an integral part of these non-consolidated financial statements.

Non-Consolidated Statements of Appropriations of Retained Earnings

Years Ended December 31, 2003 and 2002

(Dates of Appropriations: March 26, 2004 and March 28, 2003
for the years ended December 31, 2003 and 2002, respectively)

	(in millions of Korean Won)	
	2003	2002
Unappropriated retained earnings at the end of the year		
Carried over from the prior year	₩ 155	₩ 121
Decrease from equity method valuation	(99)	(109)
Net income	517,151	323,610
	517,207	323,622
Appropriations of retained earnings		
Legal reserve	51,800	32,400
General purpose contingency reserve	380,300	205,000
Cash dividends		
(10% for common stock in 2003; 10% for common stock in 2002)	84,963	86,067
	517,063	323,467
Unappropriated retained earnings to be carried over to the subsequent year	₩ 144	₩ 155

The accompanying notes are an integral part of these non-consolidated financial statements.

Non-Consolidated Statements of Cash Flows

Years Ended December 31, 2003 and 2002

	(in millions of Korean Won)	
	2003	2002
Cash used in operating activities		
Net income	₩ 517,151	₩ 323,610
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization	150,159	53,822
Provision for possible loan losses	839,066	183,062
Provision for severance benefits	37,376	19,701
Unrealized loss on securities, net	41,339	110,127
Gain on securities transactions, net	(142,301)	(64,844)
Unrealized loss (gain) on derivatives, net	11,600	(5,720)
Reversal of reserve for possible losses on acceptances and guarantees	(9,947)	(29,443)
Payment of retirement benefits	(4,625)	(4,568)
Gain on sale of loans, net	(41,513)	(7,983)
Changes in assets and liabilities resulting from operations	(1,660,765)	(3,400,277)
Others	(36,104)	9,598
	(298,564)	(2,812,915)
Cash provided by (used in) investing activities		
Decrease (increase) in trading securities	(44,827)	484,236
Decrease (increase) in available-for-sale securities	(223,278)	1,270,314
Increase in held-to-maturity securities	(88,489)	-
Decrease in investments in associates	2,315	-
Increase in property, plant and equipment	(115,957)	(102,030)
Increase in intangible assets	(35,400)	-
Decrease (increase) in guarantee deposits	22,065	(1,509)
Increase in accounts receivable	(246,521)	(148,201)
	(730,092)	1,502,810
Cash provided by financing activities		
Increase (decrease) in borrowings	₩ (158,281)	₩ 1,430,970
Decrease in bills sold	(519,658)	(159,627)
Increase in debentures	2,168,442	1,588,607
Increase (decrease) in domestic exchange payable	(382,882)	285,664
Increase (decrease) in foreign exchange payable	16,020	(278,791)
Increase in bonds sold on repurchase agreements	653,751	77,472
Decrease in due to Bank of Korea in foreign currencies	(27,236)	(140,092)
Decrease in call money	(512,286)	(426,889)
Increase (decrease) in due to trust accounts	647,533	(354,745)
Increase in accounts payable	186,462	185,106
Extinguishment of preferred stock	-	(198,010)
Cash dividends	(86,067)	(29,322)
Increase in treasury stock	(194,868)	(447,893)
Others	204,026	(151)
	1,994,956	1,532,299
Net increase in cash and due from banks	966,300	222,194
Cash and due from banks at the beginning of the year	3,718,272	2,482,063
Increase in cash and due from banks arising from the merger	-	1,014,015
Cash and due from banks at the end of the year	₩ 4,684,572	₩ 3,718,272
Cash and due from banks at the end of the year		
Cash on hand	₩ 1,356,626	₩ 1,644,844
Foreign currencies	114,643	78,478
Due from banks in Won	3,108,801	1,908,578
Due from banks in foreign currencies	104,502	86,372
	₩ 4,684,572	₩ 3,718,272

The accompanying notes are an integral part of these non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

1. The Bank

Hana Bank ("the Bank") was established in November 1959 as "Seoul Bank" and acquired Korea Trust Bank in August 1976. The Bank entered into a business combination contract ("the Contract") with the former Hana Bank on September 27, 2002 and obtained approval from its shareholders for such combination on November 14, 2002. In accordance with the Contract, the Bank completed the merger with the former Hana Bank as of December 1, 2002. The Bank, the surviving entity, was renamed "Hana Bank" upon completion of the transaction. As of December 31, 2003, the Bank is engaged in the commercial banking, trust and foreign exchange business and other related operations as permitted under the Bank Act and other relevant laws and regulations in the Republic of Korea. In addition, the Bank has been selling insurance by entering into agreements with other life insurance companies since September 26, 2003, after the revision of the insurance regulations.

The Bank's shares are listed on the Korean Stock Exchange. As of December 31, 2003, the Bank has 2,000 million shares of authorized common stock with a par value of ₩5,000 per share, and has 197,432,203 shares issued, with a common stock amounting to ₩987,161 million. Under the Bank's Articles of Incorporation, the Bank is authorized to issue shares of preferred stock of up to 50% of the outstanding number of shares of common stock. As of December 31, 2003, the Bank has no shares of preferred stock issued.

In accordance with its Articles of Incorporation, the Bank is authorized to issue convertible bonds and bonds with stock warrants to investors other than its shareholders for amounts up to ₩200,000 million each. As of December 31, 2003, there are no convertible bonds outstanding.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Bank in the preparation of its financial statements are summarized below.

Basis of Financial Statement Presentation

The official accounting records of the Bank are maintained in Korean Won in accordance with the relevant laws and regulations of the Republic of Korea.

The Bank operates both a commercial banking business and a trust business in which the Bank, as a fiduciary, holds and manages the property of others. Under the Trust Business Act, the trust funds are accounted for and reported separately from the Bank's own commercial banking business.

The Bank maintains its accounting records in Korean Won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Bank that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Bank's financial position, results of operations, or cash flows is not presented in the accompanying financial statements.

Accounting Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect amounts reported therein. Although these estimates are based on management's best knowledge of current events and actions that the Bank may undertake in the future, actual results may be different from those estimates.

Recognition of Interest Income

Interest income on loans and investments is recognized on an accrual basis. However, the interest income on loans overdue or dishonored is recognized on a cash basis, except for those secured and guaranteed by financial institutions, which is recognized on an accrual basis.

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

Allowance for Possible Loan Losses

From 1999, the Bank adopted a method of corporate loan classification for calculating the allowance for possible loan losses by incorporating the borrowers' future debt service capacity ("Forward Looking Criteria (FLC)"). This credit rating model considers the financial and non-financial factors of borrowers and classifies the borrowers' credit risk by seventeen ratings. Provisions are determined by applying the following minimum percentages to the various credit ratings:

Loan classifications	Provision percentages
Normal	0 ~ 2.2%
Precautionary	3% or more
Substandard	20% or more
Doubtful	60% or more
Estimated loss	100%

Household and credit card loans are classified based on the delinquent periods, value of collateral, and reasonably estimated collectibility. Provisions are determined by applying the following minimum percentages to the various credit ratings:

Loan classifications	Provision percentages	
	Consumer	Credit cards
Normal	0.75%	3%
Precautionary	8%	12%
Substandard	25%	25%
Doubtful	90%	90%
Estimated loss	100%	100%

Securities

Securities that are bought and held are classified as trading securities, available-for-sale securities and held-to-maturity securities, depending on the purpose of the purchase and holding intention.

All securities are initially carried at cost, including incidental expenses, determined by the moving-average method.

Held-to-maturity securities are generally carried at amortized cost. Premiums and discounts on debt securities are amortized over the maturity period using the effective interest rate method.

Trading and available-for-sale securities are carried at fair value, except for non-marketable equity securities classified as available-for-sale securities, which are carried at cost. The fair value of debt securities, which do not have a quoted market value, is calculated using the present value of future cash flows, discounted at a reasonable interest rate determined based on the credit ratings provided by independent credit rating institutions.

Unrealized holding gains or losses on trading securities are charged to current operations and those resulting from available-for-sale securities are recorded as capital adjustments, the accumulated amount of which shall be charged to current operations when the related securities are sold or when an impairment loss on the securities is recognized.

Impairment losses are recognized in current operations when the recoverable amounts are less than the acquisition cost of equity securities or amortized cost of debt securities.

Investments in Associates

Investments in associates, over which the Bank exercises a significant control or influence, are accounted for under the equity method. Under the equity method, the Bank records changes in its proportionate ownership in the associate in current operations, as capital

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adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in the book value of the investment in the associate.

The Bank discontinues the equity method of accounting for investments in associates when the Bank's share of accumulated losses equals the costs of the investments, and until the subsequent cumulative changes in its proportionate net income of the associate equal its cumulative proportionate net losses not recognized during the periods when the equity method was suspended.

Differences between the initial purchase price and the Bank's initial proportionate ownership of the net book value of the associate are amortized or accreted using a reasonable method and are charged to current operations.

Gains and losses recorded by the Bank from inter-company transactions with associates are fully eliminated. Gains and losses recorded by the associates from these transactions are proportionately eliminated, based on the Bank's percentage of ownership.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Routine maintenance and repairs are charged to expense as incurred. Expenditures that enhance the value or extend the useful economic lives of the assets involved are treated as additions to property, plant and equipment.

Depreciation is computed using the declining-balance method (the straight-line method for buildings) over the estimated useful lives of the assets as described below.

	Estimated useful life-years
Buildings, structures and auxiliary facilities	50
Vehicles, furniture and fixtures	5
Structures in leased offices used for business purposes	5

Intangible Assets

Trademarks and goodwill are stated at cost, net of accumulated amortization. Goodwill and trademarks are amortized using the straight-line method over five years.

Present Value Discounts

If the present value of a loan is different from the book value due to the rescheduling of terms as agreed by the related parties (as in the case of court receivership, court mediation or workout), the present value discount on the loan is offset against the allowance for possible loan losses, if available, or charged to current expenses.

The difference between the book value and present value is recorded as 'present value discounts' in the balance sheet and amortized to current earnings over the related period using the effective interest rate method.

Stock Issuance Costs and Debenture Issuance Costs

New stock issuance costs and debenture issuance costs are deducted from paid-in capital in excess of par value and the amounts of debenture issuance, respectively. Debenture issuance costs are amortized as interest expense over the redemption term using the effective interest rate method.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Korean Won using the exchange rates of ₩1,197.8: US\$1 and ₩1,200.40: US\$1, the rates in effect as of December 31, 2003 and 2002, respectively. Resulting translation gains and losses are charged to current operations.

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Bonds Purchased under Resale Agreements and Bonds Sold under Repurchase Agreements

Bonds purchased on resale agreements and bonds sold on repurchase agreements are included in assets and liabilities in the accompanying non-consolidated balance sheets.

Accrued Severance Benefits

Directors and employees with one year or more of service are entitled to receive a lump-sum payment upon termination of their employment with the Bank, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amounts to be paid if all eligible employees and directors were to terminate their employment as of the balance sheet date. Actual payments of severance benefits for the years ended December 31, 2003 and 2002 amounted to ₩4,625 million and ₩4,569 million, respectively.

Reserve for Possible Losses on Acceptances and Guarantees

Acceptances and guarantees outstanding do not appear on the balance sheet, but are presented as off-balance sheet items in the notes to the financial statements.

The Bank provides a minimum provision of 20% of guaranteed amounts for companies classified as "substandard" 60% for "doubtful" and 100% for "estimated loss" The Bank records the provision as a reserve for possible losses on acceptances and guarantees in the liabilities section of the balance sheet (Note 13).

Income Tax Expense

Deferred income taxes represent the tax effects of the different tax and financial reporting bases of assets and liabilities, and are recorded at enacted tax rates which are expected to be in effect when the temporary differences are expected to reverse. The provision for income taxes represents taxes currently payable for the year plus the change in the net deferred income tax balance from the previous balance sheet date. Valuation allowances are established when necessary to reduce deferred income tax assets to the amount expected to be realized.

Gain (Loss) on Prior Period Adjustments

Prior period adjustments are charged to retained earnings carried over from the prior year.

Derivative Financial Instruments

In accordance with the revised financial accounting standards related to derivatives accounting, effective January 1, 2000, the Bank records the fair values of rights and obligations related to derivatives contracts on the balance sheet as assets and liabilities and recognizes the related gains or losses in the statement of income. However, the effective portions of the unrealized gains or losses arising from "cash flow" hedge derivative financial instruments are deferred and recorded in capital adjustments.

Translation of Financial Statements of Overseas Branches

Accounts and records of the overseas branches are maintained in foreign currencies. In translating financial statements of overseas branches, the Bank applies the appropriate rate of exchange at the balance sheet date.

Stock Options

The Bank applies the intrinsic method for stock options granted in 1999 and the fair value method for stock options granted in and after 2000. The Bank allocates the total compensation cost over the contracted service period and recognizes the cost in current operation (Note 20).

Operations of the Trust Accounts

The Bank recognizes, in accordance with the Trust Business Act, trust fees from the banking accounts as income from trust operations. If losses are incurred on trust accounts that have a guarantee of principal repayment trust terms, the losses are recognized as a loss from trust operations.

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Application of the Statements of Korean Financial Accounting Standards

In accordance with the Statements of Korean Financial Accounting Standards No. 6, "Subsequent Events", the Bank's retained earnings as of December 31, 2002 has been restated to amounts before appropriations. In accordance with the Statements of Korean Financial Accounting Standards No.1, "Changes in Accounting Principles and Error Correction," the balance sheet as of December 31, 2002 has been adjusted accordingly.

3. Cash and Due from Banks

Cash and due from banks as of December 31, 2003 and 2002 are summarized as follows:

	(in millions of Korean Won)	
	2003	2002
Cash on hand	₩ 1,356,626	₩ 1,644,844
Foreign currencies	114,643	78,478
Due from banks in Won	3,108,801	1,908,578
Due from banks in foreign currencies	104,502	86,372
	₩ 4,684,572	₩ 3,718,272

Due from banks in Won and foreign currencies as of December 31, 2003 and 2002 comprise the following:

	Annual interest rate	(in millions of Korean Won)	
		2003	2002
Checking accounts	-	₩ 2,742,398	₩ 1,164,147
Certificates of deposits	4.92	365,971	619,859
Time deposits	-	-	118,316
Other deposits	-	432	6,256
		3,108,801	1,908,578
Due from banks in foreign currencies	0.31	104,502	86,372
		₩ 3,213,303	₩ 1,994,950

Checking accounts deposited in the Bank of Korea represent reserves required and restricted for the payment of deposits under the Bank of Korea Act. Furthermore, as of December 31, 2003 and 2002, other deposits amounting to ₩232 million and ₩286 million, respectively, are restricted as to withdrawal under the agreements with counterparties.

As of December 31, 2003 and 2002, due from banks in foreign currencies amounting to ₩37,948 million and ₩47,678 million, respectively, are reserved at the Bank of Korea under the Bank of Korea Act for the settlements with foreign banks. Furthermore, as of December 31, 2003 and 2002, due from banks in foreign currencies amounting to ₩7,127 million and ₩553 million, respectively, are reserve deposits in the central banks of countries where overseas branches are located and are restricted as to withdrawal.

The maturities of due from banks outstanding as of December 31, 2003 are as follows:

	(in millions of Korean Won)		
	Due from banks in Won	Due from banks in foreign currencies	Total
Within 1 month	₩ 29,687	₩ 100,011	₩ 129,698
More than 1 ~ 3 months	1,884,894	-	1,884,894
More than 3 ~ 6 months	49,465	4,491	53,956
More than 6 months ~ 1 year	-	-	-
More than 1 ~ 3 years	-	-	-
More than 3 ~ 5 years	1,144,755	-	1,144,755
More than 5 years	-	-	-
	₩ 3,108,801	₩ 104,502	₩ 3,213,303

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4. Trading Securities

Trading securities as of December 31, 2003 and 2002 comprise the following:

	Annual interest rate	(in millions of Korean Won)	
		Carrying value	
		2003	2002
Equity securities	-	₩ 139,816	₩ 39,180
Government and public bonds	4.5	9,932	121,131
Debentures issued by financial institutions	4.0 ~ 5.3	193,681	79,212
Corporate bonds	5.1	50,555	70,784
Securities denominated in foreign currencies	-	-	28,140
		₩ 393,984	₩ 338,447

The information about trading securities by industry as of December 31, 2003 and 2002 is summarized as follows:

	(in millions of Korean Won)			
	2003		2002	
	Amount	Ratio (%)	Amount	Ratio (%)
Financial business	₩ 193,681	49.16	₩ 82,834	24.47
Public administration	60,487	15.35	204,387	60.39
Manufacturing	128,773	32.69	48,226	14.25
Wholesale and retail	1,867	0.47	3,000	0.89
Others	9,176	2.33	-	-
	₩ 393,984	100.00	₩ 338,447	100.00

5. Available-For-Sale Securities

Available-for-sale securities as of December 31, 2003 and 2002 comprise the following:

	Annual interest rate	(in millions of Korean Won)	
		Carrying value	
		2003	2002
Stocks and equity investments	-	₩ 496,714	₩ 520,952
Government and public bonds	3.00 ~ 11.26	1,857,352	1,146,172
Debentures issued by financial institutions	3.85 ~ 10.05	2,940,709	3,281,560
Corporate bonds	1.00 ~ 15.00	5,464,207	5,786,908
Beneficiary certificates	-	684,909	603,879
Securities denominated in foreign currencies	0.25 ~ 11.75	1,076,817	705,644
Others	-	5,437	86,781
		₩ 12,526,145	₩ 12,131,896

As of December 31, 2003, available-for-sale securities amounting to ₩2,429,865 million are provided as collateral for borrowings from the Bank of Korea and other financial institutions.

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Equity securities (including equity securities in foreign currencies) as of December 31, 2003 and 2002 are as follows:

1) As of December 31, 2003

	(in millions of Korean Won)			
	Acquisition cost (*)	Gain (loss)	Capital adjustments	Carrying value
Marketable equity securities	₩ 239,693	₩ (51,453)	₩ 40,703	₩ 228,943
Non-marketable equity securities	218,096	(590)	20,454	237,960
	₩ 457,789	₩ (52,043)	₩ 61,157	₩ 466,903

2) As of December 31, 2002

	(in millions of Korean Won)			
	Acquisition cost (*)	Gain (loss)	Capital adjustments	Carrying value
Marketable equity securities	₩ 402,316	₩ (102,135)	₩ 54,667	₩ 354,848
Non-marketable equity securities	143,352	(13,705)	-	129,647
	₩ 545,668	₩ (115,840)	₩ 54,667	₩ 484,495

(*) Prior year's book value plus acquisition costs for securities purchased for current period

Details of marketable equity securities as of December 31, 2003 comprise the following:

Company	(in millions of Korean Won)		
	Number of shares	Ownership (%)	Carrying value
Ssangyong Motors Co.	4,698,742	3.89	₩ 48,397
Korea Electronic Power Corporation	1,530,000	0.24	32,742
Daewoo Engineering & Construction Co., Ltd.	4,651,709	2.80	25,910
Hyundai Engineering & Construction Co., Ltd.	22,078,913	4.37	25,280
SsangYong Cement Industrial Co., Ltd.	7,536,800	4.44	11,079
Daewoo International Corporation	1,195,797	2.79	8,729
Kyobo Securities Co., Ltd.	3,130,000	8.69	8,670
Sae Han Industries Inc.	6,656,800	5.06	5,525
Mugunghwa Restructuring Fund	2,080,000	3.12	5,177
KT&G Corp.	245,000	0.14	5,072
Others			52,362
			₩ 228,943

The securities of Hyundai Engineering & Construction Co., Ltd. (HDEC) were acquired at a price of ₩5,000 per share, and the disposal of 20,273,400 shares is restricted until December 31, 2006.

The securities of Ssangyong Motors Co. are restricted as to disposal until December 31, 2004, and the disposal of 4,405,186 shares of the securities of Daewoo Engineering & Construction Co., Ltd. is also restricted until December 31, 2004.

As of December 31, 2003, the marketable equity securities restricted as to disposal amounted to ₩117,915 million, including the above-mentioned securities.

The marketable equity securities above are recorded at their fair values with unrealized holding gains and losses recorded in capital adjustments. For items determined to be impaired due to a significant decrease in fair values from deterioration of operating conditions, cash shortage, lack of funds, and other reasons, the decrease in fair values are recognized in current operations as impairment losses. The Bank recognized ₩51,153 million of such impairment losses on marketable equity securities for the year ended December 31, 2003.

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Details of non-marketable equity securities as of December 31, 2003 comprise the following:

Company	(in millions of Korean Won)		
	Number of shares	Ownership(%)	Carrying value
SK Networks Co., Ltd. (common stock)	16,750,800	4.96	₩ 57,237
SK Networks Co., Ltd. (preferred callable stock)	1,409,807	7.94	41,881
Korea Housing Guarantee Co.	16,942,000	2.92	32,309
Dongboo Electronic Co.	4,000,000	3.56	20,006
Korea Securities Finance Corporation	2,506,229	3.68	16,248
Samsung Life Insurance Co.	47,700	0.24	15,836
TU Media Corporation	1,300,000	6.85	6,500
Daewoo Electronics Corp.	1,800,780	1.69	6,406
Korea Asset Management Corporation	920,000	3.32	5,087
Korea Aerospace Industries	989,200	1.27	4,210
National Information & Credit Evaluation Inc.	465,544	9.83	4,000
Daewoo Capital Corporation	380,334	1.51	3,803
Others			24,437
			₩ 237,960

The equity securities of SK Networks Co., Ltd. are restricted as to disposal until December 31, 2007.

As of December 31, 2003, the non-marketable equity securities restricted as to disposal amounted to ₩105,524 million, including the equity securities of SK Networks Co., Ltd.

For items determined to be impaired due to a significant decrease in fair values from deterioration of operating conditions, cash shortage, lack of funds, and other reasons, the decrease in fair values are recognized in current operations as impairment losses. The Bank recognized ₩590 million of such impairment losses on non-marketable equity securities for the year ended December 31, 2003.

Debt securities as of December 31, 2003 and 2002 comprise the following:

1) As of December 31, 2003

	(in millions of Korean Won)		
	Acquisition cost (*)	Adjusted value (**)	Carrying value
Government and public bonds	₩ 1,880,381	₩ 1,879,518	₩ 1,857,352
Debentures issued by financial institutions	2,928,795	2,951,576	2,940,709
Corporate bonds	5,538,112	5,494,208	5,464,207
Securities denominated in foreign currencies	1,067,182	1,052,258	1,075,407
	₩ 11,414,470	₩ 11,377,560	₩ 11,337,675

2) As of December 31, 2002

	(in millions of Korean Won)		
	Acquisition cost (*)	Adjusted value (**)	Carrying value
Government and public bonds	₩ 1,129,041	₩ 1,129,768	₩ 1,146,172
Debentures issued by financial institutions	3,291,235	3,272,615	3,281,560
Corporate bonds	5,829,423	5,807,273	5,786,908
Securities denominated in foreign currencies	696,835	695,125	704,272
Securities lent	85,411	85,561	85,561
	₩ 11,031,945	₩ 10,990,342	₩ 11,004,473

(*) Prior year's closing book balances or acquisition costs for securities purchased during the current year.

(**) Adjusted value after impairment and amortization of discounts or premiums (amortized cost).

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Details of gains (losses) on valuation of available-for-sale securities included in capital adjustments as of December 31, 2003 and 2002 are as follows:

	(in millions of Korean Won)	
	2003	2002
Stocks and equity investments	₩ 74,130	₩ (6,499)
Government and public bonds	(3,737)	30,056
Debentures issued by financial institutions	(876)	18,017
Corporate bonds	(30,412)	21,408
Other securities	8,022	21
Securities denominated in foreign currencies	19,520	2,259
	₩ 66,647	₩ 65,262

The information about available-for-sale securities by currency and country as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)			
	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Korea	₩ 11,449,328	100.00	₩ 996,270	92.52
U.K.	-	-	30,051	2.79
U.S.A.	-	-	25,044	2.33
France	-	-	12,265	1.14
Others	-	-	13,187	1.22
	₩ 11,449,328	100.00	₩ 1,076,817	100.00

The information about available-for-sale securities by industry as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)			
	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Financial business	₩ 4,444,170	38.82	₩ 391,112	36.32
Public administration	6,444,752	56.29	139,679	12.97
Manufacturing	209,988	1.83	424,278	39.40
Construction	74,093	0.65	-	-
Wholesale and retail	168,392	1.47	-	-
Others	107,933	0.94	121,748	11.31
	₩ 11,449,328	100.00	₩ 1,076,817	100.00

The information about available-for-sale securities by securities type as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)			
	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Stocks	₩ 465,493	4.07	₩ 1,410	0.13
Fixed rate bonds	7,000,845	61.15	408,973	37.98
Floating rate bonds	3,261,423	28.48	547,519	50.84
Convertible bonds	-	-	78,462	7.29
Beneficiary certificates	684,909	5.98	-	-
Others	36,658	0.32	40,453	3.76
	₩ 11,449,328	100.00	₩ 1,076,817	100.00

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The maturities of debt securities as of December 31, 2003 are as follows:

	(in millions of Korean Won)				
	Government and public bonds	Debentures issued by financial institutions	Corporate bonds	Securities denominated in foreign currencies	Total
Within 1 month	₩ 65,768	₩ 89,875	₩ 70,283	₩ 10,265	₩ 236,191
More than 1 ~ 3 months	6,391	239,970	143,453	24,115	413,929
More than 3 ~ 6 months	35,568	642,425	300,278	17,831	996,102
More than 6 months ~ 1 year	15,975	385,129	391,254	67,595	859,953
More than 1 ~ 3 years	988,961	1,573,515	3,668,667	481,204	6,712,347
More than 3 ~ 5 years	693,219	9,795	821,239	281,808	1,806,061
More than 5 years	51,470	-	69,033	192,589	313,092
	₩ 1,857,352	₩ 2,940,709	₩ 5,464,207	₩ 1,075,407	₩ 11,337,675

6. Held-To-Maturity Securities

Held-to-maturity securities as of December 31, 2003 and 2002 comprise the following:

	Annual interest rate	(in millions of Korean Won)	
		2003	2002
Government and public bonds	3.00 ~ 9.40	₩ 911,122	₩ 556,425
Debentures issued by financial institutions	4.18 ~ 7.96	953,362	779,133
Corporate bonds	4.26 ~ 15.00	785,510	1,264,688
Securities denominated in foreign currencies	Libor + 0.97 ~ 2.00	34,960	2,401
Securities lent	5.67	13,447	16,492
		₩ 2,698,401	₩ 2,619,139

As of December 31, 2003, held-to-maturity securities amounting to ₩1,733,195 million are provided as collateral for borrowings from the Bank of Korea and other financial institutions.

Details of held-to-maturity securities as of December 31, 2003 and 2002 comprise the following:

1) As of December 31, 2003

	(in millions of Korean Won)		
	Acquisition cost (*)	Adjusted value (**)	Carrying value
Government and public bonds	₩ 902,361	₩ 911,122	₩ 911,122
Debentures issued by financial institutions	939,504	953,362	953,362
Corporate bonds	798,798	785,510	785,510
Securities denominated in foreign currencies	34,991	34,960	34,960
Securities lent	13,474	13,447	13,447
	₩ 2,689,128	₩ 2,698,401	₩ 2,698,401

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2) As of December 31, 2002

	(in millions of Korean Won)		
	Acquisition cost (*)	Adjusted value (**)	Carrying value
Government and public bonds	₩ 558,275	₩ 556,425	₩ 556,425
Debentures issued by financial institutions	781,006	779,133	779,133
Corporate bonds	1,295,716	1,264,688	1,264,688
Securities denominated in foreign currencies	2,401	2,401	2,401
Securities lent	16,760	16,492	16,492
	₩ 2,654,158	₩ 2,619,139	₩ 2,619,139

(*) Prior year's closing book balances or acquisition costs for securities purchased during the current year.

(**) Adjusted value after impairment and amortization of discounts or premiums (amortized cost).

The information about held-to-maturity securities by currency and country as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)			
	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Korea	₩ 2,663,441	100.00	₩ 27,931	79.89
Singapore	-	-	7,029	20.11
	₩ 2,663,441	100.00	₩ 34,960	100.00

The information about held-to-maturity securities by industry as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)			
	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Financial business	₩ 1,111,308	41.72	₩ -	-
Public administration	1,552,133	58.28	27,931	79.89
Manufacturing	-	-	7,029	20.11
	₩ 2,663,441	100.00	₩ 34,960	100.00

The information about held-to-maturity securities by classification as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)			
	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Fixed rate bonds	₩ 2,642,649	99.22	₩ 27,931	79.89
Floating rate bonds	20,792	0.78	7,029	20.11
	₩ 2,663,441	100.00	₩ 34,960	100.00

The maturities of held-to-maturity securities as of December 31, 2003 are as follows:

	(in millions of Korean Won)					
	Government and public bonds	Debentures issued by financial institutions	Corporate bonds	Securities denominated in foreign currencies	Securities lent	Total
Within 1 month	₩ 55,518	₩ 29,959	₩ 20,044	₩ 5,624	₩ -	₩ 111,145
More than 1 ~ 3 months	7,767	159,233	10,015	1,406	-	178,421
More than 3 ~ 6 months	7,174	314,798	9,996	-	-	331,968
More than 6 months ~ 1 year	-	113,233	74,993	14,419	-	202,645
More than 1 ~ 3 years	89,151	336,139	386,492	11,978	13,447	837,207
More than 3 ~ 5 years	693,681	-	254,045	-	-	947,726
More than 5 years	57,831	-	29,925	1,533	-	89,289
	₩ 911,122	₩ 953,362	₩ 785,510	₩ 34,960	₩ 13,447	₩ 2,698,401

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7. Investments in Associates

Investments in associates accounted for under the equity method as of December 31, 2003 are summarized as follows:

	(in millions of Korean Won)					
	Ownership (%)	Acquisition cost	Current Year Adjustments			Carrying value
Gain arising from the equity method			Capital adjustment	Retained earnings		
Hana Securities	52.80	₩ 132,532	₩ 26,537	₩ (243)	₩ (99)	₩ 158,727
Hana Allianz	50.00	14,575	2,387	(7)	-	16,955
Hana Research	62.50	2,007	15	-	-	2,022
Hana Funding Ltd.	100.00	60	-	-	-	60
BC Card	16.83	24,709	199	(196)	-	24,712
Hana INS	100.00	1,482	555	-	-	2,037
Hana Life Insurance	50.00	4,524	1,279	(1,666)	-	4,137
		₩ 179,889	₩ 30,972	₩ (2,112)	₩ (99)	₩ 208,650

As of December 31, 2003 and 2002, the amount of capital adjustments in relation to investments in associates are ₩4,026 million and ₩6,138 million, respectively.

8. Loans

Loans as of December 31, 2003 and 2002 comprise the following:

	(in millions of Korean Won)	
	2003	2002
Loans in Won currency	₩ 18,820,713	₩ 16,167,143
Corporate loans	25,661,741	23,598,751
Household loans	355,846	383,167
Others	44,838,300	40,149,061
Loans in foreign currencies	3,339,687	3,457,555
Bills purchased in Won currency	1,869,384	1,830,387
Bills purchased in foreign currencies	1,664,364	1,687,820
Advances to customers	70,746	103,228
Factoring receivables	229,763	177,647
Credit card loans	1,668,070	2,160,008
Bonds purchased on resale agreements	291,000	86,000
Call loans	440,200	315,649
Privately-placed debentures	1,954,225	1,997,845
Convertible loans	39,585	10,823
	₩ 56,405,324	₩ 51,976,023

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The information about loans in Won (including bills purchased, factoring receivables and convertible loans) and loans in foreign currencies (including factoring receivables) by industry as of December 31, 2003 and 2002 is summarized as follows:

1) As of December 31, 2003

	(in millions of Korean Won)			
	Loans in Won	Loans in foreign currencies	Total	Ratio (%)
Manufacturing	₩ 8,011,264	₩ 1,833,686	₩ 9,844,950	19.6
Wholesale and retail	3,447,183	324,197	3,771,380	7.5
Financial business	1,420,482	245,933	1,666,415	3.3
Construction	1,700,369	13,998	1,714,367	3.4
Household	25,661,741	-	25,661,741	51.0
Real estate and renting	1,626,811	36,662	1,663,473	3.3
Public and others	5,109,182	885,211	5,994,393	11.9
	₩ 46,977,032	₩ 3,339,687	₩ 50,316,719	100.0

2) As of December 31, 2002

	(in millions of Korean Won)			
	Loans in Won	Loans in foreign currencies	Total	Ratio (%)
Manufacturing	₩ 7,959,732	₩ 1,955,209	₩ 9,914,941	21.7
Wholesale and retail	2,778,741	321,527	3,100,268	6.8
Financial business	1,555,593	246,426	1,802,019	3.9
Construction	1,564,063	10,061	1,574,124	3.5
Household	23,598,751	-	23,598,751	51.7
Real estate and renting	886,480	15,254	901,734	2.0
Public and others	3,822,947	910,689	4,733,636	10.4
	₩ 42,166,307	₩ 3,459,166	₩ 45,625,473	100.0

The information about loans in foreign currencies (including factoring receivables) by country as of December 31, 2003 and 2002 is summarized as follows:

	(in millions of Korean Won)			
	2003		2002	
	Amount	Ratio (%)	Amount	Ratio (%)
Korea	₩ 1,560,590	46.7	₩ 1,526,671	44.1
Russia	118,582	3.6	118,840	3.5
Japan	78,189	2.3	21,560	0.6
Indonesia	15,520	0.5	17,300	0.5
U.S.A.	12,314	0.4	21,816	0.6
Hong Kong	8,875	0.3	8,156	0.2
China	2,314	0.1	6,855	0.2
Singapore	-	-	23,521	0.7
Domestic import usance	1,543,303	46.1	1,713,172	49.6
Others	-	-	1,275	0.0
	₩ 3,339,687	100.0	₩ 3,459,166	100.0

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The maturities of loans in Won (including bills purchased, factoring receivables and convertible loans), loans in foreign currencies (including factoring receivables) and bills purchased in foreign currencies as of December 31, 2003 are summarized as follows:

	(in millions of Korean Won)			
	Loans in Won	Loans in foreign currencies	Bills purchased in foreign currencies	Total
Within 1 month	₩ 2,179,658	₩ 1,666,821	₩ 823,620	₩ 4,670,099
More than 1 ~ 3 months	4,880,933	242,031	612,180	5,735,144
More than 3 ~ 6 months	8,125,157	205,114	199,421	8,529,692
More than 6 months ~ 1 year	14,474,303	518,278	15,253	15,007,834
More than 1 ~ 3 years	11,824,255	293,984	864	12,119,103
More than 3 ~ 5 years	3,282,716	81,815	-	3,364,531
More than 5 years	2,210,010	331,644	13,026	2,554,680
	₩ 46,977,032	₩ 3,339,687	₩ 1,664,364	₩ 51,981,083

Details of changes in the allowance for possible loan losses for the years ended December 31, 2003 and 2002 are as follows:

	(in millions of Korean Won)	
	2003	2002
Beginning balance	₩ 839,289	₩ 428,052
Carry-over from mergers and acquisitions	-	360,267
Amount offsetted with present value discounts	(2,251)	1,403
Transfer to allowances for acceptances and guarantees	(2,101)	(68)
Debt-to-equity swap	(94,567)	(34,738)
Repurchase of loans from Korea Asset Management Corporation	1,015	495
Sale of non-performing loans	(55,233)	-
Write-offs	(519,133)	(183,091)
Remission of loans	(13,033)	-
Collection of previously written-off receivables	65,901	86,063
Changes in currency exchange rates	(3,701)	(1,130)
Provision for possible loan losses	839,066	183,062
Others	984	(1,026)
Closing balance	₩ 1,056,236	₩ 839,289

As of December 31, 2003, the details of the classification of loans and allowance for possible loan losses are as follows:

1) Classification of loans

	(in millions of Korean Won)					
	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total (**)
Loans in Won currency (*)	₩ 45,060,103	₩ 1,108,961	₩ 603,639	₩ 77,985	₩ 124,536	₩ 46,975,224
Loans in foreign currencies	3,120,773	136,027	65,956	13,841	2,678	3,339,275
Bills purchased in foreign currencies	1,633,437	17,771	11,400	1,532	95	1,664,235
Advances to customers	24,896	3,162	30,294	5,874	4,812	69,038
Credit card loans	1,550,464	29,946	19,366	51,051	17,243	1,668,070
Privately-placed debentures	1,823,050	120,324	9,241	814	599	1,954,028
Others	1,106	898	6,188	15,010	11,525	34,727
	₩ 53,213,829	₩ 1,417,089	₩ 746,084	₩ 166,107	₩ 161,488	₩ 55,704,597

(*) Including bills purchased in Won currency, factoring receivables in Won currency and convertible loans.

(**) Net of present value discounts and excluding bonds purchased on repurchase agreements, call loans and inter-bank loans.

Notes to Non-Consolidated Financial Statements

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2) Allowance for possible loan losses

	(in millions of Korean Won)					
	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Loans in Won currency	₩ 335,318	₩ 96,227	₩ 182,528	₩ 59,235	₩ 124,536	₩ 797,844
Loans in foreign currencies	23,496	9,183	27,713	9,689	2,678	72,759
Bills purchased in						
foreign currencies	2,869	1,782	2,281	1,072	95	8,099
Advances to customers	372	465	6,059	4,112	4,812	15,820
Credit card loans	28,477	3,028	4,841	45,769	17,243	99,358
Privately-placed debentures	11,983	22,482	1,848	570	599	37,482
Others	5	69	1,386	11,889	11,525	24,874
	₩ 402,520	₩ 133,236	₩ 226,656	₩ 132,336	₩ 161,488	₩ 1,056,236

In accordance with Korean banking regulations, a certain amount of accounts receivable and suspense receivables is included in the classification of the loans above.

Historical ratios of allowance for possible loan losses to total loans as of the most recent three year-ends are as follows:

	(in millions of Korean Won)		
	2003	2002	2001
Loans (*)	₩ 55,704,597	₩ 51,429,939	₩ 28,085,756
Allowance for possible loan losses	1,056,236	839,289	428,052
Ratios	1.90%	1.63%	1.52%

(*) Loans include certain amounts of accounts receivable and suspense receivables, and do not include bonds purchased under resale agreements, call loans and inter-bank loans.

For the years ended December 31, 2003 and 2002, the changes in present value discounts due to changes in the contractual terms related to troubled debt restructuring, are as follows:

	(in millions of Korean Won)	
	2003	2002
Beginning balance	₩ 10,242	₩ 7,291
Transferred in arising from the merger	-	8,454
Amortized amount (interest income)	(3,850)	(4,100)
Amount offsetted with allowance for possible loan losses	475	(1,403)
Ending balance	₩ 6,867	₩ 10,242

Details of restructured loans, excluding the loans provided to Daewoo Group companies, due to changes in contractual terms as of December 31, 2003 are as follows:

	(in millions of Korean Won)							
	Outstanding loans	Extension of maturity and/or reduction of interest rate	Loans for debt-to-equity swap	Converted to equity securities	Convertible bonds	Present value discounts	Restructured value	Losses from restructuring
Workout	₩ 580,266	₩ 286,892	₩ 704	₩ 245,208	₩ 46,846	₩ 615	₩ 286,892	₩ 615
Court receivership	300,543	53,459	-	242,546	-	4,539	53,459	4,539
Others	338,300	75,160	12,850	248,974	1,316	-	75,160	-
	₩1,219,109	₩ 415,511	₩ 13,554	₩ 736,728	₩ 48,162	₩ 5,154	₩ 415,511	₩ 5,154

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

9. Property, Plant and Equipment and Intangible Assets

Property, plant and equipment and intangible assets as of December 31, 2003 and 2002 are summarized as follows:

1) As of December 31, 2003

	(in millions of Korean Won)		
	Acquisition cost	Accumulated depreciation	Net book value
Property, plant and equipment			
Land	₩ 651,208	₩ -	₩ 651,208
Buildings, structures and auxiliary facilities	471,640	88,896	382,744
Vehicles, furniture and fixtures	352,346	220,949	131,397
Construction in-progress	3,194	-	3,194
Others	5	-	5
	1,478,393	309,845	1,168,548
Intangible assets	166,783	-	166,783
	₩ 1,645,176	₩ 309,845	₩ 1,335,331

2) As of December 31, 2002

	(in millions of Korean Won)		
	Acquisition cost	Accumulated depreciation	Net book value
Property, plant and equipment			
Land	₩ 650,884	₩ -	₩ 650,884
Buildings, structures and auxiliary facilities	409,153	67,277	341,876
Vehicles, furniture and fixtures	275,234	154,232	121,002
Construction in-progress	2,824	-	2,824
Others	5	-	5
	1,338,100	221,509	1,116,591
Intangible assets	172,924	-	172,924
	₩ 1,511,024	₩ 221,509	₩ 1,289,515

The Banking Act does not permit the Bank to own real estate in excess of the Bank's shareholders' equity.

In accordance with bank supervisory regulations, the Bank's property, plant and equipment, except for land, are covered by insurance policies against fire and other casualty losses up to ₩530,806 million as of December 31, 2003. The government-posted prices of the Bank's land amounted ₩543,620 million and ₩536,555 million as of December 31, 2003 and 2002 respectively.

The changes in property, plant and equipment and intangible assets for the year ended December 31, 2003 are as follows:

	(in millions of Korean Won)		
	Property, plant and equipment	Intangible assets	Total
Beginning balance	₩ 1,116,591	₩ 172,924	₩ 1,289,515
Acquisition/capital expenditures	203,730	110	203,840
Disposals	43,171	-	43,171
Increase arising from the merger (*)	35,182	35,182	
Amortization	108,618	41,541	150,159
Others	16	108	124
Ending balance	₩ 1,168,548	₩ 166,783	₩ 1,335,331

(*) This amount is the goodwill from the current period merger, which is the difference between the agreed price of the transferred shares of stock and the fair value of the net assets.

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

10. Deposits

Deposits as of December 31, 2003 and 2002 comprise the following:

	(in millions of Korean Won)	
	2003	2002
Won currency deposits:		
Demand deposits	₩ 3,220,239	₩ 3,064,524
Time and savings deposits	48,784,652	44,487,683
Mutual installment received	1,543,842	1,369,817
Housing installment deposits	313,196	385,301
	53,861,929	49,307,325
Foreign currency deposits:		
Demand deposits	485,515	483,971
Time and savings deposits	1,068,808	734,258
	1,554,323	1,218,229
Certificates of deposits	2,192,479	4,151,134
	₩ 57,608,731	₩ 54,676,688

The maturities of deposits as of December 31, 2003 are summarized as follows:

	(in millions of Korean Won)			
	Won currency deposits	Foreign currency deposits	Certificates of deposits	Total
Within 1 month	₩ 3,163,148	₩ 625,640	₩ 628,095	₩ 4,416,883
More than 1 ~ 3 months	10,800,907	298,147	898,410	11,997,464
More than 3 ~ 6 months	5,056,032	118,401	441,543	5,615,976
More than 6 months ~ 1 year	18,510,715	114,964	215,843	18,841,522
More than 1 ~ 3 years	2,819,821	22,292	5,254	2,847,367
More than 3 ~ 5 years	12,792,823	374,828	3,334	13,170,985
More than 5 years	718,483	51	-	718,534
	₩ 53,861,929	₩ 1,554,323	₩ 2,192,479	₩ 57,608,731

11. Borrowings

Borrowings as of December 31, 2003 and 2002 comprise the following:

	Annual interest rate	(in millions of Korean Won)	
		2003	2002
Won currency borrowings:			
Bank of Korea	2.50	₩ 977,508	₩ 755,898
Korean Government	3.89	227,390	281,635
Others	5.71	646,243	693,671
		1,851,141	1,731,204
Foreign currency borrowings:			
Bank overdraft	-	41,994	159,544
Foreign banks and others	0.35 ~ 2.45	3,518,771	3,574,439
Offshore	1.35 ~ 1.54	397,711	502,711
		3,958,476	4,236,694
		₩ 5,809,617	₩ 5,967,898

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

The subordinated borrowings included in Won currency borrowings as of December 31, 2003 and 2002 comprise the following:

	Annual interest rate	(in millions of Korean Won)		Condition of borrowings
		2003	2002	
Kyobo Life Insurance	-	₩ -	₩ 50,000	Lump sum redemption
Samsung Life Insurance Co.	-	-	70,000	"
LG Fire & Marine Insurance	-	-	48,000	"
		₩ -	₩ 168,000	

The maturities of borrowings as of December 31, 2003 are as follows:

	(in millions of Korean Won)		
	Won currency borrowings	Foreign currency borrowings (*)	Total
Within 1 month	₩ 986,155	₩ 1,316,211	₩ 2,302,366
More than 1 ~ 3 months	29,612	1,253,906	1,283,518
More than 3 ~ 6 months	41,029	742,707	783,736
More than 6 months ~ 1 year	78,480	478,415	556,895
More than 1 ~ 3 years	357,269	178,434	535,703
More than 3 ~ 5 years	225,750	109	225,859
More than 5 years	132,846	1,515	134,361
	₩ 1,851,141	₩ 3,971,297	₩ 5,822,438

(*) Including due to Bank of Korea in foreign currencies amounting to ₩12,821 million.

12. Debentures

Debentures as of December 31, 2003 and 2002 comprise the following:

	Annual interest rate	(in millions of Korean Won)	
		2003	2002
Won currency debentures:			
Subordinated bonds	5.56 ~ 15.63	₩ 2,764,066	₩ 2,418,403
Subordinated convertible bonds	-	-	49,998
Other bonds	4.08 ~ 8.70	2,757,822	1,180,842
		5,521,888	3,649,243
(Present value discounts)		(30,777)	(6,979)
(Adjustments for conversion rights)		-	(168)
		5,491,111	3,642,096
Foreign currency debentures:			
Foreign currency bonds	(L + 0.25) ~ 8.75	811,376	480,160
(Present value discounts)		(3,833)	(3,236)
		807,543	476,924
		₩ 6,298,654	₩ 4,119,020

Notes to Non-Consolidated Financial Statements

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Among the foreign currency bonds, the Bank issued subordinated bonds amounting to ₩239,560 million (US\$200,000 thousand) to Hana Funding Ltd., a wholly-owned subsidiary of the Bank. Hana Funding Ltd. funded the acquisition of the bonds through the offering of non-cumulative tier one preferred stock. Detailed information related to the tier one preferred stock are as follows:

Summary terms	
Call option	Redeemable in whole but not in part at the option of the issuer On December 17, 2012 or any payment date thereafter
Interest rate	8.748% per annum to the Reset Date Floating rate after the Reset Date
Interest payment dates	Annually to the Reset Date Quarterly after the Reset Date
Maturity	Due 2101
Non-cumulative preferred stock (Tier One Preferred Securities, "TOPS")	Listed on the Singapore Exchange

Details of the terms of outstanding subordinated convertible bonds as of December 31, 2003 and 2002 are summarized as follows:

	Date of issuance	Maturity	Annual interest rate	(in millions of Korean Won)	
				2003	2002
Won currency debentures					
Boram 1 st	November 25, 1997	January 31, 2003	-	₩ -	₩ 30,000
Boram 2 nd	"	"	-	-	19,998
	(Adjustments for conversion rights)			-	(168)
				₩ -	₩ 49,830

The maturities of debentures as of December 31, 2003 are as follows:

	(in millions of Korean Won)		
	Won currency debentures	Foreign currency debentures	Total
Within 1 month	₩ 580,141	₩ -	₩ 580,141
More than 1 ~ 3 months	170,000	-	170,000
More than 3 ~ 6 months	305,000	-	305,000
More than 6 months ~ 1 year	590,000	47,912	637,912
More than 1 ~ 3 years	1,764,544	441,622	2,206,166
More than 3 ~ 5 years	1,412,204	22,392	1,434,596
More than 5 years	699,999	299,450	999,449
	₩ 5,521,888	₩ 811,376	₩ 6,333,264

13. Confirmed Acceptances and Guarantees

Confirmed acceptances and guarantees as of December 31, 2003 and 2002 comprise the following:

	(in millions of Korean Won)	
	2003	2002
Acceptances and guarantees in Won currency	₩ 440,084	₩ 678,627
Acceptances and guarantees in foreign currencies:		
Acceptances for letters of credit	114,760	208,702
Letters of guarantee for importers	60,829	61,459
Guarantees on credit derivatives	59,011	59,139
Others (*)	672,970	819,815
	907,570	1,149,115
	₩ 1,347,654	₩ 1,827,742

(*) Acceptances and guarantees for the return of advances related to export, overseas bidding, and contractual obligations.

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The information about confirmed acceptances and guarantees by industry as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)	
	Amounts	Ratio (%)
Manufacturing	₩ 458,510	34.02
Financial business	335,786	24.91
Wholesale and retail	215,153	15.97
Construction	90,398	6.71
Transport and storage	37,706	2.80
Real estate and renting	2,276	0.17
Others	207,825	15.42
	₩ 1,347,654	100.00

The information about confirmed acceptances and guarantees by country as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)	
	Amounts	Ratio (%)
Korea	₩ 1,305,010	96.83
U.S.A.	21,275	1.58
Singapore	11,978	0.89
Hong Kong	6,671	0.50
Japan	1,562	0.11
China	1,158	0.09
	₩ 1,347,654	100.00

The details of classification of acceptances and guarantees and reserves for possible losses on acceptances and guarantees as of December 31, 2003 are summarized as follows:

	(in millions of Korean Won)						
	Acceptances and guarantees in Won currency		Acceptances and guarantees in foreign currencies		Total		Reserve ratio (%)
	Outstanding amount	Amount of reserves	Outstanding amount	Amount of reserves	Outstanding amount	Amount of reserves	
Normal	₩ 427,895	₩ -	₩ 804,173	₩ -	₩ 1,232,068	₩ -	-
Precautionary	8,928	-	5,209	-	14,137	-	-
Substandard	3,049	1,430	97,560	46,824	100,609	48,254	47.96
Doubtful	170	119	280	196	450	315	70.00
Estimated loss	42	42	348	348	390	390	100.00
	₩ 440,084	₩ 1,591	₩ 907,570	₩ 47,368	₩ 1,347,654	₩ 48,959	

Pursuant to a government program to support financial institutions in Korea, the Bank has sold a substantial amount of non-performing loans and other assets at a discounted price to KAMCO (Korea Asset Management Corporation) on a recourse basis since 1997. As of December 31, 2003, the Bank remained contingently liable to KAMCO for the selling price of the NPLs amounting to ₩20,024 million that were sold on a recourse basis. Pursuant to the terms of the sale contracts, if such NPLs are restructured and there are certain defaults in payments, KAMCO may exercise its right to request the Bank to repurchase certain portions of these assets at the original selling price paid to KAMCO plus accrued interest. The bank recorded a related reserve for possible losses on acceptance and guarantees amounting to ₩4,632 million as of December 31, 2003.

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14. Assets and Liabilities Denominated in Foreign Currencies

Significant assets and liabilities denominated in foreign currencies as of December 31, 2003 and 2002 are as follows:

	2003		2002	
	Millions of Korean Won	Thousands of U.S. Dollars	Millions of Korean Won	Thousands of U.S. Dollars
Assets:				
Cash and due from banks	₩ 219,145	\$ 182,956	₩ 164,851	\$ 137,333
Securities	1,111,837	928,233	736,245	613,333
Loans	3,339,687	2,788,182	3,459,166	2,881,677
Others	2,421,852	2,021,919	2,474,344	2,061,268
Allowance for possible loan losses	(80,857)	(67,505)	(65,946)	(54,937)
	₩ 7,011,664	\$ 5,853,785	₩ 6,768,660	\$ 5,638,674
Liabilities:				
Deposits	₩ 1,554,323	\$ 1,297,648	₩ 1,218,229	\$ 1,014,852
Borrowings	3,958,476	3,304,788	4,236,694	3,529,403
Due to Bank of Korea	12,821	10,704	40,057	33,370
Debentures	811,376	677,389	480,160	400,000
Others	868,381	724,980	700,655	583,686
	₩ 7,205,377	\$ 6,015,509	₩ 6,675,795	\$ 5,561,311

15. Commitments and Contingencies

Information on the amount of position and unrealized gains and losses of derivatives as of December 31, 2003 and 2002 are as follows:

1) As of December 31, 2003

	(in millions of Korean Won)							
	Amount of position			Unrealized gains and losses (P/L)				Carrying value
	Total	Trading	Hedging	Total	Trading	Effective	Ineffective	
Currency								
Forward	₩ 6,289,473	₩ 6,289,473	₩ -	₩ 3,126	₩ 3,126	₩ -	₩ -	₩ 3,254
Swap	2,027,668	2,027,668	-	(4,839)	(4,839)	-	-	(1,889)
Option	838,989	838,989	-	-	-	-	-	-
	9,156,130	9,156,130	-	(1,713)	(1,713)	-	-	1,365
Interest rate								
Futures	-	-	-	-	-	-	-	-
Swap	1,300,076	822,616	477,460	(3,189)	(2,225)	(611)	(353)	(22,707)
	1,300,076	822,616	477,460	(3,189)	(2,225)	(611)	(353)	(22,707)
Stock								
Call option	469,800	469,800	-	40,161	40,161	-	-	82,432
Put option	627,550	627,550	-	(47,792)	(47,792)	-	-	(109,976)
	1,097,350	1,097,350	-	(7,631)	(7,631)	-	-	(27,544)
	₩ 11,553,556	₩ 11,076,096	₩ 477,460	₩ (12,533)	₩ (11,569)	₩ (611)	₩ (353)	₩ (48,886)

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2) As of December 31, 2002

	(in millions of Korean Won)							
	Amount of position			Unrealized gains and losses (P/L)				Carrying value
	Total	Trading	Hedging	Total	Trading	Effective	Ineffective	
Currency								
Forward	₩ 3,477,228	₩ 3,477,228	₩ -	₩ 3,443	₩ 3,443	₩ -	₩ -	₩ 3,176
Swap	340,053	340,053	-	99	99	-	-	342
	3,817,281	3,817,281	-	3,542	3,542	-	-	3,518
Interest rate								
Futures	21,422	-	21,422	-	-	-	-	-
Swap	675,571	222,224	453,347	4,076	2,488	1,740	(152)	(19,973)
	696,993	222,224	474,769	4,076	2,488	1,740	(152)	(19,973)
Call option	7,931	7,931	-	(26)	(26)	-	-	753
	₩ 4,522,205	₩ 4,047,436	₩ 474,769	₩ 7,592	₩ 6,004	₩ 1,740	₩ (152)	₩ (15,702)

The Bank has entered into various derivatives contracts, including forward exchange contracts, currency futures dealt at Korea Futures Exchange (KOFEX), and interest rate swaps. For the year ended December 31, 2003, in relation to these transactions, the Bank recorded realized gains amounting to ₩234,965 million and realized losses on derivatives amounting to ₩208,417 million, and unrealized gains amounting to ₩143,731 million and unrealized losses on derivatives amounting to ₩153,075 million, in other operating income (loss).

The Bank has entered into swap contracts to hedge against the risk of changes in the market interest rate and foreign exchange rate. For the year ended December 31, 2003, in relating to these transactions, the Bank recorded realized gains amounting to ₩26,900 million and realized losses on hedging derivatives amounting to ₩14,362 million, and unrealized gains amounting to ₩19,852 million and unrealized losses on hedging derivatives amounting to ₩23,041 million, in other operating income (loss).

For the investment securities related to those hedging transaction, the Bank also recorded gains amounting to ₩9,899 million and losses on fair value hedge amounting to ₩8,966 million, in other operating income (loss), for the year ended December 31, 2003.

As of December 31, 2003 and 2002, the Bank holds endorsed bills amounting to ₩12,545 million and ₩93,533 million, respectively.

As of December 31, 2003 and 2002, the amounts of commitments in the ordinary course of business are as follows:

	(in millions of Korean Won)	
	2003	2002
Loan commitments	₩ 17,494	₩ 24,240
Security purchase commitments	53,901	-
	₩ 71,395	₩ 24,240

As of December 31, 2003, 952 lawsuits related to the Bank's operations, in which the Bank is named as the plaintiff, are in progress, and the total filed amount is ₩38,160 million. Also, 115 lawsuits, in which the Bank is named as the defendant, are in progress, and the total filed amount is ₩146,371 million.

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Material lawsuits in progress, filed with the Bank as a defendant, are as follows:

Plaintiff	Amount	(in millions of Korean Won)		
		Situation of lawsuit		
		First trial	On appeal	Supreme Court trial
Korea Exchange Bank (*)	₩ 63,111	Partially lost	-	-
Restructuring Finance Corp.	16,456	In-progress	-	-
Hanwha Securities	14,653	Won	In-progress	-
ALLEVER, Inc.	4,500	In-progress	-	-
Johnson Metaid	4,222	Lost	Partially won	In-progress
Park, Jong Sung	4,100	In-progress	-	-
Hyundai Marine & Fire Insurance	3,897	In-progress	-	-
Information & Communication				
Financial Cooperative	3,335	Partially lost	Partially lost	In-progress
Taehung Construction	2,186	Lost	In-progress	-

(*) Actual losses relating to the disposition of the collateral of Dong Ah Construction Industrial Co., Ltd. may be different from the amount of the claim as a result of the lawsuit.

The Bank's management believes that the outcome of contingent liabilities and pending lawsuits will not result in a material adverse impact on the Bank's financial position or operations. As of December 31, 2003, the outcome of the above lawsuits and its consequences cannot be predicted, and thus the possible financial effects of the lawsuits have not been reflected on the accompanying financial statements.

The Bank has entered into loan commitments (with a ₩1,059,832 million limit) with several special purpose (asset-back securitization) companies to fund the repayment of bonds issued by the special purpose companies. As of December 31, 2003, the loans provided under these commitments amount to ₩11,705 million. Estimated annual loan amounts to be provided under the loan commitments are ₩4,333 million, ₩3,266 million and ₩2,348 million for 2004, 2005 and 2006, respectively.

Among the written-off claims of the Bank, the amounts on which the legal rights of claims have not been expired are ₩1,087,877 million and ₩2,063,947 million as of December 31, 2003 and 2002, respectively.

In common with certain other Asian countries, the economic environment in the Republic of Korea continues to be volatile. In addition, the Korean government and the private sector continue to implement structural reforms to historical business practices, including corporate governance. The Bank may be either directly or indirectly affected by these volatile economic conditions and the reform program described above. The accompanying 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 Bank. Actual results may differ materially from management's current assessment.

16. Capital Stock

As of December 31, 2003, the Bank is authorized to issue 2,000 million shares of common stock with a par value of ₩5,000 per share, and has 197,432,203 shares issued, amounting to ₩987,161 million.

Under the Bank's Articles of Incorporation, the Bank is authorized to issue preferred stock of up to 50% of the outstanding number of shares of common stock. As of December 31, 2003, the Bank has no shares of preferred stock issued.

17. Capital Surplus

Capital surplus as of December 31, 2003 and 2002 comprises the following:

	(in millions of Korean Won)	
	2003	2002
Paid-in capital in excess of par value	₩ 1,136,893	₩ 1,136,893
Negative goodwill from merger	97,992	105,407
Others	40,636	1,947
	₩ 1,275,521	₩ 1,244,247

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18. Retained Earnings

Retained earnings as of December 31, 2003 and 2002 comprise the following:

	Reference	(in millions of Korean Won)	
		2003	2002
Appropriated:			
Legal reserve	(A)	₩ 134,300	₩ 101,900
Reserve for business rationalization	(B)	10,600	10,600
Reserve for future dividends	(C)	50,800	50,800
Reserve for financial structure improvement	(D)	32,400	-
General purpose contingency reserve	(E)	638,189	464,853
		866,289	628,153
Unappropriated			
		517,207	323,622
		₩ 1,383,496	₩ 951,775

(A) The General Banking Act requires the Bank to appropriate a minimum of 10 percent of annual net income before income taxes as a legal reserve, until such reserve equals 100 percent of its paid-in capital. This reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.

(B) The reserve for business rationalization is appropriated in accordance with Korean tax laws and can be used by the Bank as a deduction from taxable income. This reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.

(C) The reserve for future dividends represents amounts appropriated by the Bank for the purpose of equalizing dividend rates through the years of business, and can be used for any other purpose through a subsequent shareholders' resolution.

(D) The Bank appropriates a minimum of 10 percent of net income after deducting any accumulated deficit as a reserve for financial structure improvement until the capital adequacy ratio reaches up to 5.5 percent. This reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.

(E) The general purpose contingency reserve does not have any specified purpose, and is a voluntary reserve.

The details of dividends for the years ended December 31, 2003 and 2002 comprise the following:

1) December 31, 2003

	(in Korean Won)			
	Number of shares of stock	Dividend ratio (%)	Dividend per share	Total dividends
Cash dividends				
Common stock	169,925,918	10.00	500	₩ 84,962,959,000

2) December 31, 2002

	(in Korean Won)			
	Number of shares of stock	Dividend ratio (%)	Dividend per share	Total dividends
Cash dividends				
Common stock	172,133,520	10.00	500	₩ 86,066,760,000

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19. Treasury Stock

The details of treasury stock as of December 31, 2003 and 2002 are summarized as follows:

1) December 31, 2003

	(in millions of Korean Won)	
	Number of shares of stock	Amounts
For distribution upon the exercise of stock options	646,092	₩ 12,245
Acquisition from Korea Deposit Insurance Corp. in relation to the merger (*)	10,157,510	166,857
Stock purchases in relation to the merger	16,702,683	288,154
	27,506,285	₩ 467,256

(*) The Bank decided to dispose 5,078,755 shares of stock at ₩17,252 per share during Board of the Director's meeting held on February 13, 2004.

2) December 31, 2002

	(in millions of Korean Won)	
	Number of shares of stock	Amounts
For distribution upon the exercise of stock options	923,460	₩ 17,501
Acquisition from Korea Deposit Insurance Corp. in relation to the merger	2,941,510	54,124
Stock purchases in relation to the merger	21,433,713	369,774
	25,298,683	₩ 441,399

20. Stock Options

The details of stock options as of December 31, 2003 are summarized as follows:

	1st	2nd	3rd	4th
Grant date	February 19,1999	March 20,2000	March 10,2001	April 26,2002
Confirmation date of grant (*)	February 19,1999	March 20,2000	March 10,2001	November 14,2002
Number of shares granted	1,040,000	628,000	276,000	922,000
Number of non-exercisable shares	273,780	156,600	16,000	182,500
Number of exercised shares	656,470	220,388	-	2,000
Number of exercisable shares	109,750	251,012	260,000	737,500
Grant method	Stock distribution type or incremental payment type			
Exercise price	₩ 10,020	₩ 8,500	₩ 7,300	₩ 19,750
Exercisable period	In three years after three years from grant date			

(*) According to the Korean business law, the granting of stock options is required to be approved during a shareholders' meeting

Notes to Non-Consolidated Financial Statements

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The Bank calculated the compensation costs of the first stock option using the intrinsic value approach and the second and third options using the fair value approach. The calculation variables of stock options valued using the fair value approach are summarized as follows:

	2nd	3rd	4th
Market price on grant date	₩ 7,960	₩ 7,490	₩ 16,100
Risk-free interest rate (A)	9.75%	6.44%	5.26%
Expected exercise period (B)	4.5 years	4.5 years	3.8 years
Expected share price volatility (C)	76.72%	70.13%	62.11%
Expected dividend rate (D)	8.00%	6.67%	6.67%
Adjusted expected expiration rate	10.06%	3.90%	7.30%
Compensation cost per share	₩ 3,961	₩ 3,551	₩ 6,584
Total compensation cost	₩ 1,810 million	₩ 870 million	₩ 4,823 million
Recognized compensation cost	₩ 1,810 million	₩ 797 million	₩ 2,239 million

(A) Government bond yield rate at the grant dates.

(B) Average of the mandatory service period and option expiration period.

(C) Share price volatility based on share prices of the past year.

(D) Average dividend rate for the period equal to the rate in effect during the expected exercise period.

Net costs arising from stock options for the year ended December 31, 2003 are as follows:

	(in millions of Korean Won)			
	1st	2nd	3rd	4th
Recognized compensation costs	₩ 1,673	₩ 1,810	₩ 797	₩ 2,239
Exercised stock options	(358)	(846)	-	-
	₩ 1,315	₩ 964	₩ 797	₩ 2,239

The compensation costs to be recognized in the future are as follows:

	(in millions of Korean Won)		
	2nd	3rd	4th
Within one year	₩ 73	₩ 2,067	₩ 2,140
Within two years	-	517	517
	₩ 73	₩ 2,584	₩ 2,657

21. Maturities of Assets and Liabilities

The maturities of assets and liabilities of the Bank as of December 31, 2003 are summarized as follows:

	(in millions of Korean Won)						
	Within 3 months	More than 3 ~ 6 months	More than 6 months ~ 1 year	More than 1 ~ 3 years	More than 3 ~ 5 years	Thereafter	Total
1. In Won currency							
(Assets)							
Due from banks	₩ 1,914,581	₩ 49,465	₩ -	₩ -	₩ 1,144,755	₩ -	₩ 3,108,801
Securities	671,263	1,914,710	1,438,912	7,299,285	3,141,112	250,121	14,715,403
Loans (*)	7,060,591	8,125,157	14,474,303	11,824,255	3,282,716	2,210,010	46,977,032
Allowance for possible loan losses	-	-	-	-	-	(975,378)	(975,378)
Others	3,078,694	135,772	307,761	1,235,282	3,866,570	1,104,857	9,728,936
	₩ 12,725,129	₩ 10,225,104	₩ 16,220,976	₩ 20,358,822	₩ 11,435,153	₩ 2,589,610	₩ 73,554,794

Continued.

Notes to Non-Consolidated Financial Statements

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(in millions of Korean Won)

	Within 3 months	More than 3 ~ 6 months	More than 6 months ~ 1 year	More than 1 3 years	More than 3 ~ 5 years	Thereafter	Total
(Liabilities and Shareholders' equity)							
Deposits	₩ 13,964,055	₩ 5,056,032	₩ 18,510,715	₩ 2,819,821	₩ 12,792,823	₩ 718,483	₩ 53,861,929
Certificates of deposits	1,526,505	441,543	215,843	5,254	3,334	-	2,192,479
Borrowings	1,015,767	41,029	78,480	357,269	225,750	132,846	1,851,141
Shareholders' equity	-	-	-	-	-	3,254,910	3,254,910
Others	3,831,164	603,806	683,849	1,764,439	5,317,364	-	12,200,622
	₩ 20,337,491	₩ 6,142,410	₩ 19,488,887	₩ 4,946,783	₩ 18,339,271	₩ 4,106,239	₩ 73,361,081

(*) Including bills purchased, factoring receivables and convertible loans in Won currency.

(in millions of Korean Won)

	Within 3 months	More than 3 ~ 6 months	More than 6 months ~ 1 year	More than 1 3 years	More than 3 ~ 5 years	Thereafter	Total
2. In foreign currencies							
(Assets)							
Due from banks	₩ 100,011	₩ 4,491	₩ -	₩ -	₩ -	₩ -	₩ 104,502
Securities	28,617	16,219	75,987	468,658	293,420	228,876	1,111,777
Loans	1,908,852	205,114	518,278	293,984	81,815	331,644	3,339,687
Bills purchased	1,435,800	199,421	15,253	864	-	13,026	1,664,364
Allowance for possible loan losses	-	-	-	-	-	(80,858)	(80,858)
Others	793,878	-	-	58,625	-	19,689	872,192
	₩ 4,267,158	₩ 425,245	₩ 609,518	₩ 822,131	₩ 375,235	₩ 512,377	₩ 7,011,664
(Liabilities and Shareholders' equity)							
Deposits	₩ 923,787	₩ 118,401	₩ 114,964	₩ 22,292	₩ 374,828	₩ 51	₩ 1,554,323
Borrowings (*)	2,570,117	742,707	478,415	178,434	109	1,515	3,971,297
Others	587,829	105,795	107,802	464,014	-	414,317	1,679,757
	₩ 4,081,733	₩ 966,903	₩ 701,181	₩ 664,740	₩ 374,937	₩ 415,883	₩ 7,205,377

(*) Including due to Bank of Korea in foreign currencies.

22. General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2003 and 2002 comprise the following:

(in millions of Korean Won)

	2003	2002
Salaries and wages	₩ 348,452	₩ 211,537
Depreciation and amortization	150,159	53,822
Consulting fees	67,757	38,117
Other employee benefits	65,379	39,055
Taxes and dues	44,279	43,118
Rent	38,527	25,629
Severance benefits	37,376	19,701
Advertising	32,414	28,581
Entertainment	15,455	11,458
Others	82,196	55,870
	₩ 881,994	₩ 526,888

Notes to Non-Consolidated Financial Statements

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23. Non-Operating Income and Non-Operating Expenses

Non-operating income for the years ended December 31, 2003 and 2002 comprise the following:

	(in millions of Korean Won)	
	2003	2002
Gain on disposal of investment securities	₩ 143,667	₩ 126,126
Reversal of impairment loss on investment securities	2,979	15,105
Rental revenues	6,717	3,886
Gain arising from the equity method	30,972	4,353
Gain on sale of loans	46,200	7,983
Others	106,912	21,388
	₩ 337,447	₩ 178,841

Non-operating expenses for the years ended December 31, 2003 and 2002 comprise the following:

	(in millions of Korean Won)	
	2003	2002
Loss on disposal of investment securities	₩ 6,894	₩ 78,521
Loss on impairment of investment securities	80,473	130,271
Loss on sale of loans	4,687	-
Early retirement benefits	69	4,079
Others	27,623	20,481
	₩ 119,746	₩ 233,352

24. Income Tax Expense (Benefit)

Income tax expense (benefit) for the years ended December 31, 2003 and 2002 comprise the following:

	(in millions of Korean Won)	
	2003	2002
Current income taxes	₩ 2,888	₩ 136,589
Deferred income taxes	(27,240)	(4,059)
	₩ (24,352)	₩ 132,530

The statutory income tax rate applicable to the Bank, including resident tax surcharges, is approximately 29.7 percent. However, the effective tax rate for the year ended December 31, 2003 is approximately 4.94 percent %, due to the above adjustments.

The changes in temporary differences for the year ended December 31, 2003 are as follows:

	(in millions of Korean Won)			
	Beginning balance	Increase	Decrease	Ending balance
Fictitious dividend	₩ 58,324	₩ -	₩ 47,485	₩ 10,839
Gain (loss) on valuation of securities	201,420	248,090	270,616	178,894
Gain on valuation of securities of affiliates	(91,121)	(30,972)	-	(122,093)
Loss on impairment of securities	158,380	52,043	28,151	182,272
Accrued income of securities	(174,126)	(146,141)	(174,126)	(146,141)
Reserve for possible losses on acceptances and guarantees	67,203	-	13,612	53,591
Write-off of convertible loans	105,356	329,286	5,943	428,699
Goodwill valuation	(66,215)	(141,463)	(40,054)	(167,624)
Present value discounts	10,618	-	8,331	2,287
Gain (loss) on valuation of derivatives	(8,190)	(28,332)	(84,475)	47,953
Allowance for possible loan losses	155,055	-	123,871	31,184
Others	55,259	96,507	11,813	139,953
	₩ 471,963	₩ 379,018	₩ 211,167	₩ 639,814

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As of December 31, 2003, deferred income tax assets (liabilities) from temporary differences comprise the following:

	(in millions of Korean Won)	
	Total amounts	Deferred income tax assets (liabilities)
Accumulated temporary differences as of the beginning of the year	₩ 471,963	₩ 129,790
Transferred in from merger	46,566	12,806
Changes in temporary differences	121,285	33,354
	639,814	175,950
Adjusted amount of temporary differences due to merger and acquisitions	(20,623)	(5,672)
	₩ 619,192	₩ 170,278

25. Earnings Per Share and Ordinary Income Per Share

Earnings per share and ordinary income per share for the years ended December 31, 2003 and 2002 are calculated as follows:

	(in Korean Won)	
	2003	2002
Ordinary income per share		
Ordinary income after income tax expense (benefit)	₩ 517,151,227,026	₩ 323,606,715,245
Weighted-average of common shares (*)	163,279,988	140,459,422
Ordinary income per share	₩ 3,167	₩ 2,304
Earnings per share		
Net income	₩ 517,151,227,026	₩ 323,609,745,749
Weighted-average of common shares (*)	163,279,988	140,459,422
Earnings per share	₩ 3,167	₩ 2,304

(*) Weighted-average number of common shares

Diluted earnings per share and ordinary income per share for the years ended December 31, 2003 and 2002 are calculated as follows:

	(in Korean Won)	
	2003	2002
Diluted ordinary income per share		
Ordinary income after income tax expense (benefit)	₩ 517,151,227,026	₩ 323,606,715,245
Compensation cost for stock options after income tax expense	309,825,417	417,709,442
	517,461,052,443	324,024,424,687
Weighted-average number of common shares	163,577,034	140,858,926
	₩ 3,163	₩ 2,300
Diluted earnings per share		
Net income	₩ 517,151,227,026	₩ 323,609,745,749
Compensation cost for stock options after income tax expense	309,825,417	417,709,442
	517,461,052,443	324,027,455,191
Weighted-average number of common shares	163,577,034	140,858,926
	₩ 3,163	₩ 2,300

Notes to Non-Consolidated Financial Statements

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26. Related Party Transactions

Significant transactions and related account balances with related parties during the years ended December 31, 2003 and 2002 and as of December 31, 2003 and 2002 are as follows:

1) As of and for the year ended December 31, 2003

(in millions of Korean Won)

	Transactions			Account balance	
	Interest income	Interest expenses	Service contract expenses	Loans	Deposits
Hana Securities	₩ 663	₩ 832	₩ -	₩ 4,998	₩ 34,604
Hana Research	58	68	1,068	-	3,045
Hana Allianz	16,774	3,041	-	493,328	12,288
Hana Funding Ltd.	-	20,969	-	60	-
Hana INS	38	30	1,578	-	1,202
BC Card	-	21,840	-	-	428
Hana Life Insurance	5,054	113	-	-	10,754
	₩ 22,587	₩ 46,893	₩ 2,646	₩ 498,386	₩ 62,321

2) As of and for the year ended December 31, 2002

(in millions of Korean Won)

	Transactions			Account balance	
	Interest income	Interest expenses	Service contract expenses	Loans	Deposits
Hana Securities	₩ 5,066	₩ 3,896	₩ -	₩ 13,532	₩ 3,464
Hana Research	-	11	1,036	-	596
Hana Allianz	13,436	2,089	-	200,727	12,672
Hana Funding Ltd.	-	871	-	-	237,889
Hana INS	-	-	1,772	-	1,799
BC Card	-	4,538	-	-	-
	₩ 18,502	₩ 11,405	₩ 2,808	₩ 214,259	₩ 256,420

27. Information on Operating Segments

The Bank's service line is composed of its Corporate Banking Group, Retail Banking Group, Choong-Chung Banking Group, Young-Nam Banking Group, Treasury Group, and other administrative and trust segments. Financial information for each operating segment is as follows:

1) As of and for the year ended December 31, 2003

(in millions of Korean Won)

	Corporate Banking Group	Retail Banking Group	Choong-Chung Banking Group	Young-Nam Banking Group	Treasury Group and others	Total
Operating revenue	₩ 2,238,091	₩ 2,238,467	₩ 487,429	₩ 444,271	₩ 91,778	₩ 5,500,036
Loans	16,412,488	24,181,454	5,165,128	5,448,619	4,134,532	55,342,221
Securities	-	-	161,923	-	15,665,257	15,827,180
Deposits/borrowings (*)	11,270,817	33,596,481	6,828,488	4,323,377	9,012,124	65,031,287

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2) As of and for the year ended December 31, 2002

	(in millions of Korean Won)					Total
	Corporate Banking Group	Retail Banking Group	Choong-Chung Banking Group	Young-Nam Banking Group	Treasury Group and others	
Operating revenue	₩ 1,013,709	₩ 1,050,885	₩ 331,923	₩ 18,535	₩ 1,310,228	₩ 3,725,280
Loans	10,720,282	12,430,885	4,006,265	3,036,950	20,932,110	51,126,492
Securities	-	-	185,503	-	15,086,184	15,271,687
Deposits/borrowings (*)	7,598,450	18,433,396	5,919,877	2,304,173	28,407,058	62,662,954

(*) Including call money, bonds sold on repurchase agreements, bills sold, and due to the Bank of Korea in foreign currencies.

28. Results of the Trust Business

The major results of operations related to the trust business for the years ended December 31, 2003 and 2002 are as follows:

	(in millions of Korean Won)	
	2003	2002
Trust fees	₩ 124,758	₩ 89,310
Early termination fees	220	550
Interest on trust loans	-	515
Operating revenue of trust operations	₩ 124,978	₩ 90,375
Interest on borrowings from trust accounts	16,180	14,830
	₩ 16,180	₩ 14,830

The compensation to be paid by the Bank related to the difference between the book value and the fair value of the trust funds that are guaranteed of the principal or of a certain minimum rate of return for the year ended December 31, 2003 are as follows:

	(in millions of Korean Won)		
	Book Value	Fair Value	Compensation
Funds with a guarantee of the principal	₩ 1,125,208	₩ 1,123,887	₩ -
Funds with a certain minimum rate of return	24,212	24,223	-
	₩ 1,149,420	₩ 1,148,110	₩ -

29. Summary of Operating Results of the Last Quarter

The summary of the operating results for the last quarter of the years ended December 31, 2003 and 2002 is as follows:

	(in millions of Korean Won)	
	2003	2002
Operating revenue	₩ 1,400,031	₩ 1,039,827
Operating expenses	1,290,323	882,110
Operating income	109,708	157,717
Net income	176,505	33,795
Earnings per share (in Korean Won)	1,072	218
Diluted earnings per share (in Korean Won)	1,070	218

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

30. Cash Flow Information

Significant non-cash transactions for the year ended December 31, 2003 are as follows:

	(in millions of Korean Won)	
Loans written-off	₩	532,166
Loans replaced by debt-to-equity swap and loans for debt-to-equity swap		223,885
Present value discounts, net of allowance for doubtful accounts		2,252
Gain on investment securities		1,910
Others		2,958
	₩	<u>763,171</u>

31. Merger and Acquisition between Hana Bank and Seoul Bank

Details of M&A Contracts

Hana Bank entered into a business combination contract ("the Contract") with Seoul Bank on September 27, 2002 and obtained approval from its shareholders for such combination on November 14, 2002. In accordance with the Contract, the Bank completed the legal consolidation with Seoul Bank as of December 1, 2002. The surviving entity, Seoul Bank, was renamed Hana Bank ("the Bank") upon completion of the transaction. Although the business combination took the legal form of a consolidation, Hana Bank acquired Seoul Bank's total assets amounting to ₩24,393,257 million and total liabilities amounting to ₩23,560,934 million by applying the purchase method of accounting. Also, in accordance with the Contract, the shareholders of Seoul Bank received one new common share of the Bank for every two shares of Seoul Bank. The new common shares of the Bank were listed on the Korea Stock Exchange on December 13, 2002.

Acquisition Costs and Other Contracts

From the merger with Seoul Bank, the Bank issued 61,080,000 shares to Korea Deposit Insurance Corporation (KDIC), the major shareholder of Seoul Bank. This represents 30.94% of the total outstanding common stock of the Bank (total number of shares: 197,432,203). The acquisition cost for the merger amounted to ₩1,139,142 million for the issuance of new shares (closing price per share at issuance date: ₩18,650) and ₩290 million for other expenses.

The Bank has entered into a contract with KDIC for the guarantee of the price of the newly issued shares, which includes a condition that the Bank is to guarantee ₩1,150,000 million during the 18 months subsequent to the merger record date by either reacquiring the shares, arranging third parties to acquire the shares or taking other appropriate steps. On May 29, 2003, the guarantee period was extended to 30 months.

32. Reclassification of Prior Year Amounts

Certain amounts in the 2002 non-consolidated financial statements have been reclassified to conform to the 2003 presentation. These reclassifications had no effect on previously reported net income or shareholders' equity.

33. Loan Transaction with LG Card Co., Ltd.

As a result of its agreement with the creditors' committee of LG Card Co., Ltd. on November 24, 2003, the Bank provided additional loans of ₩129,700 million to LG Card Co., Ltd., which is currently experiencing a liquidity crisis. Also, on January 9, 2004, the Bank agreed on a debt-to-equity swap of ₩92,800 million and to provide additional loans of ₩92,400 million (to be included in the debt-to-equity swap) and to extend the maturity date of loans that mature during 2004. As a result, as of December 31, 2003, the Bank has a total of ₩385,700 million of loan balances to LG Card Co., Ltd. The actual loan loss amount may differ from the present estimates depending on the outcome of the self-rehabilitating plans of LG Card Co., Ltd. and the effective execution of the additional loan extension agreements.

34. Financial Statements Approval

The financial statements of the Bank are scheduled to be approved at the Board of Director's meeting on February 13, 2004.

Report of Independent Auditors

SAMIL PRICewaterhouseCOOPERS

PRICewaterhouseCOOPERS 

Samil PricewaterhouseCoopers
Kukje Center Building
191 Hankangro 2ga, Yongsanku
Seoul 140-702, KOREA
(Yongsan P.O. Box 266, 140-600)

**To the CEO and Board of Directors of
Hana Bank**

We have audited the accompanying balance sheets of Hana Bank trust accounts ("the Trust Accounts"), which Hana Bank ("the Bank") operates, as of December 31, 2003 and 2002, and the related statements of income for the years then ended, expressed in Korean Won. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards for trust funds generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, the financial statements referred to above present fairly, in all material respects, the financial positions of the Trust Accounts as of December 31, 2003 and 2002, and the results of their operations for the years then ended in conformity with trust accounting standards generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw attention to the following matters.

As discussed in Note 12 to the financial statements, as of December 31, 2003, the Trust Accounts' total exposure (including debt securities, beneficiary certificates, and loans) related to domestic credit card companies and capital companies amounts to ₩189,727 million. Currently, securities related to credit card companies and capital companies, which are experiencing difficulties in management, have liquidity problems in the bond market. The ultimate effect of these circumstances on the financial position of the Trust Accounts as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying financial statements.

As discussed in Note 13 to the financial statements, as of December 31, 2003, the Trust Accounts has a total ₩70,702 million of loan balances to LG Card Co., Ltd., which is experiencing liquidity crisis. The actual loan loss amount may differ from the present estimates, depending on the outcome of the self-rehabilitating plans of LG Card Co., Ltd. and the effective execution of the additional loan extension agreements.

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



Seoul, Korea
January 20, 2004

This report is effective as of January 20, 2004, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Samil PricewaterhouseCoopers is the Korean member firm of the PricewaterhouseCoopers. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers international Limited, each of which is a separate and independent legal entity.

Balance Sheets (Trust Accounts)

December 31, 2003 and 2002

	(in millions of Korean Won)	
	2003	2002
Assets		
Cash and due from banks	₩ 803	₩ 1,214
Securities (Note 4):		
Stocks	1,175,756	1,533,343
Government and public bonds	757,859	890,758
Debentures issued by financial institutions	1,009,235	815,114
Corporate bonds	734,326	1,185,846
Bills purchased	857,036	1,965,069
Securities in foreign currency	339,253	381,643
Other securities	454,110	491,665
	5,327,575	7,263,438
Loans (Note 5):		
Loans collateralized by real estate	104,245	171,444
Loans collateralized by other than real estate	81,447	88,641
Uncollateralized loans	376,987	714,857
	562,679	974,942
Trusted money receivables	4,191,601	4,157,285
Real & personal property	981,769	586,055
Accrued interest	70,777	110,101
Accrued income	62,856	121,094
Due from banking accounts (Note 9)	711,020	665,523
Others	15,176	8,321
(Present value discount)	(130)	(504)
(Allowance for possible loan losses)	(5,523)	(25,577)
Total assets	₩ 11,918,603	₩ 13,861,892
Liabilities		
Money trusts (Note3):		
Installment money trusts	₩169,254	₩294,890
Household money trusts	71,511	94,281
Development money trusts	464	721
Private pension trusts	585,671	562,076
Household long-term money trusts	205,159	500,002
New installment money trusts	155,213	266,178
Retirement trusts	299,709	345,619
Specified money trusts	3,363,008	4,630,760
Unit money trusts	430,383	468,395
Additional money trusts	771,957	883,753
New old-age pension trusts	99,869	222,406
Others	249,323	370,346
	6,401,521	8,639,427
Other trusts (Note3):		
Securities trusts	3,070	71
Money receivables trusts	4,257,483	4,230,174
Real & personal property trusts	981,769	586,055
Public trusts	145	150
	5,242,467	4,816,450
Unearned income	8,468	13,775
Accrued trust fees payable (Note 9)	33,063	131,269
Accrued trust dividends payable	174,699	228,045
Reserve for future trust losses	22,954	20,327
Others	35,431	12,599
Total liabilities	₩ 11,918,603	₩ 13,861,892

The accompanying notes are an integral part of these financial statements.

Statements of Operation (Trust Accounts)

Years ended December 31, 2003 and 2002

	(in millions of Korean Won)	
	2003	2002
Revenues		
Interest income:		
Interest and dividends on securities	₩303,664	₩332,826
Interest on loans	52,268	79,470
Interest on call loans	4,855	10,854
Interest on bonds purchased under resale agreements	-	1,073
Interest on due from banking accounts	13,879	13,194
Others	419	512
	375,085	437,929
Gains on derivatives	8,579	11,682
Gains on securities	106,980	115,201
Others	66,512	31,915
	557,156	596,727
Expenses		
Trust fees to the Bank (Note 6 and 9)	116,577	87,668
Commissions paid	1,736	2,296
Losses on derivatives	16,979	8,967
Losses on securities	79,503	79,807
Provision for possible loan losses	1,839	153
Provision for future trust losses	3,594	3,626
Others	19,279	3,764
	239,507	186,281
Dividends of trust profit to beneficiaries (Note 7)	₩ 317,649	₩ 410,446

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements (Trust Accounts)

December 31, 2003 and 2002

1. The Trustee and the Trust

The Trustee

Hana Bank ("the Bank"), the trustee, was established in November 1959 as "Seoul Bank" and acquired Korea Trust Bank in August 1976. The Bank entered into a business combination contract ("the Contract") with the former Hana Bank on September 27, 2002 and obtained approval from its shareholders for such combination on November 14, 2002. In accordance with the Contract, the Bank completed the merger with the former Hana Bank as of December 1, 2002. The Bank, the surviving entity, was renamed "Hana Bank" upon completion of the transaction. As of December 31, 2003, the Bank is engaged in the commercial banking, trust and foreign exchange business and other related operations as permitted under the Bank Act and other relevant laws and regulations in the Republic of Korea.

The Bank's shares are listed on the Korean Stock Exchange. As of December 31, 2003, the Bank has 2,000 million shares of authorized common stock with a par value of ₩5,000 per share, and has 197,432,203 shares issued, with a common stock amounting to ₩987,161 million. Under the Bank's Articles of Incorporation, the Bank is authorized to issue shares of preferred stock of up to 50% of the outstanding number of shares of common stock. As of December 31, 2003, the Bank has no shares of preferred stock issued.

In accordance with its Articles of Incorporation, the Bank is authorized to issue convertible bonds and bonds with stock warrants to investors other than its shareholders for amounts up to ₩200,000 million each. As of December 31, 2003, there are no convertible bonds outstanding.

As of December 31, 2003 and 2002, the Bank's financial position is summarized as follows:

	(in millions of Korean Won)	
	Banking Accounts	
	2003	2002
Cash and due from banks	₩ 4,684,572	₩ 3,718,272
Securities	15,827,180	15,271,687
Loans	55,342,221	51,126,492
Other	4,712,485	4,303,565
Total assets	₩ 80,566,458	₩ 74,420,016
Deposits	₩ 57,608,731	₩ 54,676,688
Borrowings	7,422,556	7,986,266
Other	12,280,261	8,940,492
Total liabilities	₩ 77,311,548	₩ 71,603,446
Total shareholders' equity	3,254,910	2,816,570
Total liabilities and shareholders' equity	₩ 80,566,458	₩ 74,420,016

The Trust

Hana Bank trust accounts ("the Trust Accounts"), which the Bank operates, manage and dispose of the entrusted rights of property for the benefit of the trusters, acting as the legal fiduciary.

The trusts are classified into money trusts, property trusts or public trusts. Cash is entrusted for money trusts and distributions to the beneficiaries are made in cash at trust maturity. Among the money trusts, there are specified money trusts where the trustor specifically determines how the trust is to be managed and unspecified money trusts where the management is totally entrusted to the trustee. Properties, including securities or other monetary receivables, are entrusted for property trusts and distributions are made in cash or properties according to the instructions of the trusters or the beneficiaries. Public trusts are managed for purposes of public good.

Notes to Financial Statements (Trust Accounts)

December 31, 2003 and 2002

Due to the amendment of the Regulation on Supervisory of Trust Business as of June 16, 2000, the fair valuation regulations on debt securities have been put in place and new issuance of book value funds have been prohibited. Additionally, as of November 23, 2001, the scope of the fair valuation regulations was extended to include all debt-security like financial instruments.

2. Summary of Significant Accounting Policies

Under the Trust Business Act, the Trust Accounts are managed separately from the banking accounts. The financial statements of the Trust Accounts are prepared in accordance with the Trust Business Act, except for certain items not specified in the Act, which were prepared in accordance with the trust accounting standards generally accepted in the Republic of Korea. The significant accounting policies applied in the preparation of the accompanying financial statements of the Trust Accounts are summarized as follows.

Revenue and Expense of Trust Accounts

The revenues of the Trust Accounts mainly comprise interest income and expenses mainly comprise trust operating expenses and trust fees to the Bank.

Interest Income Recognition

Interest income on loans and investment securities is recognized on an accrual basis, while interest income on overdue and dishonored loans and securities, except for those guaranteed by financial institutions or collateralized by deposits, is recognized on a cash basis.

Securities

Acquisition costs are recorded at purchase cost including incidental expenses and the valuation methods used for the securities are summarized as follows.

	Valuation method
Marketable stocks and Beneficial certificates	Market value
Non-marketable stocks	Cost (adjusted to net asset value if the decline in value is significantly below cost and is determined as other than temporary)
Debt securities	Market value
Other securities	Market value

However, under the transition clause prescribed in the Regulation on Supervisory of Trust Business, debt securities and other securities managed in the unspecified money trusts, established before November 15, 1998, are not marked-to-market. Instead, the credit classification for loans is applied and provisions are made for the allowances for possible loan losses. In addition, in cases where the fair values of the securities that are to be marked-to-market are not available, the estimated price determined by the Fair Valuation Committee is used as the fair value of the securities.

Additionally, the securities included in specified money trusts, the testament trusts and the property trusts are stated at cost.

Allowance for Possible Loan Losses

For assets in unspecified money trusts that are not marked-to-market, the Bank provides for the allowance for possible loan losses based on credit ratings determined by the borrowers' future debt service capacity (Forward Looking Criteria ("FLC")). This credit rating model considers the financial and non-financial factors of borrowers and classifies borrowers' credit risk into seventeen ratings. Allowance for possible loan losses in the Trust Accounts are determined by applying the following minimum percentages to loan classification based on the credit ratings:

Loan classifications	Provision percentages
Normal	0 ~ 2.2%
Precautionary	3% or more
Substandard	20% or more
Doubtful	70% or more
Estimated loss	100%

Notes to Financial Statements (Trust Accounts)

December 31, 2003 and 2002

Household and small-sized enterprises loans are classified based on the delinquent periods, value of collateral, and reasonably estimated collectibility. Provisions are determined by applying the following minimum percentages to the various credit ratings:

Loan classifications	Provision percentages
Normal	0.75% or more
Precautionary	12% or more
Substandard	25% or more
Doubtful	90% or more
Estimated loss	100%

Present Value Discounts

If the present value of a loan is significantly below the book value due to the rescheduling of terms as agreed by the related parties (as in the case of court receivership, court mediation or workout), the present value discounts on the loan are offset against the allowance for possible loan losses, if available, or charged to current expenses.

The difference between book value and present value is recorded as 'present value discounts' in the balance sheet and amortized to current earnings over the related period using the effective interest rate method.

Derivative Financial Instruments

The Trust Accounts records the fair values of rights and obligations related to derivatives contracts on the balance sheet as assets and liabilities and recognizes the related gains or losses in the statement of income.

Due from Banking Accounts

The Trust Accounts deposit certain amounts with the banking accounts for short-term cash management purposes, and account for them as due from banking accounts. Interest on due from banking accounts is calculated at rates predetermined by the Bank.

Reserve for Future Trust Losses and Subsidies from Banking Accounts

Under the Trust Business Act, the Trust Accounts provide more than 25% of the trust fees as reserve for future trust losses up to 5% of invested capital for each type of money trusts with guarantees of principal or a minimum rate of return. When reserve for future losses are used to compensate principal or minimum rate of return, reversal of reserve for future trust losses are recorded and when there is excessive reserve for future trust losses, excessive reserves are transferred to trust fees. As of December 31, 2003 and 2002, the reserve for future trust losses amounted to ₩22,954 million and ₩20,327 million, respectively.

In cases where unspecified money trusts experience losses in excess of the guaranteed principal or a minimum rate of return, the Trust Accounts are provided the deficient amounts from the banking accounts, which is recorded as subsidies from banking accounts.

Dividends of Trust Profit to Beneficiaries

The dividends, except for trusts with guarantees of principal or a minimum rate of return, calculated by the trust revenue deducted by the trust fees to the Bank and other administrative expenses are disbursed to the beneficiaries and charged to the expenses in trust operation.

Trust Fees

The Trust Accounts provide trust fees to the Bank for its management of trust assets and operations, and account for the fees as operating expenses.

Notes to Financial Statements (Trust Accounts)

December 31, 2003 and 2002

Performance Yield and Standard Price

Performance yield and standard price calculated according to the Trust Business Act are as follows:

1) Performance yield

Performance yield is the standard compound yield rate adjusted for the trust fees to be paid and the effects of gain (losses) on disposal of securities and provision (reversal) for possible loan losses. Standard compound yield rate is the weighted average of the earnings rates of the operating assets held by each fund.

2) Standard Price

Standard price is calculated per 1,000 units and is total asset less total liability divided by total number of beneficial certificate units issued.

3. Details of Trust Funds

The details of the money trusts and the property trusts as of December 31, 2003 and 2002 are as follows:

(in millions of Korean Won)					
Trusts	Period (Years)	Dividend Rate	Guarantee of principal repayment or minimum rate of return	2003	2002
Money trusts					
General unspecified money trusts (**)	Over 1.5	Fixed	Principal and Return	₩ 3,969	₩ 4,545
Installment money trusts (*) (**)	Over 1.5	Floating	No	169,254	294,890
Household money trusts (*) (**)	1.5-3	"	No	71,511	94,281
Development money trusts (**)	2-5	Fixed	Principal and Return	464	721
Old-age living pension trusts (**)	Over 10	Floating	Principal	56,206	66,844
National stock trusts (**)	Over 3	"	No	1,117	1,220
Corporation money trusts (*) (**)	Over 1.5	"	No	4,064	4,925
Private pension trusts (**)	Over 15	"	Principal	585,671	562,076
Household long-term trusts (**)	3-5	"	No	205,159	500,002
Labor preferential trusts (**)	3-5	"	No	56,505	150,966
New installment money trusts (**)	Over 1.5	"	No	155,213	266,178
Retirement trusts	-	"	Principal	299,709	345,619
Specified money trusts	-	"	No	3,363,008	4,630,760
Unit money trusts	Over 0.5	"	No	430,383	468,395
Additional money trusts	Over 0.25	"	No	771,957	883,753
Real estate investment trusts	-	"	No	66,400	100,500
New private pension trusts	Over 15	"	Principal	24,479	18,762
New old-age pension trusts	Over 5	"	Principal	99,869	222,406
New labor preferential trusts	3-5	"	No	2,673	2,326
Pension money trusts	Over 15	"	Principal	33,910	18,478
Testament trusts	-	"	No	-	1,780
				₩ 6,401,521	₩ 8,639,427
Property trusts					
Securities trusts	-	Floating	No	3,070	71
Money receivables trusts	-	"	No	4,257,483	4,230,174
Real & personal property trusts	-	"	No	981,769	586,055
				₩ 5,242,322	₩ 4,816,300

(*) The principal is guaranteed for customer accounts opened before April 30, 1996.

(**) As of December 31, 2003, new deposits in the trusts have been suspended.

Besides the money trusts mentioned above, the Trust Accounts also manage performance based public trusts.

Notes to Financial Statements (Trust Accounts)

December 31, 2003 and 2002

4. Securities

The details of the securities as of December 31, 2003 and 2002 are as follows:

	(in millions of Korean Won)				
	Annual interest rate(%)	Par value	Acquisition cost (*)	Carrying value	
				2003	2002
Stocks					
Samsung Electronics & others	-	₩ -	₩ 1,166,457	₩ 1,175,756	₩ 1,533,343
Government and Municipal bonds					
Treasury bonds	3.90~6.79	76,500	78,196	77,701	95,969
National housing bonds	3.84~9.37	703,977	662,173	669,958	752,991
Local development bonds	4.98~9.85	3,354	3,004	3,084	38,420
Railroad construction bonds	6.75~10.65	7,620	6,909	7,116	3,378
		791,451	750,282	757,859	890,758
Debentures issued by financial institutions					
Monetary stabilization bonds	3.98~6.44	456,700	451,176	450,003	314,203
Industrial finance debentures	4.02~7.15	20,364	20,160	19,988	55,796
Small and medium industry finance debentures	4.10~4.79	40,000	38,293	38,226	65,939
Others	4.04~5.02	521,200	501,317	501,018	379,176
		1,038,264	1,010,946	1,009,235	815,114
Corporate bonds					
Government owned corporate bonds	4.16~8.30	234,139	222,823	231,271	179,798
General debentures	4.24~12.24	503,860	496,725	496,955	793,704
Privately-placed debentures	12.95~13.76	3,646	3,640	3,640	209,939
Convertible debentures	9.00	2,521	2,405	2,460	2,405
		744,166	725,593	734,326	1,185,846
Bills purchased					
Guaranteed commercial papers	-	-	-	-	42,416
Commercial Papers	2.00~12.50	857,173	857,037	857,036	1,922,653
		857,173	857,037	857,036	1,965,069
Other securities					
Securities denominated in foreign currencies	1.40~4.10	317,964	339,253	339,253	381,643
Negotiable certificates of deposit	3.88~4.61	395,943	388,781	388,729	435,590
Beneficial Certificates	-	54,815	54,815	54,815	56,075
Others	-	9,460	10,566	10,566	-
		778,182	793,415	793,363	873,308
		₩ 4,209,236	₩ 5,303,730	₩ 5,327,575	₩ 7,263,438

(*) Prior year's ending book balances or acquisition costs for securities purchased during the current year.

The information about the securities by country as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)	
	Amount	Ratio (%)
Korea	₩ 5,327,575	100.00

Notes to Financial Statements (Trust Accounts)

December 31, 2003 and 2002

The information about the securities by industry as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)	
	Amount	Ratio (%)
Stock		
Financial business	₩ 17,531	1.49
Manufacturing	482,814	41.06
Construction	10,771	0.92
Wholesale and retail	20,381	1.73
Others	644,259	54.80
	1,175,756	100.00
Others		
Financial business	₩ 2,031,020	48.92
Public administration	1,053,739	25.38
Manufacturing	765,026	18.43
Construction	20,968	0.50
Wholesale and retail	239,563	5.77
Others	41,503	1.00
	4,151,819	100.00
	₩ 5,327,575	

The information about the securities by securities type as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)	
	Amount	Ratio (%)
Fixed rate bonds	₩ 4,046,121	75.94
Floating rate bonds	37,857	0.71
Convertible bonds	2,460	0.05
Stocks	1,175,756	22.07
Others	65,381	1.23
	₩ 5,327,575	100.00

The maturities of debt securities as of December 31, 2003 are as follows:

	(in millions of Korean Won)						
	Government and public bonds	Debentures issued by financial institutions	Corporate bonds	Bills purchased	Other securities	Securities denominated in foreign currencies	Total
Within 3 month	₩ 60,661	₩ 19,355	₩ 269,727	₩ 772,941	₩ 306,185	₩ -	₩ 1,428,869
More than 3 ~ 6 months	40,010	92,402	69,549	37,499	119,275	33,821	392,556
More than 6 months							
~ 1 year	132,119	521,404	216,714	46,596	28,650	221,171	1,166,654
More than 1 ~ 2 years	83,899	376,074	88,426	-	-	80,434	628,833
More than 2 ~ 3 years	229,875	-	40,000	-	-	3,827	273,702
More than 3 ~ 5 years	211,295	-	40,046	-	-	-	251,341
More than 5 years	-	-	9,864	-	-	-	9,864
	₩ 757,859	₩ 1,009,235	₩ 734,326	₩ 857,036	₩ 454,110	₩ 339,253	₩ 4,151,819

Notes to Financial Statements (Trust Accounts)

December 31, 2003 and 2002

5. Loans and Allowance for possible loan losses

The details of the loans as of December 31, 2003 and 2002 are as follows:

	(in millions of Korean Won)	
	2003	2002
Loans collateralized by real estate	₩ 104,245	₩ 171,444
Loans collateralized by other than real estate		
Loans collateralized by securities	777	777
Loans collateralized by personal property	5	5
Loans collateralized by receivables	5,336	4,607
Loans collateralized by trust benefit	73,327	80,102
Loans guaranteed	2,002	3,150
	81,447	88,641
Uncollateralized loans		
Loans on deeds	13,774	302,241
Loans on bills	363,213	412,616
	376,987	714,857
	₩ 562,679	₩ 974,942

The information about the loans by country as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)	
	Amount	Ratio (%)
Korea	₩ 562,679	100.00

The information about the loans by industry as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)	
	Amount	Ratio (%)
Financial business	₩ 900	0.16
Manufacturing	28,566	5.08
Wholesale and retail	124,404	22.11
Household	154,688	27.49
Public and others	254,121	45.16
	₩ 562,679	100.00

The maturities of the loans of December 31, 2003 are summarized as follows:

	(in millions of Korean Won)	
	Amount	
Within 3 month	₩	136,042
More than 3 ~ 6 months		86,231
More than 6 months ~ 1 year		53,123
More than 1 ~ 2 years		174,826
More than 2 ~ 3 years		48,035
More than 3 ~ 5 years		55,723
More than 5 years		8,699
	₩	562,679

Notes to Financial Statements (Trust Accounts)

December 31, 2003 and 2002

As of December 31, 2003, the allowance for possible loan losses and details of classification of related loans and securities (excluding specified money trusts) are as follows:

1) Classification of related loans and securities

	(in millions of Korean Won)					
	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Loans collateralized						
by real estate	₩ 102,127	₩ 711	₩ 1,357	₩ 19	₩ 31	₩ 104,245
Loans collateralized						
by other than real estate	81,429	13	-	5	-	81,447
Uncollateralized loans	181,119	4,506	1,742	48	133	187,548
Corporate bonds	274,722	10,038	7,980	-	-	292,740
Privately-placed debentures	-	21	-	-	-	21
Bills purchased	716,753	2,216	776	-	-	719,745
	₩ 1,356,150	₩ 17,505	₩ 11,855	₩ 72	₩ 164	₩ 1,385,746

2) Allowance for possible loan losses

	(in millions of Korean Won)					
	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Loans collateralized						
by real estate	₩ -	₩ 52	₩ 287	₩ 15	₩ 31	₩ 385
Loans collateralized						
by other than real estate	-	1	-	4	-	5
Uncollateralized loans	1	373	685	43	133	1,235
Corporate bonds	-	1,906	1,596	-	-	3,502
Privately-placed debentures	-	4	-	-	-	4
Bills purchased	55	65	272	-	-	392
	₩ 56	₩ 2,401	₩ 2,840	₩ 62	₩ 164	₩ 5,523

In accordance with the Trust Business Act, the allowance for possible loan losses was not provided for the assets classified as normal included in the trusts with guarantees of principal and performance trusts.

Details of changes in the allowance for possible loan losses for the years ended December 31, 2003 are as follows:

	(in millions of Korean Won)	
	Amount	
Beginning balance	₩	25,577
Provision for possible loan losses		1,840
Collection of previously written-off receivables		14,413
Other increase		995
Write-offs		(7,708)
Reversal of allowance for possible loan losses		(26,031)
Sale of loans		(3,563)
Ending balance	₩	5,523

Notes to Financial Statements (Trust Accounts)

December 31, 2003 and 2002

6. Classified Financial Statements of Trust Accounts

The balance sheets and statements of income of the Trust Accounts as of and for the years ended December 31, 2003 and 2002 are classified into principal or dividend guarantee trusts and performance trusts as follows:

1) Classified Balance Sheets

	(in millions of Korean Won)		
	2003		
	Principal or Dividend Guaranteed Trusts	Performance Trusts	Total
(Assets)			
Cash and due from banks	₩ -	₩ 803	₩ 803
Securities	871,752	4,455,823	5,327,575
Loans	127,609	435,070	562,679
Trusted money receivables	-	4,191,601	4,191,601
Real & personal property	-	981,769	981,769
Other assets	15,656	133,153	148,809
Due from banking accounts	151,558	559,462	711,020
(Present value discount)	(130)	-	(130)
(Allowance for possible loan losses)	(2,032)	(3,491)	(5,523)
Total	₩ 1,164,413	₩ 10,754,190	₩ 11,918,603
(Liabilities)			
Money trusts	₩ 1,104,065	₩ 5,297,456	₩ 6,401,521
Property trusts	-	5,242,322	5,242,322
Public trusts	-	145	145
Other liabilities	37,394	214,267	251,661
Reserve for future trust losses	22,954	-	22,954
Total	₩ 1,164,413	₩ 10,754,190	₩ 11,918,603

	(in millions of Korean Won)		
	2002		
	Principal or Dividend Guaranteed Trusts	Performance Trusts	Total
(Assets)			
Cash and due from banks	₩ -	₩ 1,214	₩ 1,214
Securities	894,420	6,369,018	7,263,438
Loans	365,254	609,688	974,942
Trusted money receivables	-	4,157,285	4,157,285
Real & personal property	-	586,055	586,055
Other assets	24,212	215,304	239,516
Due from banking accounts	184,001	481,522	665,523
(Present value discount)	(504)	-	(504)
(Allowance for possible loan losses)	(21,879)	(3,698)	(25,577)
Total	₩ 1,445,504	₩ 12,416,388	₩ 13,861,892
(Liabilities)			
Money trusts	₩ 1,284,981	₩ 7,354,446	₩ 8,639,427
Property trusts	-	4,816,300	4,816,300
Public trusts	-	150	150
Other liabilities	140,196	245,492	385,688
Reserve for future trust losses	20,327	-	20,327
Total	₩ 1,445,504	₩ 12,416,388	₩ 13,861,892

Notes to Financial Statements (Trust Accounts)

December 31, 2003 and 2002

2) Classified Statements of Operation

	(in millions of Korean Won)		
	2003		
	Principal or Dividend Guaranteed Trusts	Performance Trusts	Total
(Revenue)			
Interest income	₩ 68,531	₩ 306,554	₩ 375,085
Gains on derivatives	1,775	6,804	8,579
Gains on securities	12,002	94,978	106,980
Others	42,304	24,208	66,512
Total	₩ 124,612	₩ 432,544	₩ 557,156
(Expense)			
Trust fees to the Bank	65,200	51,377	116,577
Commissions paid	326	1,410	1,736
Losses on derivatives	2,583	14,396	16,979
Losses on securities	4,707	74,796	79,503
Provision for future loan losses	3,594	-	3,594
Provision for possible loan losses	22	1,817	1,839
Others	416	18,863	19,279
	76,848	162,659	239,507
Dividends of trust profit to beneficiaries	₩ 47,764	₩ 269,885	₩ 317,649

	(in millions of Korean Won)		
	2002		
	Principal or Dividend Guaranteed Trusts	Performance Trusts	Total
(Revenue)			
Interest income	₩ 78,442	₩ 359,487	₩ 437,929
Gains on derivatives	3,528	8,154	11,682
Gains on securities	4,177	111,024	115,201
Others	10,255	21,660	31,915
Total	₩ 96,402	₩ 500,325	₩ 596,727
(Expense)			
Trust fees to the Bank	₩ 28,017	₩ 59,651	₩ 87,668
Commissions paid	432	1,864	2,296
Losses on derivatives	4,039	4,928	8,967
Losses on securities	5,808	73,999	79,807
Provision for future trust losses	3,626	-	3,626
Provision for possible loan losses	-	153	153
Others	2,407	1,357	3,764
	44,329	141,952	186,281
Dividends of trust profit to beneficiaries	₩ 52,073	₩ 358,373	₩ 410,446

Notes to Financial Statements (Trust Accounts)

December 31, 2003 and 2002

8. Derivatives :

The Trust Accounts entered into derivative transactions for hedging the exposure to the changes in the fair value of trust assets. As of December 31, 2003, the details of KOSPI 200 futures and KTB futures contracts balances are as follows:

(in millions of Korean Won)					
	Related Fund	Trading position	Trading volume	Price	Volume
KOSPI 200 Futures 0403	Long-term securities 1st	short	45	106.30	₩ 2,392
	Long-term securities 2nd	"	200	106.30	10,630
			245		13,022
KTB Futures 0403	Specified money trusts	short	100	108.36	10,836
	New old-age pension 1st	"	42	108.36	4,551
	Retirement trust 1st	"	129	108.36	13,979
	Separate taxation fixed-income 1st	"	61	108.36	6,610
	Separate taxation fixed-income 2nd	"	12	108.36	1,300
	Separate-plus taxation fixed-income 1st	"	15	108.36	1,625
	Separate-plus taxation fixed-income 2nd	"	23	108.36	2,492
	Separate-plus taxation fixed-income 3rd	"	10	108.36	1,084
	Separate-plus taxation fixed-income 4th	"	6	108.36	650
			398		43,127
					₩ 56,149

9. Transactions with related parties :

The details of transactions for the year ended December 31, 2003 and 2002 and related account receivables and payables as of December 31, 2003 and 2002 with the banking accounts, the largest shareholder (Korea Deposit Insurance corporation, "KDIC") and the consolidated subsidiaries of the Bank (Hana Securities), are summarized as follows:

(in millions of Korean Won)					
Account balance			Transactions		
Accounts	2003	2002	Accounts	2003	2002
Banking accounts					
Due from banking accounts	₩ 711,020	₩ 665,523	Interest on due from banking accounts	₩ 13,879	₩ 13,194
Accrued trust fees payable	33,063	131,269	Trust fees to the Bank	116,577	87,668
Prepaid trust fees	1,438	746	Interest on borrowings	-	515
			Commissions on early termination	220	709
KDIC					
Securities	228,258	127,023	Interest income	3,514	13,900
Accrued interest	25	19			
Hana Securities					
Securities	9,856	-	Interest income	-	1,072
Accrued income	150	-	Dividends income	502	-

Notes to Financial Statements (Trust Accounts)

December 31, 2003 and 2002

10. Merger and Acquisition between Hana Bank and Seoul Bank :

Details of M&A Contracts

Hana Bank entered into a business combination contract ("the Contract") with Seoul Bank on September 27, 2002 and obtained approval from its shareholders for such combination on November 14, 2002. In accordance with the Contract, the Bank completed the legal consolidation with Seoul Bank as of December 1, 2002. The surviving entity, Seoul Bank, was renamed Hana Bank ("the Bank") upon completion of the transaction. In accordance with the Contract, the shareholders of Seoul Bank received one new common share of the Bank for every two shares of Seoul Bank. The new common shares of the Bank were listed on the Korea Stock Exchange on December 13, 2002.

Former Hana Bank

The former Hana Bank was incorporated in 1971 as Korea Investment and Finance Corporation under the Commercial Code of the Republic of Korea to provide financing services as a financial intermediary. On September 20, 1972, the former Hana Bank was granted approval by the Ministry of Finance (presently the Ministry of Finance and Economy) to operate under the short-term Financing Business Law. On June 29, 1991, the former Hana Bank was granted approval by the Ministry of Finance to engage in banking activities and the Bank's name was changed to Hana Bank. It became a nationwide commercial bank in July 1991. On June 29, 1998, the former Hana Bank purchased certain assets and assumed most of the liabilities of Choong-Chung Bank by the order of the Financial Supervisory Commission. As of January 1, 1999, the former Hana Bank completed a merger with Boram Bank.

11. Reclassification of Prior Year Amounts

Certain amounts in the 2002 financial statements have been reclassified to conform to the 2003 presentation. These reclassifications had no effect on previously reported net income or shareholders' equity.

12. Commitments and Contingencies :

In common with certain other Asian countries, the economic environment in the Republic of Korea continues to be volatile. In addition, the Korean government and the private sector continue to implement structural reforms to historical business practices, including corporate governance. The Trust Accounts may be either directly or indirectly affected by these volatile economic conditions and the reform program described above. The accompanying 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 Bank. Actual results may differ materially from management's current assessment.

As of December 31, 2003, the Trust Accounts' total exposure (including debt securities, beneficiary certificates, and loans) related to domestic credit card companies and capital companies amounts to ₩189,727 million. Currently, securities related to credit card companies and capital companies, which are experiencing difficulties in management, have liquidity problems in the bond market. The ultimate effect of these circumstances on the financial position of the Trust Accounts as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying financial statements.

13. Loan Transaction with LG Card Co., Ltd.

As of December 31, 2003, the Trust Accounts has a total ₩70,702 million of loan balances to LG Card Co., Ltd., which is experiencing liquidity crisis. The actual loan loss amount may differ from the present estimates, depending on the outcome of the self-rehabilitating plans of LG Card Co., Ltd. and the effective execution of the additional loan extension agreements.

Report of Independent Auditors

SAMIL PRICEWATERHOUSECOOPERS

PRICEWATERHOUSECOOPERS 

Samil PricewaterhouseCoopers
Kukje Center Building
191 Hankangro 2ga, Yongsanku
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**To the Shareholders and Board of Directors of
Hana Bank and Subsidiaries**

We have audited the accompanying consolidated balance sheets of Hana Bank and its subsidiaries ("the Bank") as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, expressed in Korean Won. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Hana Securities, a subsidiary, which statements reflect 1.19% and 0.67% of the Bank's consolidated total assets as of December 31, 2003 and 2002, respectively, and 3.94% and 4.40% of the Bank's consolidated total operating revenues for the years then ended, respectively. Those statements were audited or reviewed by another auditor whose reports have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Hana Securities, is based solely on the reports of the other auditor.

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

In our opinion, based on our audits and the report of the other auditor, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hana Bank and its subsidiaries as of December 31, 2003 and 2002, and the results of their operations, the changes in their shareholders' equity and their cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw your attention to Note 27 of the consolidated financial statements, which states that as a result of its agreement with the creditors' committee of LG Card Co., Ltd. on November 24, 2003, the Bank provided additional loans of ₩129,700 million to LG Card Co., Ltd., which is currently experiencing a liquidity crisis. Also, on January 9, 2004, the Bank agreed on a debt-to-equity swap of ₩92,800 million and to provide additional loans of ₩92,400 million (to be included in the debt-to-equity swap) and to extend the maturity date of loans that mature during 2004. As a result, as of December 31, 2003, the Bank has a total of ₩424,600 million of loan balances to LG Card Co., Ltd. (Hana Bank and Hana Securities have ₩385,700 million and ₩38,900 million, respectively). The actual loan loss amount may differ from the present estimates, depending on the outcome of the self-rehabilitating plans of LG Card Co., Ltd. and the effective execution of the additional loan extension agreements.

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



Seoul, Korea
January 20, 2004

This report is effective as of January 20, 2004, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Consolidated Balance Sheets

December 31, 2003 and 2002

	(in millions of Korean Won)	
	2003	2002
Assets		
Cash and due from banks (Note 3)	₩ 4,828,494	₩ 3,921,363
Trading securities (Note 4)	1,641,243	1,024,890
Available-for-sale securities (Note 5)	12,553,148	12,152,184
Held-to-maturity securities (Note 6)	2,698,401	2,619,140
Investments in associates (Note 7)	49,863	45,837
Loans (Note 8)	56,835,634	52,682,035
(Allowance for possible loan losses)	(1,065,403)	(868,107)
(Present value discounts)	(7,065)	(10,838)
Property, plant and equipment (Note 9)	1,494,368	1,429,062
(Accumulated depreciation)	(320,683)	(248,427)
Intangible assets (Note 9)	167,590	173,898
Guarantee deposits	587,365	605,464
Accounts receivable	777,066	502,788
Accrued income	450,465	441,748
Prepaid expenses	4,417	11,703
Deferred income tax assets (Note 21)	170,777	143,548
Prepaid income taxes	139,079	64,155
Negative goodwill (Note 9)	-	(199)
Others	1,351,246	1,201,538
Total assets	₩ 82,356,005	₩ 75,891,782
Liabilities and Shareholders' Equity		
Deposits (Note 10)	₩ 58,826,898	₩ 56,077,408
Call money	432,934	883,320
Borrowings (Note 11)	5,819,618	5,976,798
Bonds sold on repurchase agreements	1,391,694	441,876
Bills sold	133,457	653,115
Due to Bank of Korea in foreign currencies	12,821	40,057
Debentures (Note 12)	6,052,018	3,882,054
Reserve for possible losses on acceptances and guarantees (Note 13)	53,591	67,202
Due to trust accounts	1,412,073	734,900
Unearned income	96,978	97,130
Accrued expenses	1,241,550	1,337,502
Account payable	677,992	463,139
Income taxes payable	15,269	261
Others	2,517,452	1,996,082
Total liabilities	78,684,345	72,650,844
Commitments and contingencies (Note 15)		
Common stock, par value per share: ₩5,000, authorized: 2,000,000,000 shares, issued and outstanding: 197,432,203 shares in 2003 and 2002 (Notes 1 and 16)	987,161	987,161
Capital surplus	1,296,859	1,267,797
Retained earnings	1,388,564	957,059
Capital adjustments (Notes 5, 7, 17 and 18)	(395,196)	(372,754)
Minority interest	394,272	401,675
Total shareholders' equity	3,671,660	3,240,938
Total liabilities and shareholders' equity	₩ 82,356,005	₩ 75,891,782

Consolidated Statements of Income

December 31, 2003 and 2002

	(in millions of Korean Won)	
	2003	2002
Operating revenues		
Interest income		
Interest on due from banks	₩ 17,522	₩ 60,229
Interest on securities	766,298	664,021
Interest on loans	3,465,187	2,294,934
Others	13,720	12,655
	4,262,727	3,031,839
Commission income	517,509	390,370
Other operating income		
Gain on disposal of trading securities	46,133	47,402
Gain on valuation of trading securities	26,734	13,892
Dividend on securities	93,499	7,959
Gain on foreign currency trading	188,873	110,606
Fees from trust accounts	59,558	61,644
Gain on derivatives	537,560	247,780
Others	11,231	30,268
	963,588	519,551
	5,743,824	3,941,760
Operating expenses		
Interest expenses		
Interest on deposits	2,045,703	1,613,654
Interest on borrowings	239,109	212,830
Interest on debentures	344,391	233,994
Others	38,519	28,288
	2,667,722	2,088,766
Commission expenses	144,564	105,777
Other operating expenses		
Loss on disposal of trading securities	29,203	44,508
Loss on valuation of trading securities	20,144	3,664
Loss on foreign currency trading	150,233	89,393
Provision for possible loan losses	815,641	175,988
Loss on derivatives	509,600	233,833
Others	184,505	81,540
	1,709,326	628,926
General and administrative expenses (Note 19)	944,728	588,444
	5,466,340	3,411,913
Operating income	277,484	529,847
Non-operating income (Note 20)	381,783	185,520
Non-operating expenses (Note 20)	126,718	237,477
Ordinary income	532,549	477,890
Extraordinary gain	-	4
Extraordinary loss	-	-
Income before income taxes and consolidation adjustments	532,549	477,894
Income tax expense (benefit) (Note 21)	(4,661)	142,912
Net income before consolidation adjustments	537,210	334,982
Minority interest income	(23,339)	(14,029)
Net income (Note 22)	₩ 513,871	₩ 320,953
Ordinary income per share	₩ 3,290	₩ 2,285
Earnings per share	₩ 3,147	₩ 2,285
Diluted ordinary income per share	₩ 3,286	₩ 2,281
Diluted earnings per share	₩ 3,143	₩ 2,282

Consolidated Statements of Changes in Shareholders' Equity

Years Ended December 31, 2003 and 2002

	(in millions of Korean Won)					
	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interest	Total
Balance at January 1, 2002	₩ 853,549	₩ 446,329	₩ 676,330	₩ (3,949)	₩ 114,173	₩ 2,086,432
Changes arising from mergers and acquisition	305,400	833,742	-	(423,898)	-	715,244
Extinguishment of preferred stock	(198,010)	-	-	-	-	(198,010)
Stock dividends	26,222	-	-	-	-	26,222
Gain on sale of treasury stock	-	1,549	-	-	-	1,549
Changes in goodwill	-	(13,823)	-	-	-	(13,823)
Net income for 2002	-	-	320,953	-	-	320,953
Dividends	-	-	(55,544)	-	-	(55,544)
Changes in currency exchange rates	-	-	154	-	-	154
Changes in subsidiary retained earnings	-	-	(109)	-	-	(109)
Changes in special reserves	-	-	18,396	-	-	18,396
Changes in capital adjustments	-	-	-	55,093	-	55,093
Change in reporting entity	-	-	(3,121)	-	240,943	237,822
Changes in minority interest	-	-	-	-	46,559	46,559
Balance at December 31, 2002	₩ 987,161	₩ 1,267,797	₩ 957,059	₩ (372,754)	₩ 401,675	₩ 3,240,938
Balance at January 1, 2003	₩ 987,161	₩ 1,267,797	₩ 957,059	₩ (372,754)	₩ 401,675	₩ 3,240,938
Gain on sale of treasury stock	-	36,476	-	-	-	36,476
Net income for 2003	-	-	513,871	-	-	513,871
Dividends	-	-	(86,067)	-	-	(86,067)
Changes in subsidiary retained earnings	-	-	(99)	-	-	(99)
Changes in special reserves	-	-	2,911	-	-	2,911
Changes in currency exchange rates	-	-	889	-	-	889
Changes in capital adjustments	-	-	-	(22,442)	-	(22,442)
Changes in minority interest	-	-	-	-	(7,403)	(7,403)
Others	-	(7,414)	-	-	-	(7,414)
Balance at December 31, 2003	₩ 987,161	₩ 1,296,859	₩ 1,388,564	₩ (395,196)	₩ 394,272	₩ 3,671,660

Consolidated Statements of Cash Flows

Years Ended December 31, 2003 and 2002

	(in millions of Korean Won)	
	2003	2002
Cash used in operating activities		
Net income	₩ 513,871	₩ 320,953
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	152,778	57,243
Provision for possible loan losses	815,641	175,988
Provision for severance benefits	40,366	22,019
Unrealized loss on securities, net	67,094	101,731
Gain on securities transactions, net	(153,883)	(48,672)
Reversal of reserve for possible losses on acceptances and guarantees	(9,947)	(29,443)
Gain on sale of loans, net	(59,526)	(8,852)
Unrealized loss (gain) on derivatives, net	16,174	(6,303)
Reversal of negative goodwill, net	(199)	(608)
Minority interest income	23,339	14,029
Changes in assets and liabilities resulting from operations	(1,573,118)	(4,187,670)
Others	(85,202)	5,156
	(252,612)	(3,584,429)
Cash provided by (used in) investing activities		
Decrease (increase) in trading securities	(592,833)	957,260
Decrease (increase) in available-for-sale securities	(228,619)	1,285,437
Increase in held-to-maturity securities	(88,489)	-
Increase in investments in associates	(1,461)	-
Increase in property, plant and equipment	(10,852)	(103,765)
Decrease (increase) in intangible assets	(35,402)	619
Decrease (increase) in guarantee deposits	18,099	(7,123)
Increase in accounts receivable	(274,278)	(161,095)
	₩ (1,213,835)	₩ 1,971,333

Continued

Consolidated Statements of Cash Flows

Years Ended December 31, 2003 and 2002

	(in millions of Korean Won)	
	2003	2002
Cash provided by financing activities		
Increase (decrease) in borrowings	₩ (157,181)	₩ 1,435,871
Decrease in bills sold	(519,658)	(159,627)
Increase in debentures	2,159,068	1,351,640
Increase in domestic exchange payable	16,020	285,664
Decrease in foreign exchange payable	(382,882)	(278,791)
Increase in bonds sold on repurchase agreements	949,819	77,467
Decrease in due to Bank of Korea in foreign currencies	(27,236)	(140,092)
Decrease in call money	(450,387)	(466,889)
Increase (decrease) in due to trust accounts	677,173	(249,218)
Increase in accounts payable	214,853	191,686
Extinguishment of preferred stock	-	(198,010)
Cash dividends	(90,285)	(31,486)
Cost of stock issuance	-	(151)
Exercise of stock options	204,177	-
Cash flow from consolidated capital transactions	(25,035)	37,008
Increase in treasury stock	(194,868)	(447,893)
	2,373,578	1,407,179
Cash flow from change in reporting entity	-	240,080
Net increase in cash and due from banks	907,131	34,163
Cash and due from banks at the beginning of the year	3,921,363	2,873,185
Increase in cash and due from banks arising from the merger	-	1,014,015
Cash and due from banks at the end of the year	₩ 4,828,494	₩ 3,921,363
Cash and due from banks at the end of the year		
Cash on hand	₩ 1,356,627	₩ 1,644,847
Foreign currencies	114,643	78,478
Due from banks in Won	3,252,722	2,111,665
Due from banks in foreign currencies	104,502	86,373
	₩ 4,828,494	₩ 3,921,363

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

1. The Consolidated Companies

The accompanying consolidated financial statements include the banking accounts and trust accounts of Hana Bank and its controlled subsidiaries ("the Bank"). The general information describing the Bank's trust accounts, its controlled subsidiaries, and equity-method investees are provided below.

Hana Bank

Hana Bank was established in November 1959 as "Seoul Bank" and acquired Korea Trust Bank in August 1976. Hana Bank entered into a business combination contract ("the Contract") with the former Hana Bank on September 27, 2002 and obtained approval from its shareholders for such combination on November 14, 2002. In accordance with the Contract, Hana Bank completed the merger with the former Hana Bank as of December 1, 2002. Hana Bank, the surviving entity, was renamed "Hana Bank" upon completion of the transaction. As of December 31, 2003, Hana Bank is engaged in the commercial banking, trust and foreign exchange business and other related operations as permitted under the Bank Act and other relevant laws and regulations in the Republic of Korea. In addition, Hana Bank has been selling insurance by entering into agreements with other life insurance companies since September 26, 2003, after the revision of the insurance regulations.

Hana Bank's shares are listed on the Korean Stock Exchange. As of December 31, 2003, Hana Bank has 2,000,000,000 shares of authorized common stock with a par value of ₩5,000 per share, and has 197,432,203 shares issued, with a common stock amounting to ₩987,161 million. Under Hana Bank's Articles of Incorporation, Hana Bank is authorized to issue shares of preferred stock of up to 50% of the outstanding number of shares of common stock. As of December 31, 2003, Hana Bank has no shares of preferred stock issued.

In accordance with its Articles of Incorporation, Hana Bank is authorized to issue convertible bonds and bonds with stock warrants to investors other than its shareholders for amounts up to ₩200,000 million each. As of December 31, 2003, there are no convertible bonds outstanding (Note 12).

Trust Accounts and Controlled Subsidiaries

A summary of investment and financial information of the Bank's trust accounts and its controlled subsidiaries ("Subsidiaries") as of and for the years ended December 31, 2003 and 2002 is as follows:

Subsidiaries	(in millions of Korean Won)				
	2003				
	Number of invested shares	Percentage of ownership (%)	Total assets	Operating revenues	Shareholders' equity
Trust Accounts	-	-	₩ 1,012,855	₩ 83,155	₩ 21,080
Hana Securities	10,112,957	52.80	981,605	230,010	371,742
Hana Funding Limited	-	100.00	240,493	2,969	239,620

Subsidiaries	(in millions of Korean Won)				
	2002				
	Number of invested shares	Percentage of ownership (%)	Total assets	Operating revenues	Shareholders' equity
Trust Accounts	-	-	₩ 1,397,063	₩ 85,601	₩ 18,068
Hana Securities	10,112,957	43.38	513,278	131,653	305,033
Hana Funding Limited	-	100.00	241,003	863	240,140

During 2002, the Bank additionally acquired 2,133,797 shares of Hana Securities' common shares and disposed of 72,440 shares of Hana Securities' preferred shares.

Consolidation of trust accounts include only certain money trusts which are subject to a guaranteed principal repayment or a fixed rate of return in accordance with the accounting and reporting guidelines prescribed by the banking regulatory authorities.

Notes to Consolidated Financial Statements

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The details of those trusts, which are consolidated, are as follows:

Trusts	Trust terms		
	Period (years)	Dividend rate	Guarantee of principal repayment
General unspecified money trusts	over 1.5	Fixed	Yes
Development trusts	2 ~ 5	"	"
Pension trusts	over 15	Floating	"
Individual pension trusts	over 15	"	"
New individual pension trusts	over 15	"	"
Old-age living pension trusts	over 10	"	"
New old-age living pension trusts	over 5	"	"
Retirement trusts	retirement	"	"
Employee retirement trusts	retirement	"	"

Hana Securities is included in the reporting entities for consolidation as a result of a merger with Boram Bank on January 1, 1999. Hana Securities was listed in the Korea Stock Exchange on November 25, 1986, and its capital stock issued and outstanding, as of December 31, 2003 and 2002, is ₩129,263 million.

In December 2002, Hana Funding Limited ("HFL") was established in the Cayman Islands for the purpose of funding through the offering of non-cumulative tier one preferred stock ("TOPS"). The Bank issued subordinated bonds amounting to ₩239,560 million (US\$200,000 thousand) to HFL. HFL acquired the bonds with the proceeds from the offering of TOPS, and the detailed information related to the subordinated bonds are as follows:

	Summary terms
Call option	Redeemable in whole but not in part at the option of the issuer on December 17, 2012 or any payment date thereafter
Interest rate	8.748% per annum to the Reset Date Floating rate after the Reset Date
Interest payment dates	Annually to the Reset Date Quarterly after the Reset Date
Maturity	Due 2101
Non-cumulative preferred stock (Tier One Preferred Securities, "TOPS")	Listed on the Singapore Exchange

Investments Recorded under the Equity Method

A summary of investment and financial information of subsidiaries to which the equity method of accounting is applied in consolidation as of and for the years ended December 31, 2003 and 2002 is as follows:

	(in millions of Korean Won)				
	2003				
	Number of invested shares	Percentage of ownership (%)	Total assets	Operating revenues	Shareholders' equity
Hana Research & Consulting Inc.	400,000	62.5	₩ 3,280	₩ 958	₩ 3,227
Hana Allianz Investment Trust Management Co.	3,000,000	50.0	36,917	14,360	33,911
BC Card Co., Ltd.	740,520	16.8	496,312	440,141	146,605
Hana INS	400,000	100.0	2,867	4,550	2,037
Hana Life Insurance	3,000,500	50.0	144,958	114,906	11,412

The equity method of accounting is applied to the investment in Hana Life Insurance after the Bank's acquisition of 50% of Hana Life Insurance's shares in 2003.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

Hana Research & Consulting Inc. and Hana INS were excluded from consolidation in accordance with regulations allowing exclusions for small sized subsidiaries under the financial accounting standards for the preparation of consolidated financial statements. Hana Allianz Investment Trust Management Co. and Hana Life Insurance were excluded from consolidation, since the Bank is not the controlling shareholder despite holding 50% of the shares.

	(in millions of Korean Won)				
	2002				
	Number of invested shares	Percentage of ownership (%)	Total assets	Operating revenues	Shareholders' equity
Hana Research & Consulting Inc.	400,000	62.5	₩ 3,420	₩ 2,505	₩ 3,211
Hana Allianz Investment Trust Management Co.	3,000,000	50.0	37,055	10,363	33,796
BC Card Co., Ltd.	740,520	16.8	685,214	520,397	150,933
Hana INS	400,000	100.0	3,445	4,853	2,186

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Bank in the preparation of its financial statements are summarized below.

Basis of Financial Statement Presentation

The official accounting records of the Bank are maintained in Korean Won in accordance with the relevant laws and regulations of the Republic of Korea.

The Bank operates both a commercial banking business and a trust business in which the Bank, as a fiduciary, holds and manages the property of others. Under the Trust Business Act, the trust funds are accounted for and reported separately from the Bank's own commercial banking business.

The Bank maintains its accounting records in Korean Won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Bank that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language consolidated financial statements.

Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Bank's financial position, results of operations, or cash flows is not presented in the accompanying financial statements.

Accounting Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect amounts reported therein. Although these estimates are based on management's best knowledge of current events and actions that the Bank may undertake in the future, actual results may be different from those estimates.

Recognition of Interest Income

Interest income on loans and investments is recognized on an accrual basis. However, the interest income on loans overdue or dishonored is recognized on a cash basis, except for those secured and guaranteed by financial institutions, which is recognized on an accrual basis.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

Allowance for Possible Loan Losses

From 1999, the Bank adopted a method of corporate loan classification for calculating the allowance for possible loan losses by incorporating the borrowers' future debt service capacity ("Forward Looking Criteria (FLC)"). This credit rating model considers the financial and non-financial factors of borrowers and classifies the borrowers' credit risk by seventeen ratings. Provisions are determined by applying the following minimum percentages to the various credit ratings:

Loan classifications	Provision percentages
Normal	0 - 2.2%
Precautionary	3% or more
Substandard	20% or more
Doubtful	60% or more
Estimated loss	100%

Household and credit card loans are classified based on the delinquent periods, value of collateral, and reasonably estimated collectibility. Provisions are determined by applying the following minimum percentages to the various credit ratings:

Loan classifications	Provision percentages	
	Consumer	Credit cards
Normal	0.75%	3%
Precautionary	8%	12%
Substandard	25%	25%
Doubtful	90%	90%
Estimated loss	100%	100%

Securities

Securities that are bought and held are classified as trading securities, available-for-sale securities and held-to-maturity securities, depending on the purpose of the purchase and holding intention.

All securities are initially carried at cost, including incidental expenses, determined by the moving-average method.

Held-to-maturity securities are generally carried at amortized cost. Premiums and discounts on debt securities are amortized over the maturity period using the effective interest rate method.

Trading and available-for-sale securities are carried at fair value, except for non-marketable equity securities classified as available-for-sale securities, which are carried at cost. The fair value of debt securities, which do not have a quoted market value, is calculated using the present value of future cash flows, discounted at a reasonable interest rate determined based on the credit ratings provided by independent credit rating institutions.

Unrealized holding gains or losses on trading securities are charged to current operations and those resulting from available-for-sale securities are recorded as capital adjustments, the accumulated amount of which shall be charged to current operations when the related securities are sold or when an impairment loss on the securities is recognized.

Impairment losses are recognized in current operations when the recoverable amounts are less than the acquisition cost of equity securities or amortized cost of debt securities.

Investments in Associates

Investments in associates, over which the Bank exercises a significant control or influence, are accounted for under the equity method. Under the equity method, the Bank records changes in its proportionate ownership in the associate in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in the book value of the investment in the associate.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

The Bank discontinues the equity method of accounting for investments in associates when the Bank's share of accumulated losses equals the costs of the investments, and until the subsequent cumulative changes in its proportionate net income of the associate equal its cumulative proportionate net losses not recognized during the periods when the equity method was suspended.

Differences between the initial purchase price and the Bank's initial proportionate ownership of the net book value of the associate are amortized or accreted using a reasonable method and are charged to current operations.

Gains and losses recorded by the Bank from inter-company transactions with associates are fully eliminated. Gains and losses recorded by the associates from these transactions are proportionately eliminated, based on the Bank's percentage of ownership.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Routine maintenance and repairs are charged to expense as incurred. Expenditures that enhance the value or extend the useful economic lives of the assets involved are treated as additions to property, plant and equipment.

Depreciation is computed using the declining-balance method (the straight-line method for buildings) over the estimated useful lives of the assets as described below.

	Estimated useful life-years
Buildings, structures and auxiliary facilities	50
Vehicles, furniture and fixtures	5
Structures in leased offices used for business purposes	5

Intangible Assets

Trademarks and goodwill are stated at cost, net of accumulated amortization. Goodwill and trademarks are amortized using the straight-line method over five years.

Present Value Discounts

If the present value of a loan is different from the book value due to the rescheduling of terms as agreed by the related parties (as in the case of court receivership, court mediation or workout), the present value discount of the loan is offset against the allowance for possible loan losses, if available, or charged to current expenses.

The difference between the book value and present value is recorded as 'present value discounts' in the balance sheet and amortized to current operations over the related period using the effective interest rate method.

Stock Issuance Costs and Debenture Issuance Costs

New stock issuance costs and debenture issuance costs are deducted from paid-in capital in excess of par value and the amounts of debenture issuance, respectively. Debenture issuance costs are amortized as interest expense over the redemption term using the effective interest rate method.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Korean Won using the exchange rates of ₩1,197.80: US\$1 and ₩1,200.40: US\$1, the rates in effect as of December 31, 2003 and 2002, respectively. Resulting translation gains and losses are charged to current operations.

Bonds Purchased under Resale Agreements and Bonds Sold under Repurchase Agreements

Bonds purchased on resale agreements and bonds sold on repurchase agreements are included in assets and liabilities in the accompanying consolidated balance sheets.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

Accrued Severance Benefits

Directors and employees with one year or more of service are entitled to receive a lump-sum payment upon termination of their employment with the Bank, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amounts to be paid if all eligible employees and directors were to terminate their employment as of the balance sheet date. Actual payments of severance benefits for the years ended December 31, 2003 and 2002 amounted to ₩7,651 million and ₩6,595 million, respectively.

Reserve for Possible Losses on Acceptances and Guarantees

Acceptances and guarantees outstanding do not appear on the balance sheet, but are presented as off-balance sheet items in the notes to the consolidated financial statements.

The Bank provides a minimum provision of 20% of guaranteed amounts for companies classified as "substandard", 60% for "doubtful", and 100% for "estimated loss". The Bank records the provision as a reserve for possible losses on acceptances and guarantees in the liabilities section of the consolidated balance sheet (Note 13).

Income Tax Expense

Deferred income taxes represent the tax effects of the different tax and financial reporting bases of assets and liabilities, and are recorded at enacted tax rates which are expected to be in effect when the temporary differences are expected to reverse. The provision for income taxes represents taxes currently payable for the year plus the change in the net deferred income tax balance from the previous balance sheet date. Valuation allowances are established when necessary to reduce deferred income tax assets to the amount expected to be realized.

Gain (Loss) on Prior Period Adjustments

Prior period adjustments are charged to retained earnings carried over from the prior year.

Translation of Financial Statements of Overseas Branches

Accounts and records of the overseas branches are maintained in foreign currencies. In translating financial statements of overseas branches, the Bank applies the appropriate rate of exchange at the balance sheet date.

Derivative Financial Instruments

In accordance with the revised financial accounting standards related to derivatives accounting, effective January 1, 2000, the Bank records the fair values of rights and obligations related to derivatives contracts on the consolidated balance sheet as assets and liabilities, and recognizes the related gains or losses in the consolidated statement of income. However, the effective portions of the unrealized gains or losses arising from "cash flow" hedge derivative financial instruments are deferred and recorded in capital adjustments.

Stock Options

Hana Bank applies the intrinsic method for stock options granted in 1999, and the fair value method for stock options granted in and after 2000. Hana Securities applies the intrinsic method for stock options granted in 1999 and 2000, and the fair value method for stock options granted in and after 2001. The Bank allocates the total compensation cost over the contracted service period and recognizes the cost in current operations.

Operations of the Trust Accounts

The Bank recognizes, in accordance with the Trust Business Act, trust fees from the banking accounts as income from trust operations. If losses are incurred on trust accounts that have a guarantee of principal repayment trust terms, the losses are recognized as a loss from trust operations.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

Principles of Consolidation

The Bank's investment accounts and the corresponding capital accounts of subsidiaries have been eliminated in the accompanying consolidated financial statements.

All significant inter-company transactions and account balances among the consolidated companies have been eliminated in consolidation.

Investments in 20% to 50% owned companies and small-sized companies stipulated in the financial accounting standards (except for consolidated companies) are accounted for using the equity method, and all the inter-company transactions have been eliminated.

Certain money trust agreements provide that the Bank guarantees a principal amount of trusts or a minimum rate of return. In relation to such guarantees, the Bank's trust accounts are required to set up a special reserve. If the income from trust operations is insufficient to generate the required rate of return, the deficiency may be either recovered from previously established special reserves or compensated by the Bank's banking accounts. Such compensation is accounted for as other operating expenses of the banking accounts and other income of the trust accounts, respectively, in accordance with the relevant laws and regulations applicable to the trust business.

Application of the Statements of Korean Financial Accounting Standards

In accordance with the Statements of Korean Financial Accounting Standards No. 6, "Subsequent Events", the Bank's retained earnings as of December 31, 2002 has been restated to amounts before appropriations. In accordance with the Statements of Korean Financial Accounting Standards No. 1, "Changes in Accounting Principles and Error Correction", the balance sheet as of December 31, 2002 has been adjusted accordingly.

3. Cash and Due From Banks

Cash and due from banks as of December 31, 2003 and 2002 are summarized as follows:

	(in millions of Korean Won)	
	2003	2002
Cash on hand	₩ 1,356,627	₩ 1,644,847
Foreign currencies	114,643	78,478
Due from banks in Won	3,252,722	2,111,665
Due from banks in foreign currencies	104,502	86,373
	₩ 4,828,494	₩ 3,921,363

Due from banks in Won and foreign currencies as of December 31, 2003 and 2002 comprise the following:

	Annual interest rate	(in millions of Korean Won)	
		2003	2002
Checking accounts	-	₩ 2,742,398	₩ 1,164,147
Certificates of deposits	4.92	410,973	667,724
Time deposits	-	32	118,316
Due from financial institutions for customers' accounts	-	-	147,724
Other deposits	-	99,319	13,754
		3,252,722	2,111,665
Due from banks in foreign currencies	0.31	104,502	86,373
		₩ 3,357,224	₩ 2,198,038

Checking accounts deposited in the Bank of Korea represent reserves required and restricted for the payment of deposits under the Bank of Korea Act. Furthermore, as of December 31, 2003 and 2002, other deposits amounting to ₩98,835 million and ₩148,011 million, respectively, are restricted as to withdrawal under the agreements with counterparties.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

As of December 31, 2003 and 2002, due from banks in foreign currencies amounting to ₩37,948 million and ₩47,678 million, respectively, are reserved at the Bank of Korea under the Bank of Korea Act for the settlements with foreign banks. Furthermore, as of December 31, 2003 and 2002, due from banks in foreign currencies amounting to ₩7,127 million and ₩553 million, respectively, are reserve deposits in the central banks of countries where overseas branches are located and are restricted as to withdrawal.

The maturities of due from banks outstanding as of December 31, 2003 are as follows:

	(in millions of Korean Won)		
	Due from banks in Won	Due from banks in foreign currencies	Total
Within 1 month	₩ 29,689	₩ 100,011	₩ 129,700
More than 1 ~ 3 months	1,889,646	-	1,889,646
More than 3 ~ 6 months	88,687	4,491	93,178
More than 6 months ~ 1 year	69	-	69
More than 1 ~ 3 years	298	-	298
More than 3 ~ 5 years	1,144,783	-	1,144,783
More than 5 years	99,550	-	99,550
	₩ 3,252,722	₩ 104,502	₩ 3,357,224

4. Trading Securities

Trading securities as of December 31, 2003 and 2002 comprise the following:

	Annual interest rate	(in millions of Korean Won)	
		2003	2002
Equity securities	-	₩ 150,425	₩ 45,344
Government and public bonds	4.05 ~ 7.23	164,913	196,615
Debentures issued by financial institutions	3.92 ~ 6.05	895,634	368,891
Corporate bonds	4.14 ~ 7.05	377,119	313,273
Securities denominated in foreign currencies	12.75	50,239	33,033
Others	-	2,913	67,734
		₩ 1,641,243	₩ 1,024,890

The information about trading securities by industry as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)			
	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Financial business	₩ 1,169,869	73.53	₩ 50,239	100.00
Public administration	245,753	15.45	-	-
Manufacturing	142,840	8.98	-	-
Wholesale and retail	13,786	0.87	-	-
Construction	9,149	0.57	-	-
Others	9,607	0.60	-	-
	₩ 1,591,004	100.00	₩ 50,239	100.00

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

The information about trading securities by securities type as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)			
	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Stocks	₩ 150,425	9.45	₩ -	-
Fixed rate bonds	1,377,825	86.60	50,239	100.00
Floating rate bonds	62,751	3.94	-	-
Others	3	0.01	-	-
	₩ 1,591,004	100.00	₩ 50,239	100.00

5. Available-For-Sale Securities

Available-for-sale securities as of December 31, 2003 and 2002 comprise the following:

	Annual interest rate	(in millions of Korean Won)	
		2003	2002
Stocks and equity investments	-	₩ 515,154	₩ 541,241
Government and public bonds	3.00 ~ 11.26	1,857,352	1,146,172
Debentures issued by financial institutions	0.94 ~ 10.05	2,940,709	3,281,560
Corporate bonds	1.00 ~ 15.00	5,471,297	5,786,908
Beneficiary certificates	-	686,382	603,879
Securities denominated in foreign currencies	0.25 ~ 11.75	1,076,817	705,644
Securities lent	-	-	85,561
Others	-	5,437	1,219
		₩ 12,553,148	₩ 12,152,184

As of December 31, 2003, available-for-sale securities amounting to ₩3,814,510 million are provided as collateral for borrowings from the Bank of Korea and other financial institutions.

Equity securities (including equity securities in foreign currencies) as of December 31, 2003 and 2002 are as follows:

1) As of December 31, 2003

	(in millions of Korean Won)			
	Acquisition cost (*)	Gain (loss)	Capital adjustments	Carrying value
Marketable equity securities	₩ 239,693	₩ (51,453)	₩ 40,703	₩ 228,943
Non-marketable equity securities	226,461	(1,215)	20,454	245,700
	₩ 466,154	₩ (52,668)	₩ 61,157	₩ 474,643

2) As of December 31, 2002

	(in millions of Korean Won)			
	Acquisition cost (*)	Gain (loss)	Capital adjustments	Carrying value
Marketable equity securities	₩ 402,316	₩ (102,135)	₩ 54,667	₩ 354,848
Non-marketable equity securities	153,698	(15,686)	-	138,012
	₩ 556,014	₩ (117,821)	₩ 54,667	₩ 492,860

(*) Prior year's book value plus acquisition costs for securities purchased during the current period

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

Details of marketable equity securities as of December 31, 2003 comprise the following:

Company	(in millions of Korean Won)		
	Number of shares	Ownership (%)	Carrying value
Ssangyong Motors Co.	4,698,742	3.89	₩ 48,397
Korea Electronic Power Corporation	1,530,000	0.24	32,742
Daewoo Engineering & Construction Co., Ltd.	4,651,709	2.80	25,910
Hyundai Engineering & Construction Co., Ltd.	22,078,913	4.37	25,280
SsangYong Cement Industrial Co., Ltd.	7,536,800	4.44	11,079
Daewoo International Corporation	1,195,797	2.79	8,729
Kyobo Securities Co., Ltd.	3,130,000	8.69	8,670
Sae Han Industries Inc.	6,656,800	5.06	5,525
Mugunghwa Restructuring Fund	2,080,000	3.12	5,177
KT&G Corp.	245,000	0.14	5,072
Others			52,362
			₩ 228,943

The securities of Hyundai Engineering & Construction Co., Ltd. (HDEC) were acquired at a price of ₩5,000 per share, and the disposal of 20,273,400 shares is restricted until December 31, 2006.

The securities of Ssangyong Motors Co. are restricted as to disposal until December 31, 2004, and the disposal of 4,405,186 shares of the securities of Daewoo Engineering & Construction Co., Ltd. is also restricted until December 31, 2004.

As of December 31, 2003, the marketable equity securities restricted as to disposal amounted to ₩117,915 million, including the above-mentioned securities.

The marketable equity securities above are recorded at their fair values, with unrealized holding gains and losses recorded in capital adjustments. For items determined to be impaired due to a significant decrease in fair values from the deterioration of operating conditions, cash shortage, lack of funds, and other reasons, the decrease in fair values are recognized in current operations as impairment losses. The Bank recognized ₩51,453 million of such impairment losses on marketable equity securities for the year ended December 31, 2003.

Details of non-marketable equity securities as of December 31, 2003 comprise the following:

Company	(in millions of Korean Won)		
	Number of shares	Ownership (%)	Carrying value
SK Networks Co., Ltd. (common stock)	16,750,800	4.96	₩ 57,237
SK Networks Co., Ltd. (preferred callable stock)	1,409,807	7.94	41,881
Korea Housing Guarantee Co.	16,942,000	2.92	32,309
Dongboo Electronic Co.	4,000,000	3.56	20,006
Korea Securities Finance Corporation	3,276,655	4.81	20,241
Samsung Life Insurance Co.	47,700	0.24	15,836
TU Media Corporation	1,300,000	6.85	6,500
Daewoo Electronics Corp.	1,800,780	1.69	6,406
Korea Asset Management Corporation	920,000	3.32	5,087
Korea Aerospace Industries	989,200	1.27	4,210
National Information & Credit Evaluation Inc.	465,544	9.83	4,000
Daewoo Capital Corporation	380,334	1.51	3,803
Others			28,184
			₩ 245,700

The equity securities of SK Networks Co., Ltd. are restricted as to disposal until December 31, 2007.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

As of December 31, 2003, the non-marketable equity securities restricted as to disposal amounted to ₩105,524 million, including the equity securities of SK Networks Co., Ltd.

For items determined to be impaired due to a significant decrease in fair values from the deterioration of operating conditions, cash shortage, lack of funds, and other reasons, the decrease in fair values are recognized in current operations as impairment losses. The Bank recognized ₩1,125 million of such impairment losses on non-marketable equity securities for the year ended December 31, 2003.

Debt securities as of December 31, 2003 and 2002 comprise the following:

1) As of December 31, 2003

	(in millions of Korean Won)		
	Acquisition cost (*)	Adjusted value (**)	Carrying value
Government and public bonds	₩ 1,880,381	₩ 1,879,518	₩ 1,857,352
Debentures issued by financial institutions	2,928,795	2,951,576	2,940,709
Corporate bonds	5,545,202	5,501,298	5,471,297
Securities denominated in foreign currencies	1,067,182	1,052,258	1,075,407
	₩ 11,421,560	₩ 11,384,650	₩ 11,344,765

2) As of December 31, 2002

	(in millions of Korean Won)		
	Acquisition cost (*)	Adjusted value (**)	Carrying value
Government and public bonds	₩ 1,129,041	₩ 1,129,768	₩ 1,146,172
Debentures issued by financial institutions	3,291,235	3,272,615	3,281,560
Corporate bonds	5,829,423	5,807,273	5,786,908
Securities denominated in foreign currencies	696,835	695,124	704,271
Securities lent	85,411	85,561	85,561
	₩ 11,031,945	₩ 10,990,341	₩ 11,004,472

(*) Prior year's closing book balances or acquisition costs for securities purchased during the current year.

(**) Adjusted value after impairment and amortization of discounts or premiums (amortized cost).

Details of gains (losses) on valuation of available-for-sale securities included in capital adjustments as of December 31, 2003 and 2002 are as follows:

	(in millions of Korean Won)	
	2003	2002
Stocks and equity investments	₩ 73,301	₩ (6,499)
Government and public bonds	(3,737)	30,056
Debentures issued by financial institutions	(876)	18,017
Corporate bonds	(30,412)	21,408
Securities denominated in foreign currencies	19,520	2,259
Other securities	10,670	21
	₩ 68,466	₩ 65,262

The information about available-for-sale securities by currency and country as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)			
	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Korea	₩ 11,476,331	100.00	₩ 996,270	92.52
U.K.	-	-	30,051	2.79
U.S.A.	-	-	25,044	2.33
France	-	-	12,265	1.14
Others	-	-	13,187	1.22
	₩ 11,476,331	100.00	₩ 1,076,817	100.00

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

The information about available-for-sale securities by industry as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)			
	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Financial business	₩ 4,458,640	38.85	₩ 391,112	36.32
Public administration	6,455,452	56.25	139,679	12.97
Manufacturing	210,621	1.83	424,278	39.40
Construction	74,093	0.65	-	-
Wholesale and retail	168,392	1.47	-	-
Others	109,133	0.95	121,748	11.31
	₩ 11,476,331	100.00	₩ 1,076,817	100.00

The information about available-for-sale securities by securities type as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)			
	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Stocks	₩ 473,233	4.12	₩ 1,410	0.13
Fixed rate bonds	7,007,935	61.06	408,973	37.98
Floating rate bonds	3,261,423	28.42	547,519	50.84
Convertible bonds	-	-	78,462	7.29
Beneficiary certificates	686,382	5.98	-	-
Others	47,358	0.42	40,453	3.76
	₩ 11,476,331	100.00	₩ 1,076,817	100.00

The maturities of debt securities as of December 31, 2003 are as follows:

	(in millions of Korean Won)				
	Government and public bonds	Debentures issued by financial institutions	Corporate bonds	Securities denominated in foreign currencies	Total
Within 1 month	₩ 65,768	₩ 89,875	₩ 70,283	₩ 10,265	₩ 236,191
More than 1 ~ 3 months	6,391	239,970	143,453	24,115	413,929
More than 3 ~ 6 months	35,568	642,425	300,278	17,831	996,102
More than 6 months ~ 1 year	15,975	385,129	391,254	67,595	859,953
More than 1 ~ 3 years	988,961	1,573,515	3,675,757	481,204	6,719,437
More than 3 ~ 5 years	693,219	9,795	821,239	281,808	1,806,061
More than 5 years	51,470	-	69,033	192,589	313,092
	₩1,857,352	₩2,940,709	₩5,471,297	₩ 1,075,407	₩11,344,765

6. Held-To-Maturity Securities

Held-to-maturity securities as of December 31, 2003 and 2002 comprise the following:

	Annual interest rate	(in millions of Korean Won)	
		2003	2002
Government and public bonds	3.00 ~ 9.40	₩ 911,122	₩ 556,425
Debentures issued by financial institutions	4.18 ~ 7.96	953,362	779,133
Corporate bonds	4.26 ~ 15.00	785,510	1,264,688
Securities denominated in foreign currencies	Libor + 0.97 ~ 2.00	34,960	2,401
Securities lent	5.67	13,447	16,493
		₩ 2,698,401	₩ 2,619,140

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

As of December 31, 2003, held-to-maturity securities amounting to ₩1,733,195 million are provided as collateral for borrowings from the Bank of Korea and other financial institutions.

Details of held-to-maturity securities as of December 31, 2003 and 2002 comprise the following:

1) As of December 31, 2003

	(in millions of Korean Won)		
	Acquisition cost (*)	Adjusted value (**)	Carrying value
Government and public bonds	₩ 902,361	₩ 911,122	₩ 911,122
Debentures issued by financial institutions	939,504	953,362	953,362
Corporate bonds	798,798	785,510	785,510
Securities denominated in foreign currencies	34,991	34,960	34,960
Securities lent	13,474	13,447	13,447
	₩ 2,689,128	₩ 2,698,401	₩ 2,698,401

2) As of December 31, 2002

	(in millions of Korean Won)		
	Acquisition cost (*)	Adjusted value (**)	Carrying value
Government and public bonds	₩ 558,275	₩ 556,425	₩ 556,425
Debentures issued by financial institutions	781,006	779,133	779,133
Corporate bonds	1,295,716	1,264,688	1,264,688
Securities denominated in foreign currencies	2,401	2,401	2,401
Securities lent	16,760	16,493	16,493
	₩ 2,654,158	₩ 2,619,140	₩ 2,619,140

(*) Prior year's closing book balances or acquisition costs for securities purchased during the current year.

(**) Adjusted value after impairment and amortization of discounts or premiums (amortized cost).

The information about held-to-maturity securities by currency and country as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)			
	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Korea	₩ 2,663,441	100.00	₩ 27,931	79.89
Singapore	-	-	7,029	20.11
	₩ 2,663,441	100.00	₩ 34,960	100.00

The information about held-to-maturity securities by industry as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)			
	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Financial business	₩ 1,111,308	41.72	₩ -	-
Public administration	1,552,133	58.28	27,931	79.89
Manufacturing	-	-	7,029	20.11
	₩ 2,663,441	100.00	₩ 34,960	100.00

The information about held-to-maturity securities by securities type as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)			
	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Fixed rate bonds	₩ 2,642,649	99.22	₩ 27,931	79.89
Floating rate bonds	20,792	0.78	7,029	20.11
	₩ 2,663,441	100.00	₩ 34,960	100.00

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

The maturities of held-to-maturity securities as of December 31, 2003 are as follows:

(in millions of Korean Won)						
	Government and public bonds	Debentures issued by financial institutions	Corporate bonds	Securities denominated in foreign currencies	Securities lent	Total
Within 1 month	₩ 55,518	₩ 29,959	₩ 20,044	₩ 5,624	₩ -	₩ 111,145
More than 1 ~ 3 months	7,767	159,233	10,015	1,406	-	178,421
More than 3 ~ 6 months	7,174	314,798	9,996	-	-	331,968
More than 6 months ~ 1 year	-	113,233	74,993	14,419	-	202,645
More than 1 ~ 3 years	89,151	336,139	386,492	11,978	13,447	837,207
More than 3 ~ 5 years	693,681	-	254,045	-	-	947,726
More than 5 years	57,831	-	29,925	1,533	-	89,289
	₩ 911,122	₩ 953,362	₩ 785,510	₩ 34,960	₩ 13,447	₩ 2,698,401

7. Investments in Associates

Investments in associates accounted for under the equity method as of December 31, 2003 are summarized as follows:

(in millions of Korean Won)						
	Current Year Adjustments					
	Ownership (%)	Acquisition cost	Gain arising from the equity method	Capital adjustment	Retained earnings	Carrying value
Hana Allianz Investment Trust Management Co.	50.00	₩ 14,575	₩ 2,387	₩ (7)	₩ -	₩ 16,955
Hana Research & Consulting Inc.	62.50	2,007	15	-	-	2,022
BC Card Co., Ltd.	16.83	24,709	199	(196)	-	24,712
Hana INS	100.00	1,482	555	-	-	2,037
Hana Life Insurance	50.00	4,524	1,279	(1,666)	-	4,137
		₩ 47,297	₩ 4,435	₩ (1,869)	₩ -	₩ 49,863

As of December 31, 2003 and 2002, the amount of capital adjustments in relation to investments in associates are ₩1,872 million and ₩3 million, respectively.

8. Loans

Loans as of December 31, 2003 and 2002 comprise the following:

(in millions of Korean Won)		
	2003	2002
Loans in Won currency (*)		
Bank		
Corporate loans	₩ 18,820,713	₩ 16,167,143
Household loans	25,661,741	23,598,751
Bills purchased	1,869,384	1,830,387
Others	625,194	570,026
	₩ 46,977,032	₩ 42,166,307
Trusts		
Loans on securities collateral	41,574	770
Loans on real estate collateral	47,085	60,564
Bills purchased	279,658	317,131
Others	38,950	300,931
	₩ 407,267	₩ 679,396

Continued:

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

	(in millions of Korean Won)			
	2003		2002	
Hana Securities				
Loans	₩	13,363	₩	7,203
Broker's loans		5,179		6,061
		18,542		13,264
		47,402,841		42,858,967
Loans in foreign currencies (**)		3,339,687		3,459,166
Bills purchased in foreign currencies		1,664,364		1,687,820
Credit card loans		1,668,070		2,160,008
Call loans		440,200		315,649
Private placement corporate bonds		1,954,246		2,006,592
Other loans		366,226		193,833
	₩	56,835,634	₩	52,682,035

(*)Including bills purchased, factoring receivables and convertible loans.

(**)Including factoring receivables.

The information about loans in Won (including bills purchased, factoring receivables and convertible loans) and loans in foreign currencies (including factoring receivables) by industry as of December 31, 2003 and 2002 is summarized as follows:

1) As of December 31, 2003

	(in millions of Korean Won)			
	Loans in Won	Loans in foreign currencies	Total	Ratio (%)
Manufacturing	₩ 8,165,332	₩ 1,833,686	₩ 9,999,018	19.71
Wholesale and retail	3,606,646	324,197	3,930,843	7.75
Financial business	1,439,259	245,933	1,685,192	3.32
Construction	1,700,399	13,998	1,714,397	3.38
Household	25,754,118	-	25,754,118	50.75
Real estate and renting	1,626,811	36,662	1,663,473	3.28
Public and others	5,110,276	885,211	5,995,487	11.81
	₩ 47,402,841	₩ 3,339,687	₩ 50,742,528	100.00

2) As of December 31, 2002

	(in millions of Korean Won)			
	Loans in Won	Loans in foreign currencies	Total	Ratio (%)
Manufacturing	₩ 8,246,393	₩ 1,955,209	₩ 10,201,602	22.02
Wholesale and retail	2,858,673	321,527	3,180,200	6.87
Financial business	1,593,086	246,426	1,839,512	3.97
Construction	1,573,057	10,061	1,583,118	3.42
Household	23,800,219	-	23,800,219	51.38
Real estate and renting	886,790	15,254	902,044	1.95
Public and others	3,900,749	910,689	4,811,438	10.39
	₩ 42,858,967	₩ 3,459,166	₩ 46,318,133	100.00

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

The information about loans in foreign currencies (including factoring receivables) by country as of December 31, 2003 and 2002 is summarized as follows:

	(in millions of Korean Won)			
	2003		2002	
	Amount	Ratio (%)	Amount	Ratio (%)
Korea	₩ 1,560,590	46.73	₩ 1,526,671	44.13
Russia	118,582	3.55	118,840	3.43
Japan	78,189	2.34	21,560	0.62
Indonesia	15,520	0.46	17,300	0.50
U.S.A.	12,314	0.37	21,816	0.63
Hong Kong	8,875	0.27	8,156	0.24
China	2,314	0.07	6,855	0.20
Singapore	-	-	23,521	0.68
Domestic import usance	1,543,303	46.21	1,713,172	49.53
Others	-	-	1,275	0.04
	₩ 3,339,687	100.0	₩ 3,459,166	100.0

The maturities of loans in Won (including bills purchased, factoring receivables and convertible loans), loans in foreign currencies (including factoring receivables) and bills purchased in foreign currencies as of December 31, 2003 are summarized as follows:

	(in millions of Korean Won)			
	Loans in Won	Loans in foreign currencies	Bills purchased in foreign currencies	Total
Within 1 month	₩ 2,351,995	₩ 1,666,821	₩ 823,620	₩ 4,842,436
More than 1 ~ 3 months	5,017,052	242,031	612,180	5,871,263
More than 3 ~ 6 months	8,170,606	205,114	199,421	8,575,141
More than 6 months ~ 1 year	14,481,693	518,278	15,253	15,015,224
More than 1 ~ 3 years	11,877,851	293,984	864	12,172,699
More than 3 ~ 5 years	3,285,356	81,815	13,026	3,380,197
More than 5 years	2,218,288	331,644	-	2,549,932
	₩ 47,402,841	₩ 3,339,687	₩ 1,664,364	₩ 52,406,892

Details of changes in the allowance for possible loan losses for the years ended December 31, 2003 and 2002 are as follows:

	(in millions of Korean Won)	
	2003	2002
Beginning balance	₩ 868,107	₩ 465,822
Carry-over from mergers and acquisitions	-	371,495
Amount offsetted with present value discounts	(2,012)	3,328
Transfer to allowances for acceptances and guarantees	(2,101)	(68)
Debt-to-equity swap	(94,567)	(36,048)
Repurchase of loans from Korea Asset Management Corporation	1,773	1,774
Sale of non-performing loans	(58,794)	-
Write-offs	(525,863)	(205,936)
Remission of loans	(13,033)	-
Collection of previously written-off receivables	78,969	95,882
Changes in currency exchange rates	(3,701)	(1,130)
Provision for possible loan losses	815,641	175,988
Others	984	(3,000)
Closing balance	₩ 1,065,403	₩ 868,107

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

As of December 31, 2003, the details of the classification of loans and allowance for possible loan losses are as follows:

1) Classification of loans

	(in millions of Korean Won)					
	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total (**)
Loans in Won currency (*)	₩ 45,082,393	₩ 1,112,729	₩ 606,515	₩ 77,993	₩ 124,546	₩ 47,004,176
Loans in foreign currencies	3,120,773	136,027	65,956	13,841	2,678	3,339,275
Bills purchased in						
foreign currencies	1,633,437	17,771	11,400	1,532	95	1,664,235
Advances to customers	24,896	3,685	30,294	9,121	7,560	75,556
Credit card loans	1,550,464	29,946	19,366	51,051	17,243	1,668,070
Privately-placed debentures	1,823,050	120,344	12,200	814	599	1,957,007
Others	13,285	1,736	6,188	15,078	12,392	48,679
	₩ 53,248,298	₩ 1,422,238	₩ 751,919	₩ 169,430	₩ 165,113	₩ 55,756,998

(*) Including bills purchased in Won currency, factoring receivables in Won currency and convertible loans.

(**) Net of present value discounts and excluding bonds purchased on repurchase agreements, call loans and inter-bank loans.

2) Allowance for possible loan losses

	(in millions of Korean Won)					
	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total (**)
Loans in Won currency	₩ 335,465	₩ 96,597	₩ 183,523	₩ 59,240	₩ 124,546	₩ 799,371
Loans in foreign currencies	23,496	9,183	27,713	9,689	2,678	72,759
Bills purchased in						
foreign currencies	372	476	6,059	7,254	7,560	21,721
Advances to customers	2,869	1,782	2,281	1,072	95	8,099
Credit card loans	28,477	3,028	4,841	45,769	17,243	99,358
Privately-placed debentures	11,983	22,486	1,848	570	599	37,486
Others	68	228	1,977	11,944	12,392	26,609
	₩ 402,730	₩ 133,780	₩ 228,242	₩ 135,538	₩ 165,113	₩ 1,065,403

In accordance with Korean banking regulations, a certain amount of accounts receivable and suspense receivables is included in the classification of the loans above.

Historical ratios of allowance for possible loan losses to total loans as of December 31, 2003 and 2002 are as follows:

	(in millions of Korean Won)	
	2003	2002
Loans (*)	₩ 55,756,998	₩ 51,533,889
Allowance for possible loan losses	1,065,403	868,107
Ratios	1.91%	1.68%

(*) Loans include certain amounts of accounts receivable and suspense receivables, and do not include bonds purchased under resale agreements, call loans and inter-bank loans.

For the years ended December 31, 2003 and 2002, the changes in present value discounts due to changes in the contractual terms related to troubled debt restructuring, are as follows:

	(in millions of Korean Won)	
	2003	2002
Beginning balance	₩ 10,838	₩ 12,449
Transferred in arising from the merger	-	8,948
Interest income	(4,002)	(7,231)
Amount offsetted with allowance for possible loan losses	229	(3,328)
Ending balance	₩ 7,065	₩ 10,838

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

Details of restructured loans, excluding the loans provided to Daewoo Group companies, due to changes in contractual terms as of December 31, 2003 are as follows:

(in millions of Korean Won)								
	Outstanding loans	Extension of maturity and/or reduction of interest rate	Loans for debt-to-equity swap	Converted to equity securities	Convertible bonds	Present value discounts	Restructured value	Losses from restructuring
Workout	₩ 581,575	₩ 288,201	₩ 704	₩ 245,208	₩ 46,846	₩ 694	₩ 288,123	₩ 694
Court receivership	301,370	54,286	-	242,546	-	4,590	54,234	4,590
Others	338,300	75,160	12,850	248,974	1,316	-	75,160	-
	₩ 1,221,245	₩ 417,647	₩ 13,554	₩ 736,728	₩ 48,162	₩ 5,284	₩ 417,517	₩ 5,284

9. Property, Plant and Equipment and Intangible Assets

Property, plant and equipment and intangible assets as of December 31, 2003 and 2002 are summarized as follows:

1) As of December 31, 2003

(in millions of Korean Won)			
	Acquisition cost	Accumulated depreciation	Net book value
Land	₩ 651,323	₩ -	₩ 651,323
Buildings, structures and auxiliary facilities	473,077	89,283	383,794
Vehicles, furniture and fixtures	366,769	231,400	135,369
Intangible assets	167,590	-	167,590
Construction in-progress	3,194	-	3,194
Others	5	-	5
	₩ 1,661,958	₩ 320,683	₩ 1,341,275

2) As of December 31, 2002

(in millions of Korean Won)			
	Acquisition cost	Accumulated depreciation	Net book value
Land	₩ 656,500	₩ -	₩ 656,500
Buildings, structures and auxiliary facilities	479,889	84,543	395,346
Vehicles, furniture and fixtures	289,844	163,884	125,960
Intangible assets	173,898	-	173,898
Negative goodwill	(199)	-	(199)
Construction in-progress	2,824	-	2,824
Others	5	-	5
	₩ 1,602,761	₩ 248,427	₩ 1,354,334

Negative goodwill was recognized as Hana Bank acquired additional equity of Hana Securities, its controlled subsidiary. The negative goodwill is amortized over five years.

The Banking Act does not permit the Bank to own real estate in excess of the Bank's shareholders' equity.

In accordance with bank supervisory regulations, the Bank's property, plant and equipment, except for land, are covered by insurance policies against fire and other casualty losses up to ₩535,760 million as of December 31, 2003. The government-posted prices of the Bank's land amounted ₩544,161 million and ₩552,204 million as of December 31, 2003 and 2002, respectively.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

The changes in property, plant and equipment and intangible assets for the year ended December 31, 2003 are as follows:

	(in millions of Korean Won)		
	Property, plant and equipment	Intangible assets	Total
Beginning balance	₩ 1,180,635	₩ 173,699	₩ 1,354,334
Acquisition/capital expenditures	205,057	110	205,167
Disposals	100,955	-	100,955
Increase arising from the merger (*)	-	35,182	35,182
Amortization	111,067	41,711	152,778
Others	15	310	325
Ending balance	₩ 1,173,685	₩ 167,590	₩ 1,341,275

(*) This amount is the goodwill from the current period merger, which is the difference between the agreed price of the transferred shares of stock and the fair value of the net assets.

10. Deposits

Deposits as of December 31, 2003 and 2002 comprise the following:

	(in millions of Korean Won)	
	2003	2002
Bank account deposits		
Won currency deposits:		
Demand deposits	₩ 3,218,240	₩ 3,063,439
Time and savings deposits	48,784,652	44,487,683
Mutual installment received	1,543,842	1,369,817
Housing installment deposit	313,195	385,301
	53,859,929	49,306,240
Foreign currency deposits:		
Demand deposits	485,455	483,911
Time and savings deposits	1,068,808	734,258
	1,554,263	1,218,169
Certificates of deposits	2,178,016	4,151,134
	57,592,208	54,675,543
Trust account deposits		
Won currency trusts	1,104,065	1,237,995
Hana Securities deposits		
Won currency deposits	130,625	163,870
	₩ 58,826,898	₩ 56,077,408

The maturities of deposits as of December 31, 2003 are summarized as follows:

	(in millions of Korean Won)			
	Won currency deposits	Foreign currency deposits	Certificates of deposits	Total
Within 1 month	₩ 3,312,732	₩ 625,640	₩ 628,095	₩ 4,566,467
More than 1 ~ 3 months	10,803,607	298,147	883,947	11,985,701
More than 3 ~ 6 months	5,062,902	118,401	441,543	5,622,846
More than 6 months ~ 1 year	18,521,968	114,964	215,843	18,852,775
More than 1 ~ 3 years	2,878,719	22,292	5,254	2,906,265
More than 3 ~ 5 years	12,872,095	374,768	3,334	13,250,197
More than 5 years	1,642,596	51	-	1,642,647
	₩ 55,094,619	₩ 1,554,263	₩ 2,178,016	₩ 58,826,898

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

11. Borrowings

Borrowings as of December 31, 2003 and 2002 comprise the following:

	Annual interest rate	(in millions of Korean Won)	
		2003	2002
Won currency borrowings:			
Bank of Korea	2.50	₩ 977,508	₩ 755,898
Korean Government	3.89	227,390	281,635
Others	4.00 ~ 5.71	656,244	702,571
		1,861,142	1,740,104
Foreign currency borrowings:			
Bank overdraft	-	41,994	159,544
Foreign banks and others	0.35 ~ 2.45	3,518,771	3,574,439
Offshore	1.35 ~ 1.54	397,711	502,711
		3,958,476	4,236,694
		₩ 5,819,618	₩ 5,976,798

The subordinated borrowings included in Won currency borrowings as of December 31, 2003 and 2002 comprise the following:

	Annual interest rate	(in millions of Korean Won)		Condition of borrowings
		2003	2002	
Kyobo Life Insurance	-	₩ -	₩ 50,000	Lump sum redemption
Samsung Life Insurance Co.	-	-	70,000	"
LG Fire & Marine Insurance	-	-	48,000	"
		₩ -	₩ 168,000	

The maturities of borrowings as of December 31, 2003 are as follows:

	(in millions of Korean Won)		
	Won currency borrowings	Foreign currency borrowings (*)	Total
Within 1 month	₩ 996,155	₩ 1,316,211	₩ 2,312,366
More than 1 ~ 3 months	29,612	1,253,906	1,283,518
More than 3 ~ 6 months	41,029	742,707	783,736
More than 6 months ~ 1 year	78,480	478,415	556,895
More than 1 ~ 3 years	357,270	178,434	535,704
More than 3 ~ 5 years	225,750	109	225,859
More than 5 years	132,846	1,515	134,361
	₩ 1,861,142	₩ 3,971,297	₩ 5,832,439

(*) Including due to Bank of Korea in foreign currencies amounting to ₩12,821 million.

Notes to Consolidated Financial Statements

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12. Debentures

Debentures as of December 31, 2003 and 2002 comprise the following:

	Annual interest rate	(in millions of Korean Won)	
		2003	2002
Won currency debentures:			
Subordinated bonds	5.56 ~ 15.63	₩ 2,764,066	₩ 2,418,403
Subordinated convertible bonds	-	-	49,998
Other bonds	4.08 ~ 8.70	2,747,822	1,180,842
		5,511,888	3,649,243
(Present value discounts)		(30,758)	(6,979)
(Adjustments for conversion rights)		-	(168)
		5,481,130	3,642,096
Foreign currency debentures:			
Foreign currency bonds	(L + 0.25) ~ 6.85	571,816	240,080
(Present value discounts)		(928)	(122)
		570,888	239,958
		₩ 6,052,018	₩ 3,882,054

Details of the terms of outstanding subordinated convertible bonds as of December 31, 2003 and 2002 are summarized as follows:

	Date of issuance	Maturity	Annual interest rate	(in millions of Korean Won)	
				2003	2002
Won currency debentures					
Boram 1 st	November 25, 1997	January 31, 2003	-	₩ -	₩ 30,000
Boram 2 nd	"	"	-	-	19,998
		(Adjustments for conversion rights)		-	(168)
				₩ -	₩ 49,830

The maturities of debentures as of December 31, 2003 are as follows:

	(in millions of Korean Won)		
	Won currency debentures	Foreign currency debentures	Total
Within 1 month	₩ 570,141	₩ -	₩ 570,141
More than 1 ~ 3 months	170,000	-	170,000
More than 3 ~ 6 months	305,000	-	305,000
More than 6 months ~ 1 year	590,000	47,912	637,912
More than 1 ~ 3 years	1,764,544	441,622	2,206,166
More than 3 ~ 5 years	1,412,204	22,392	1,434,596
More than 5 years	699,999	59,890	759,889
	₩ 5,511,888	₩ 571,816	₩ 6,083,704

Notes to Consolidated Financial Statements

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13. Confirmed Acceptances and Guarantees

Confirmed acceptances and guarantees as of December 31, 2003 and 2002 comprise the following:

	(in millions of Korean Won)	
	2003	2002
Acceptances and guarantees in Won currency	₩ 440,084	₩ 678,627
Acceptances and guarantees in foreign currencies:		
Acceptances for letters of credit	114,760	208,702
Letters of guarantee for importers	60,829	61,459
Guarantees on credit derivatives	59,011	59,139
Others (*)	672,970	819,815
	907,570	1,149,115
	₩ 1,347,654	₩ 1,827,742

(*) Acceptances and guarantees for the return of advances related to export, overseas bidding, and contractual obligations.

The information about confirmed acceptances and guarantees by industry as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)	
	Amounts	Ratio (%)
Manufacturing	₩ 458,510	34.02
Financial business	335,786	24.91
Wholesale and retail	215,153	15.97
Construction	90,398	6.71
Transport and storage	37,706	2.80
Real estate and renting	2,276	0.17
Others	207,825	15.42
	₩ 1,347,654	100.00

The information about confirmed acceptances and guarantees by country as of December 31, 2003 is summarized as follows:

	(in millions of Korean Won)	
	Amounts	Ratio (%)
Korea	₩ 1,305,010	96.83
U.S.A.	21,275	1.58
Singapore	11,978	0.89
Hong Kong	6,671	0.50
Japan	1,562	0.11
China	1,158	0.09
	₩ 1,347,654	100.00

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The details of the classification of acceptances and guarantees and reserves for possible losses on acceptances and guarantees as of December 31, 2003 are summarized as follows:

	(in millions of Korean Won)						
	Acceptances and guarantees in Won currency		Acceptances and guarantees in foreign currencies		Total		Reserve ratio (%)
	Outstanding amount	Amount of reserves	Outstanding amount	Amount of reserves	Outstanding amount	Amount of reserves	
Normal	₩ 427,895	₩ -	₩ 804,173	₩ -	₩ 1,232,068	₩ -	
Precautionary	8,928	-	5,209	-	14,137	-	-
Substandard	3,049	1,430	97,560	46,824	100,609	48,254	47.96
Doubtful	170	119	280	196	450	315	70.00
Estimated loss	42	42	348	348	390	390	100.00
	₩ 440,084	₩ 1,591	₩ 907,570	₩ 47,368	₩ 1,347,654	₩ 48,959	

Pursuant to a government program to support financial institutions in Korea, the Bank has sold a substantial amount of non-performing loans and other assets at a discounted price to KAMCO (Korea Asset Management Corporation) on a recourse basis since 1997. As of December 31, 2003, the Bank remained contingently liable to KAMCO for the selling price of the NPLs amounting to ₩20,024 million that were sold on a recourse basis. Pursuant to the terms of the sale contracts, if such NPLs are restructured and there are certain defaults in payments, KAMCO may exercise its right to request the Bank to repurchase certain portions of these assets at the original selling price paid to KAMCO plus accrued interest. The bank recorded a related reserve for possible losses on acceptance and guarantees amounting to ₩4,632 million as of December 31, 2003.

14. Assets and Liabilities Denominated in Foreign Currencies

Significant assets and liabilities denominated in foreign currencies as of December 31, 2003 and 2002 are as follows:

	2003		2002	
	Millions of Korean Won	Thousands of U.S. Dollars	Millions of Korean Won	Thousands of U.S. Dollars
Assets:				
Cash and due from banks	₩ 219,145	\$ 182,956	₩ 164,851	\$ 137,333
Securities	1,162,016	970,309	741,078	617,358
Loans	3,339,687	2,788,182	3,459,166	2,881,677
Others	2,421,852	2,021,919	2,474,344	2,061,268
Allowance for possible loan losses	(80,858)	(67,505)	(65,946)	(54,937)
	₩ 7,061,842	\$ 5,895,861	₩ 6,773,493	\$ 5,642,699
Liabilities:				
Deposits	₩ 1,554,263	\$ 1,297,598	₩ 1,218,169	\$ 1,014,802
Borrowings	3,958,476	3,304,788	4,236,694	3,529,403
Due to Bank of Korea	12,821	10,704	40,057	33,370
Debentures	571,816	477,389	240,080	200,000
Others	868,381	724,980	700,655	583,686
	₩ 6,965,757	\$ 5,815,459	₩ 6,435,655	\$ 5,361,261

Notes to Consolidated Financial Statements

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15. Commitments and Contingencies

Information on the amount of position and unrealized gains and losses of derivatives as of December 31, 2003 and 2002 are as follows:

1) As of December 31, 2003

	(in millions of Korean Won)							
	Amount of position			Unrealized gains and losses (P/L)				Carrying value
	Total	Trading	Hedging	Total	Trading	Effective	Ineffective	
Currency								
Forward	₩ 6,334,196	₩ 6,289,473	₩ 44,723	₩ 2,893	₩ 3,126	₩ (233)	₩ -	₩ 3,254
Swap	2,027,668	2,027,668	-	(6,818)	(4,839)	(1,979)	-	(10,132)
Option	838,989	838,989	-	-	-	-	-	-
	9,200,853	9,156,130	44,723	(3,925)	(1,713)	(2,212)	-	(6,878)
Interest rate								
Futures	18,530	-	18,530	(36)	-	(36)	-	-
Swap	1,344,709	822,616	522,093	(3,115)	(2,225)	(537)	(353)	(22,633)
	1,363,239	822,616	540,623	(3,151)	(2,225)	(573)	(353)	(22,633)
Stock								
Call option	541,890	541,890	-	37,154	37,154	-	-	83,378
Put option	819,053	819,053	-	(48,054)	(48,054)	-	-	(110,665)
	1,360,943	1,360,943	-	(10,900)	(10,900)	-	-	(27,287)
Others	327,759	59,011	268,748	335	-	335	-	7,490
	₩ 12,252,794	₩ 11,398,700	₩ 854,094	₩ (17,641)	₩ (14,838)	₩ (2,450)	₩ (353)	₩ (49,308)

2) As of December 31, 2002

	(in millions of Korean Won)							
	Amount of position			Unrealized gains and losses (P/L)				Carrying value
	Total	Trading	Hedging	Total	Trading	Effective	Ineffective	
Currency								
Forward	₩ 3,481,734	₩ 3,477,228	₩ 4,506	₩ 3,432	₩ 3,432	₩ -	₩ -	₩ 3,165
Swap	340,053	340,053	-	492	99	393	-	342
	3,821,787	3,817,281	4,506	3,924	3,531	393	-	3,507
Interest rate								
Futures	21,422	-	21,422	-	-	-	-	-
Swap	675,571	222,224	453,347	4,076	2,488	1,740	(152)	(19,973)
	696,993	222,224	474,769	4,076	2,488	1,740	(152)	(19,973)
Others	553,725	553,725	-	175	175	-	-	1,013
	₩ 5,072,505	₩ 4,593,230	₩ 479,275	₩ 8,175	₩ 6,194	₩ 2,133	₩ (152)	₩ (15,453)

The Bank has entered into various derivatives contracts, including forward exchange contracts, currency futures dealt at Korea Futures Exchange (KOFEX), and interest rate swaps. For the year ended December 31, 2003, in relation to these transactions, the Bank recorded realized gains amounting to ₩332,209 million and realized losses on derivatives amounting to ₩298,650 million, and unrealized gains amounting to ₩144,147 million and unrealized losses on derivatives amounting to ₩153,558 million, in other operating income (loss).

The Bank has entered into swap contracts to hedge against the risk of changes in the market interest rate and foreign exchange rate. For the year ended December 31, 2003, in relation to these transactions, the Bank recorded realized gains amounting to ₩29,464 million and realized losses on hedging derivatives amounting to ₩18,579 million, and unrealized gains amounting to ₩21,162 million and unrealized losses on hedging derivatives amounting to ₩29,392 million, in other operating income (loss).

Notes to Consolidated Financial Statements

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For the investment securities related to those hedging transactions, the Bank also recorded gains amounting to ₩9,899 million and losses on fair value hedge amounting to ₩8,966 million, in other operating income (loss), for the year ended December 31, 2003.

As of December 31, 2003 and 2002, the Bank holds endorsed bills amounting to ₩10,638 million and ₩98,553 million, respectively.

As of December 31, 2003 and 2002, the amounts of commitments in the ordinary course of business are as follows:

	(in millions of Korean Won)			
	2003		2002	
Loan commitments	₩	17,494	₩	24,240
Security purchase commitments		53,901		-
	₩	71,395	₩	24,240

As of December 31, 2003, 953 lawsuits related to the Bank's operations, in which the Bank is named as the plaintiff, are in progress, and the total filed amount is ₩38,660 million. Also, 120 lawsuits, in which the Bank is named as the defendant, are in progress, and the total filed amount is ₩146,707 million.

Material lawsuits in progress, filed with the Bank as a defendant, are as follows:

Plaintiff	Amount	(in millions of Korean Won)		
		Situation of lawsuit		
		First trial	On appeal	Supreme Court trial
Korea Exchange Bank (*)	₩ 63,111	Partially lost	-	-
Restructuring Finance Corp.	16,456	In-progress	-	-
Hanwha Securities	14,653	Won	In-progress	-
ALLEVER, Inc.	4,500	In-progress	-	-
Johnson Metaid	4,222	Lost	Partially won	In-progress
Park, Jong Sung	4,100	In-progress	-	-
Hyundai Marine & Fire Insurance Information & Communication	3,897	In-progress	-	-
Financial Cooperative	3,335	Partially lost	Partially lost	In-progress
Taehung Construction	2,186	Lost	In-progress	-

(*) Actual losses relating to the disposition of the collateral of Dong Ah Construction Industrial Co., Ltd. may be different from the amount of the claim as a result of the lawsuit.

The Bank's management believes that the outcome of contingent liabilities and pending lawsuits will not result in a material adverse impact on the Bank's financial position or operations. As of December 31, 2003, the outcome of the above lawsuits and its consequences cannot be predicted, and thus the possible financial effects of the lawsuits have not been reflected on the accompanying financial statements.

The Bank has entered into loan commitments (with a ₩1,059,832 million limit) with several special purpose (asset-back securitization) companies to fund the repayment of bonds issued by the special purpose companies. As of December 31, 2003, the loans provided under these commitments amount to ₩11,705 million. Estimated annual loan amounts to be provided under the loan commitments are ₩4,333 million, ₩3,266 million and ₩2,348 million for 2004, 2005 and 2006, respectively.

The written-off claims of the Bank, the amounts on which the legal rights of claims have not been expired, are ₩1,087,877 million and ₩2,063,947 million as of December 31, 2003 and 2002, respectively.

In common with certain other Asian countries, the economic environment in the Republic of Korea continues to be volatile. In addition, the Korean government and the private sector continue to implement structural reforms to historical business practices, including corporate governance. The Bank may be either directly or indirectly affected by these volatile economic conditions and the reform program described above. The accompanying 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 Bank. Actual results may differ materially from management's current assessment.

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

16. Capital Stock

As of December 31, 2003, Hana Bank is authorized to issue 2,000,000,000 million shares of common stock with a par value of ₩5,000 per share, and has 197,432,203 shares issued, amounting to ₩987,161 million.

Under Hana Bank's Articles of Incorporation, Hana Bank is authorized to issue preferred stock of up to 50% of the outstanding number of shares of common stock. As of December 31, 2003, the Bank has no shares of preferred stock issued.

17. Treasury Stock

The details of treasury stock as of December 31, 2003 and 2002 are summarized as follows:

1) December 31, 2003

	(in millions of Korean Won)	
	Number of shares of stock	Amounts
For distribution upon the exercise of stock options	646,092	₩ 12,245
Acquisition from Korea Deposit Insurance Corp. in relation to the merger (*)	10,157,510	166,857
Stock purchases in relation to the merger	16,702,683	288,154
	27,506,285	₩ 467,256

(*) The Bank decided to dispose 5,078,755 shares of stock at ₩17,252 per share during the Board of the Directors' meeting held on February 13, 2004.

2) December 31, 2002

	(in millions of Korean Won)	
	Number of shares of stock	Amounts
For distribution upon the exercise of stock options	923,460	₩ 17,501
Acquisition from Korea Deposit Insurance Corp. in relation to the merger	2,941,510	54,124
Stock purchases in relation to the merger	21,433,713	369,774
	25,298,683	₩ 441,399

18. Stock Options

The details of Hana Bank's stock options as of December 31, 2003 are summarized as follows:

	1st	2nd	3rd	4th
Grant date	February 19, 1999	March 20, 2000	March 10, 2001	April 26, 2002
Confirmation date of grant (*)	February 19, 1999	March 20, 2000	March 10, 2001	November 14, 2002
Number of shares granted	1,040,000	628,000	276,000	922,000
Number of shares forfeited	273,780	156,600	16,000	182,500
Number of shares exercised	656,470	220,388	-	2,000
Number of shares outstanding	109,750	251,012	260,000	737,500
Settlement method	Settled by either cash or issuance of shares at the choice of Hana Bank			
Exercise price	₩ 10,020	₩ 8,500	₩ 7,300	₩ 19,750
Exercisable period	In three years after three years from grant date	In three years after three years from grant date	In three years after three years from grant date	In three years after three years from grant date

(*) According to the Korean business law, the granting of stock options is required to be approved during a shareholders' meeting.

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Hana Bank calculated the compensation costs of the first stock option using the intrinsic value approach and the second and third options using the fair value approach. The calculation variables of stock options valued using the fair value approach is summarized as follows:

	2nd	3rd	4th
Market price on grant date	₩ 7,960	₩ 7,490	₩ 16,100
Risk-free interest rate (A)	9.75%	6.44%	5.26%
Expected exercise period (B)	4.5 years	4.5 years	3.8 years
Expected share price volatility (C)	76.72%	70.13%	62.11%
Expected dividend rate (D)	8.00%	6.67%	6.67%
Adjusted expected expiration rate	10.06%	3.90%	7.30%
Compensation cost per share	₩ 3,961	₩ 3,551	₩ 6,584
Total compensation cost	₩ 1,810 million	₩ 870 million	₩ 4,823 million
Recognized compensation cost	₩ 1,810 million	₩ 797 million	₩ 2,239 million

(A) Government bond yield rate at the grant dates.

(B) Average of the mandatory service period and option expiration period.

(C) Share price volatility based on share prices of the past year.

(D) Average dividend rate for the period equal to the rate in effect during the expected exercise period.

Net costs arising from stock options for the year ended December 31, 2003 are as follows:

	(in millions of Korean Won)			
	1st	2nd	3rd	4th
Recognized compensation costs	₩ 1,673	₩ 1,810	₩ 797	₩ 2,239
Exercised stock options	(358)	(846)	-	-
	₩ 1,315	₩ 964	₩ 797	₩ 2,239

The compensation costs to be recognized in the future are as follows:

	(in millions of Korean Won)		
	2nd	3rd	4th
Within one year	₩ 73	₩ 2,067	₩ 2,140
Within two years	-	517	517
	₩ 73	₩ 2,584	₩ 2,657

The details of Hana Securities' stock options as of December 31, 2003 are summarized as follows:

	1st	2nd	3rd	4th
Grant date	May 15, 1999	May 27, 2000	May 26, 2001	July 12, 2002
Number of shares granted	200,000	131,000	64,000	165,000
Number of shares forfeited	41,400	29,020	17,000	12,560
Number of shares exercised	-	9,370	-	-
Number of shares outstanding	158,600	92,610	47,000	152,440
Settlement method	Settled in cash		Settled by issuing shares	
Exercise price	₩ 11,372	₩ 5,000	₩ 5,700	₩ 6,700
Exercisable period	In two years after three years from grant date	In three years after three years from grant date	In three years after three years from grant date	In three years after three years from grant date

Notes to Consolidated Financial Statements

December 31, 2003 and 2002

19. General and Administrative Expenses

General and administrative expenses for the years ended December 31, 2003 and 2002 comprise the following:

	(in millions of Korean Won)	
	2003	2002
Salaries and wages	₩ 381,912	₩ 245,307
Depreciation and amortization	152,778	57,243
Consulting fees	67,757	38,117
Other employee benefits	66,071	39,614
Taxes and dues	48,889	48,078
Rent	41,074	25,945
Severance benefits	40,366	22,019
Advertising	32,959	28,843
Entertainment	16,642	12,778
Others	96,280	70,500
	₩ 944,728	₩ 588,444

20. Non-Operating Income and Non-Operating Expenses

Non-operating income for the years ended December 31, 2003 and 2002 comprise the following:

	(in millions of Korean Won)	
	2003	2002
Gain on disposal of investment securities	₩ 143,850	₩ 126,239
Gain on disposal of property, plant and equipment	95,018	284
Gain on sale of loans	64,213	8,852
Rental revenues	9,373	9,694
Gain arising from the equity method	4,435	2,095
Reversal of impairment loss on investment securities	2,979	15,105
Others	61,915	23,251
	₩ 381,783	₩ 185,520

Non-operating expenses for the years ended December 31, 2003 and 2002 comprise the following:

	(in millions of Korean Won)	
	2003	2002
Loss on impairment of investment securities	₩ 81,098	₩ 132,251
Loss on disposal of investment securities	6,897	80,461
Loss on sale of loans	4,687	-
Loss on disposal of property, plant and equipment	1,753	835
Early retirement benefits	69	4,079
Others	32,214	19,851
	₩ 126,718	₩ 237,477

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21. Income Tax Expense (Benefit)

Income tax expense (benefit) for the years ended December 31, 2003 and 2002 comprise the following:

	(in millions of Korean Won)	
	2003	2002
Current income taxes	₩ 22,565	₩ 143,621
Deferred income taxes	(27,226)	(709)
	₩ (4,661)	₩ 142,912

The statutory income tax rate applicable to the Bank, including resident tax surcharges, is approximately 29.7 %. However, the effective tax rate for the year ended December 31, 2003 is approximately 0.88 %, due to the above adjustments.

The changes in temporary differences for the year ended December 31, 2003 are as follows:

	(in millions of Korean Won)			
	Beginning balance	Increase	Decrease	Ending balance
Fictitious dividend	₩ 58,324	₩ -	₩ 47,485	₩ 10,839
Loss on valuation of securities	198,541	248,090	264,321	182,310
Gain on valuation of securities of affiliates	(91,121)	(30,972)	-	(122,093)
Loss on impairment of securities	164,562	52,043	30,321	186,284
Accrued income of securities	(174,497)	(153,609)	(174,236)	(153,870)
Reserve for possible losses on acceptances and guarantees	67,203	-	13,612	53,591
Write-off of convertible loans	105,356	329,286	5,943	428,699
Goodwill valuation	(66,215)	(141,463)	(40,054)	(167,624)
Present value discounts	10,618	-	8,331	2,287
Loss (gain) on valuation of derivatives	(8,234)	(28,332)	(89,291)	52,725
Allowance for possible loan losses	155,055	-	123,871	31,184
Others	54,088	92,106	8,713	137,481
	₩ 473,680	₩ 367,149	₩ 199,016	₩ 641,813

As of December 31, 2003, deferred income tax assets (liabilities) from temporary differences comprise the following:

	(in millions of Korean Won)	
	Total amounts	Deferred income tax assets (liabilities)
Accumulated temporary differences as of the beginning of the year	₩ 473,680	₩ 130,275
Transferred in from merger	46,566	12,806
Changes in temporary differences	121,567	33,368
	641,813	176,449
Adjusted amount of temporary differences due to merger and acquisitions	(20,623)	(5,672)
	₩ 621,190	₩ 170,777

Notes to Consolidated Financial Statements

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22. Earnings Per Share and Ordinary Income Per Share

Earnings per share and ordinary income per share for the years ended December 31, 2003 and 2002 are calculated as follows:

	(in Korean Won)	
	2003	2002
Ordinary income per share		
Ordinary income after income tax expense (benefit)	₩ 537,210,275,098	₩ 320,949,611,504
Weighted-average of common shares (*)	163,279,988	140,459,422
Ordinary income per share	₩ 3,290	₩ 2,285
Earnings per share		
Net income	₩ 513,871,369,924	₩ 320,952,642,008
Weighted-average of common shares (*)	163,279,988	140,459,422
Earnings per share	₩ 3,147	₩ 2,285

(*) Weighted-average number of common shares

Diluted earnings per share and ordinary income per share for the years ended December 31, 2003 and 2002 are calculated as follows:

	(in Korean Won)	
	2003	2002
Diluted ordinary income per share		
Ordinary income after income tax expense (benefit)	₩ 537,210,275,098	₩ 320,949,611,504
Compensation cost for stock options after income tax expense	309,825,417	417,709,442
	537,520,100,515	321,367,320,946
Weighted-average number of common shares	163,577,034	140,858,926
	₩ 3,286	₩ 2,281
Diluted earnings per share		
Net income	₩ 513,871,369,924	₩ 320,952,642,008
Compensation cost for stock options after income tax expense	309,825,417	417,709,442
	514,181,195,341	321,370,351,450
Weighted-average number of common shares	163,577,034	140,858,926
	₩ 3,143	₩ 2,282

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23. Inter-Company Transactions

Significant transactions between Hana Bank and its subsidiaries during the years ended December 31, 2003 and 2002, and the related account balances as of December 31, 2003 and 2002 are as follows:

1) As of and for the year ended December 31, 2003

	(in millions of Korean Won)				
	Transactions			Account balance	
	Interest income	Interest expenses	Service contract expenses	Loans	Deposits
Hana Securities	₩ 663	₩ 832	₩ -	₩ 4,998	₩ 34,604
Hana Research & Consulting Inc.	58	68	1,068	-	3,045
Hana Allianz Investment Trust Management Co.	16,774	3,041	-	493,328	12,288
Hana Funding Limited	-	20,969	-	60	-
Hana INS	38	30	1,578	-	1,202
BC Card Co., Ltd.	-	21,840	-	-	428
Hana Life Insurance	5,054	113	-	-	10,754
	₩ 22,587	₩ 46,893	₩ 2,646	₩ 498,386	₩ 62,321

2) As of and for the year ended December 31, 2002

	(in millions of Korean Won)				
	Transactions			Account balance	
	Interest income	Interest expenses	Service contract expenses	Loans	Deposits
Hana Securities	₩ 5,066	₩ 3,896	₩ -	₩ 13,532	₩ 3,464
Hana Research & Consulting Inc.	-	11	1,036	-	596
Hana Allianz Investment Trust Management Co.	13,436	2,089	-	200,727	12,672
Hana Funding Limited	-	871	-	-	237,889
Hana INS	-	-	1,772	-	1,799
BC Card Co., Ltd.	-	4,538	-	-	-
	₩ 18,502	₩ 11,405	₩ 2,808	₩ 214,259	₩ 256,420

24. Cash Flow Information

Significant non-cash transactions for the year ended December 31, 2003 are as follows:

	(in millions of Korean Won)
Loans written-off	₩ 532,166
Loans replaced by debt-to-equity swap and loans for debt-to-equity swap	223,884
Present value discounts, net of allowance for doubtful accounts	2,252
Gain on investment securities	3,728
Others	7,169
	₩ 769,199

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25. Merger and Acquisition between Hana Bank and Seoul Bank

Details of M&A Contracts

Hana Bank entered into a business combination contract ("the Contract") with Seoul Bank on September 27, 2002 and obtained approval from its shareholders for such combination on November 14, 2002. In accordance with the Contract, Hana Bank completed the legal consolidation with Seoul Bank as of December 1, 2002. The surviving entity, Seoul Bank, was renamed Hana Bank upon completion of the transaction. Although the business combination took the legal form of a consolidation, Hana Bank acquired Seoul Bank's total assets amounting to ₩24,393,257 million and total liabilities amounting to ₩23,560,934 million by applying the purchase method of accounting. Also, in accordance with the Contract, the shareholders of Seoul Bank received one new common share of Hana Bank for every two shares of Seoul Bank. The new common shares of Hana Bank were listed on the Korea Stock Exchange on December 13, 2002.

Acquisition Costs and Other Contracts

From the merger with Seoul Bank, Hana Bank issued 61,080,000 shares to Korea Deposit Insurance Corporation (KDIC), the major shareholder of Seoul Bank. This represents 30.94% of the total outstanding common stock of Hana Bank (total number of shares: 197,432,203). The acquisition cost for the merger amounted to ₩1,139,142 million for the issuance of new shares (closing price per share at issuance date: ₩18,650) and ₩290 million for other expenses.

Hana Bank has entered into a contract with KDIC for the guarantee of the price of the newly issued shares, which includes a condition that Hana Bank is to guarantee ₩1,150,000 million during the 18 months subsequent to the merger record date by either reacquiring the shares, arranging third parties to acquire the shares or taking other appropriate steps. On May 29, 2003, the guarantee period was extended to 30 months.

26. Reclassification of Prior Year Amounts

Certain amounts in the consolidated financial statements as of and for the year ended December 31, 2002 have been reclassified to conform to the 2003 presentation. These reclassifications had no effect on previously reported net income or shareholders' equity.

27. Loan Transaction with LG Card Co., Ltd.

As a result of its agreement with the creditors' committee of LG Card Co., Ltd. on November 24, 2003, the Bank provided additional loans of ₩129,700 million to LG Card Co., Ltd., which is currently experiencing a liquidity crisis. Also, on January 9, 2004, the Bank agreed on a debt-to-equity swap of ₩92,800 million and to provide additional loans of ₩92,400 million (to be included in the debt-to-equity swap) and to extend the maturity date of loans that mature during 2004. As a result, as of December 31, 2003, the Bank has a total of ₩424,600 million of loan balances to LG Card Co., Ltd. (Hana Bank and Hana Securities have ₩385,700 million and ₩38,900 million, respectively). The actual loan loss amount may differ from the present estimates depending on the outcome of the self-rehabilitating plans of LG Card Co., Ltd. and the effective execution of the additional loan extension agreements.

28. Financial Statements Approval

The consolidated financial statements of the Bank are scheduled to be approved at the Board of Directors' meeting on February 13, 2004.

Board of Directors

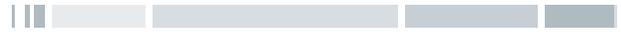
[Standing Board of Directors]

Seung-Yu Kim : Chairman & CEO (A, C, F)
Kyo-Joong Yoon : Senior Deputy President (A, C, F)
Jong-Yeol Kim : Deputy President (A)
In-Su Lee : Deputy President (A)
Soon-Chul Lee : Standing Member of Audit Committee (D)

[Outside Directors]

Jae-Chul Kim : Chairman, Dongwon Financial Holding (B, E, F, G)
Joo-Song Kim : Vice Chairman, Kolon Group (A, B, D, E, F, G)
Yong-Maan Park : President, Doosan Corporation (A, E, F, G)
Keun-Woo Seo : Team Head, Non-Banking Capital Market Team, Korea Institute of Finance (C, E, G)
Sang-Hyun Song, J.D. : Professor of Law, Seoul National University / Judge, International Criminal Court (A, D, E, G)
Sang-Boo Yoo : Standing Advisor, POSCO (B, E, F, G)
Ki-Che Chang : Vice Chairman, Dongbu Insurance Business / President, Dongbu Life Insurance (B, E, F, G)
Hyo-Soon Choi : General Manager, Korea Deposit Insurance Corporation (C, D, E, G)
Alfred Baldes, Ph.D. : COO & Deputy CEO, Allianz Dresdner Asset Management Asia Pacific GmbH (A, C, E, F, G)
Roy A. Karaoglan, Ph.D. : Banking Advisor, International Finance Corporation (C, E, G)

- A. Member of Steering Committee of Board of Directors
- B. Member of Management Development & Compensation Committee
- C. Member of Risk Committee
- D. Member of Audit Committee
- E. Member of Candidate Recommendation for Audit Committee
- F. Member of Candidate Recommendation for Outside Directors
- G. Member of Candidate Recommendation for CEO



Executive Officers

[Strategic Planning Division]

Chong-Suk Choi
Senior Executive Vice President & Division Head

[Risk Management Division]

Kang M. Lee
Senior Executive Vice President & Division Head

[Retail Banking Group]

Jung-Tae Kim
Deputy President & Group Head
Deok-Jung Cho
Senior Executive Vice President & Group Head,
Retail Business Planning Group & Promotion Group

[Private Banking Business Group]

Ken J. Kim
Senior Executive Vice President & Group Head

[Wealth Management Group]

Jong-Jun Kim
Executive Vice President & Group Head

[Ho-Nam Regional Retail Banking Division]

Bong-Yong Kim
Senior Executive Vice President & Division Head

[Corporate Banking Group]

Chang-Sup Rhim
Senior Executive Vice President & Group Head
Bo-Sik Jun
Senior Executive Vice President & Group Head,
Large Corporate Promotion Group
Jin-Sung Kim
Senior Executive Vice President & Group Head,
SME Promotion Group & Real Estate Business Group

[Credit Control Division]

Byung-Jae Cho
Senior Executive Vice President & Division Head

[Investment Banking Group]

Eugene H.J. Bang
Senior Executive Vice President & Group Head

[Chungchong Business Group]

Sung-Ho Choi
Deputy President & Group Head

[Yeongnam Business Group]

Hee-Dae Kim
Deputy President & Group Head

[Treasury Division]

Jeong-Ho Suh, Ph.D.
Senior Executive Vice President & Division Head

[Trust Business Division]

Wan-Sun Hong
Executive Vice President & Division Head

[Business Support Group]

Sang-Seong Oh
Senior Executive Vice President & Group Head

[Information Technology Division]

Se-Woong Kim
Senior Executive Vice President & Division Head

[Credit Card Division]

Hee-Won Shim
Senior Executive Vice President & Division Head

Subsidiaries

Hana Research Institute

The Hana Research Institute, the only domestic research institute operated by a commercial bank, serves as the 'think tank' of the Hana Finance Group. Besides publishing up to date reports on the latest economic trends and issues, the Hana Research Institute collects and analyzes information concerning various industries, corporations and financial markets to support the business activities of the Hana Finance Group.

Address ;

Hana Bank Bldg., 19th Fl., 101-1, 1 ga, Euljiro, Jung-gu, Seoul, Korea

Hana Securities Co. Ltd.

Hana Securities Co. Ltd. is actively engaged in the underwriting and brokerage of both debt and equity securities as well as proprietary trading. Hana Securities Co. Ltd. acts as the investing-banking arm of the Hana Finance Group by also providing investment advisory services to customers. As of December 31, 2003, Hana Bank holds a 50.66% equity stake in Hana Securities Co. Ltd..

Address ;

Hana Securities Bldg., 23-3 Yoido-dong, Yeongdungpo-gu, Seoul, Korea

Hana - Allianz Investment Trust Management Company

Hana-Allianz ITMC, incorporated as a 50:50 joint venture between Hana Bank and Allianz AG in December of 2000, provides first class asset management services for both retail and institutional clients in Korea. Hana-Allianz ITMC combines the investment know-how, advanced systems and global network of the Allianz group with the established distribution channels of Hana Bank. The investment philosophy of Hana-Allianz ITMC is to pursue a consistent out-performance based on a fundamental and risk controlled investment approach utilizing its own independent research capabilities and excellent pool of professionals.

Address ;

Hana Securities Bldg., 23-3 Yoido-dong, Yeongdungpo-gu, Seoul, Korea

Hana Life Insurance Co. Ltd.

Hana Life Insurance Co. Ltd., the former France Life found in 1991, was localized by a 50:50 joint venture between Hana Bank and Allianz Group in February 2003. In 2003, the Company recorded remarkable achievements in terms of growth and profitability. Hana Life Insurance Co. Ltd., which is now one of the most premier bancassurer in Korea, aims to focus on its customers, profitability and continuous growth.

Address ;

Hana Bank Bldg., 17th Fl. 101-1, 1 ga, Euljiro, Jung-gu, Seoul, Korea

Hana I&S Co. Ltd.

Hana I&S Co. Ltd. was established in August 1990 as Financial IT system provider by Hana Bank to develop and update the software of the financial IT section. Currently with high expertise it is supporting main accounting and financial information system of public sectors and also is acknowledged by its technical skills. In the near future, it will serve as the hub of the IT section of Hana Financial Group. Hana Bank is holding 100% of the shares as of December 31, 2003.

Address ;

7-14 Sincheon-dong, Songpa-gu, Seoul, Korea

Hana Funding Ltd.

Hana Funding Ltd. was established in December 12, 2002 as a SPV with Hana Bank holding 100% of the shares to issue New-type of capital securities. The company issued 200 million USD of hybrid tier one securities.

Address ;

PO Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands

BC Card Co.

BC Card was established jointly with member banks in April 1982 as a company to efficiently carry out credit card business. BC Card supports credit card business of member banks such as Chohung Bank, Woori Bank, Korea First Bank, Koram Bank and Hana Bank etc.

There is very efficient allotment of the credit card operations between BC Card and the member banks, and BC Card processes card business of the banks' cardholders and merchants. Thus, the member banks not only can minimize the cost of installing additional hardware and centralize processing to BC Card cutting costs further, but increase the convenience of the cardholders through the vast merchants and cash advances network interlinked among the member banks.

Furthermore, BC Card received an approval according to The Credit Specialty Finance Business Act as a Credit Specialty Finance Company undertaking Installment financing and new technology financing business along with credit card business. Currently BC Card has over 23 million credit card customers through the member banks and Hana currently holds 16.83% of the shares.

Address ;

1587 Seocho-dong, Seocho-gu, Seoul, Korea

Korea Non-Bank Lease Financing Co. Ltd.

Korea Non-Bank Lease Financing Co. Ltd. was established in July 22, 1998 as a temporary lease company to efficiently liquidate ailing lease of subsidiary companies of domestic financial groups. Korea Non-Bank Lease Financing Co. Ltd. holds 18.91% of the shares as of December 31, 2002.

Address ;

88, Seolin-dong, Jongro-gu, Seoul, Korea



Corporate Information

[Head Office]

Hana Bank Bldg. 101-1, 1-Ka, Euljiro, Chung-Gu, Seoul, Korea 100-191
TEL : (822) 2002 - 1111
Telex : K23311 / SWIFT : HNBKRS / Reuter Code : HNBH
Home Page : <http://www.hanabank.com>

[Network]

575 domestic branches and 5 overseas branches as of December 31, 2003

[Number of Employees]

6,989 as of December 31, 2003

[Overseas Branches]

Hana Bank Hong Kong Branch

Suites 3314-3316 33/F Two International Finance Centre No. 8 Finance Street Central, Hong Kong
TEL : (852) 2522-3646 / FAX : (85-2) 2526-2999

Hana Bank Singapore Branch

PWC Building #23-6, 8 Cross Street, Singapore 048424
TEL : (65) 6438-4100 / FAX : (65) 6438-4200

Hana Bank Shanghai Branch

Room 3302-3303, Bank of China Tower, 200 Yin cheng Road Central,
Pudong New Area, Shanghai 200120 P.R.C
TEL : (86-21) 5037-2121 / FAX : (86-21) 5037-2110

Hana Bank New York Branch

650 Fifth Avenue New York, NY 10019 U.S.A.
TEL : (1-212) 245-4346 / FAX : (1-212) 245-4479

Hana Bank Tokyo Branch

New Nisseki Bldg. 1st Fl., 4-2 Marunouchi 3 Chome, Chiyoda-Ku, Tokyo, Japan
TEL : (81-3) 3213-0901 / FAX : (81-3) 3213-0975

[Qingdao International Bank]

C. Full Hope Mansion 12, Hong Kong Middle Road, Qingdao P.R.C
TEL : (86-532) 502-6208

[Investment Banking]

Investment Banking Group

Hana Securities Bldg. 14th Fl., 23-3 Yoido-dong, Youngdeungpo-gu, Seoul 150-010, Korea
TEL : (82-2) 3771-2380 / FAX : (82-2) 3771-2388-9 / Email : ebang@hanabank.com

[Correspondent Banking]

Treasury & Management Department, Treasury Division
TEL : (82-2) 2002-2544 / FAX : (82-2) 775-7472 / Email : correspondent@hanabank.com

[Investor Relations]

Investor Relations Team, Strategic Planning Division
TEL : (82-2) 2002-1661 / FAX : (82-2) 774-4543 / Email : hanair@hanabank.com



101-1, 1-Ka, Euljiro, Chung-Gu, Seoul, Korea 100-191

TEL : (822) 2002 - 1111

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Home Page : <http://www.hanabank.com>