

This is how we're building the
best quality bank in Korea

KoramBank Annual Report 2001

Koram Bank was established in 1983 as a joint venture between a consortium of local conglomerates and Bank of America NT & SA. The Bank began building its superior business platform from the early stages of its establishment with the introduction and application of advanced banking techniques from BOA. Its early focus on building a strong risk management platform has particularly distinguished it from other domestic banks and has proven a valuable business strategy that enabled the bank to endure Korea's worst financial crisis in history in 1998.

In November 2000, the Carlyle-JP Morgan consortium bought a controlling 40.1% equity stake in the Bank and assumed management control, accounting for 7 out of the 13 members on the board, and laying the groundwork for Koram's turnaround and future earnings growth. In mid-2001, a new team assumed management and brought to the Bank the requisite international banking experience to implement global standards and lead the Bank to higher earnings growth and increased shareholder value. During the remainder of 2001, the team executed the Bank's focus to grow its core businesses of retail banking, small and medium enterprise banking and credit card business, the latter of which recorded outstanding growth during the year as the Bank expanded its market presence by leveraging its alliances with department store card membership businesses.



Something
more about Koram Bank?



Financial Highlights

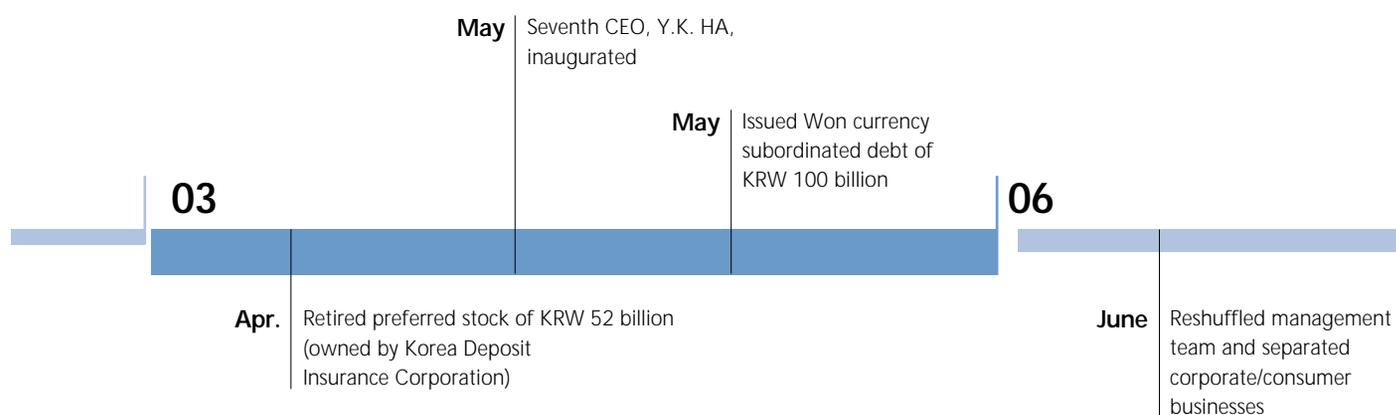
	(In billions of Korean won)		(In millions of US dollars)
	2001	2000	2001
Net Interest Income*	719.2	547.1	542.3
Net Non-Interest Income	192.4	172.8	145.1
Operating Expenses	361.2	298.9	272.4
Loan Loss Provisions	238.0	979.7	179.5
Tax	98.0	(173.3)	73.9
Net Income	195.0	(396.0)	147.0
Loans**	16,964.7	15,502.7	12,793.0
Securities	8,303.8	8,999.4	6,261.8
Total Assets	28,414.7	28,168.8	21,427.3
Deposits	17,756.1	17,464.0	13,389.7
Total Liabilities	27,172.5	27,064.2	20,490.5
Total Shareholders' Equity	1,242.3	1,104.6	936.8

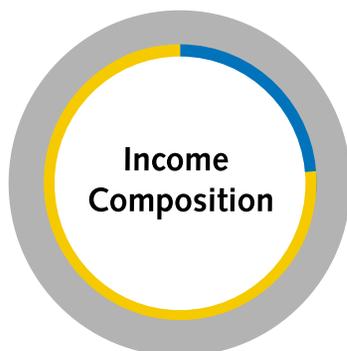
* Including interest income from credit cards

** Excluding call loans and credit card accounts

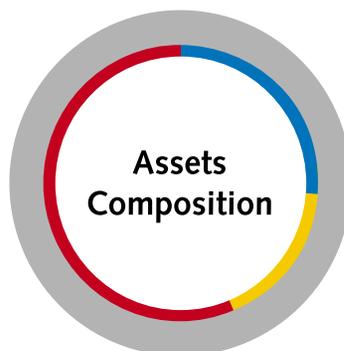
Including bills bought, bonds purchased on resale agreements, advances for customers, and bonds purchased under private placement

Accomplishments in 2001

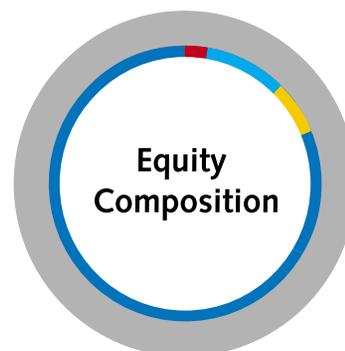




■ Net Interest Income 78.9%
■ Net Non-interest Income 21.1%



■ Loans 59.8%
■ Securities 29.2%
■ Other 11.0%

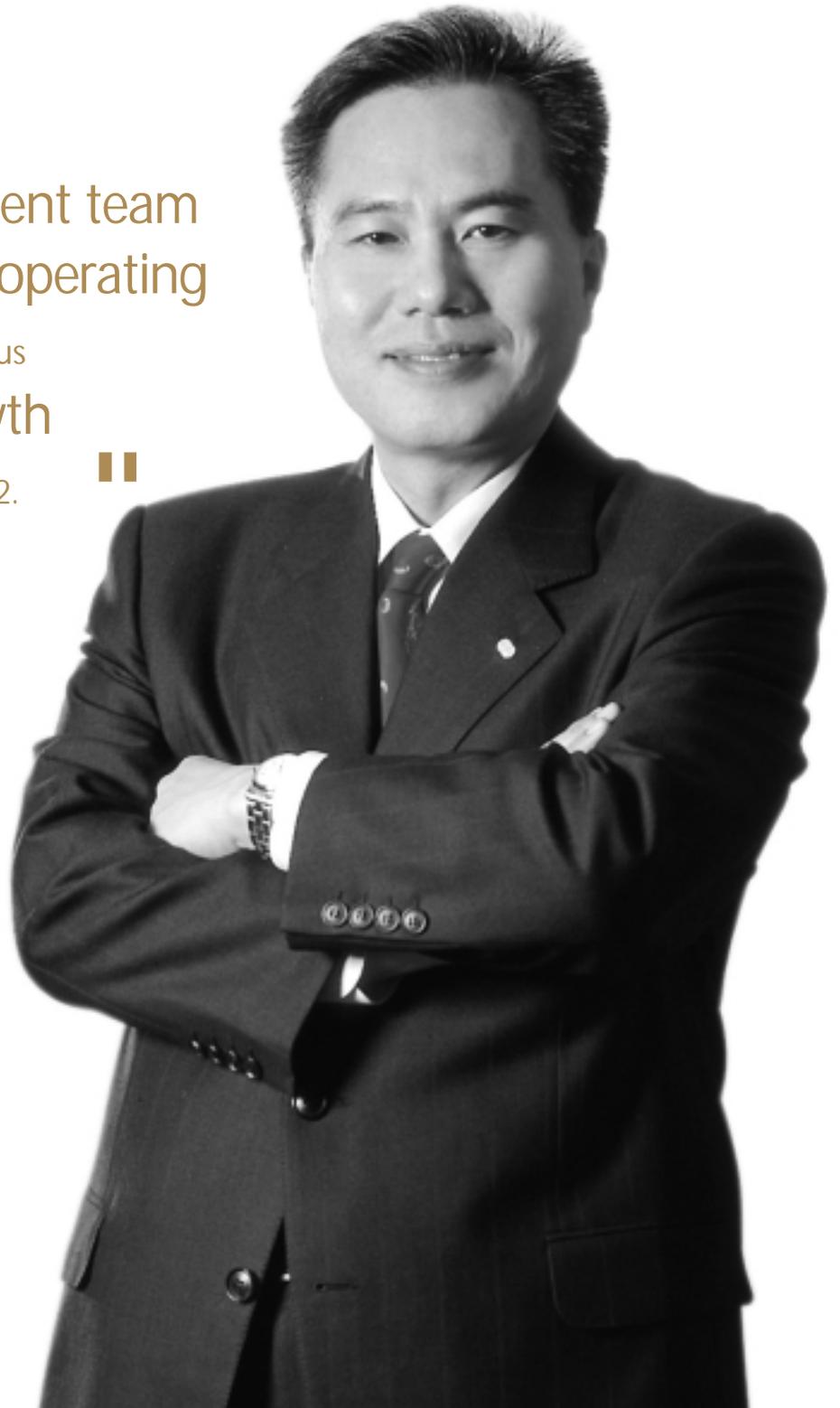


■ Capital Stock 86.2%
■ Capital Surplus 0.1%
■ Retained Earnings 8.9%
■ Capital Adjustment 4.8%

We have a strong operating platform, sustainable earnings growth, and a rigorous risk control system that has helped us build a sound asset portfolio. We are well positioned to capture opportunities for growth in 2002.



■ ■ Our new management team has built an enhanced operating platform that will help us capture new growth opportunities in 2002. ■ ■



Q 2001 was a challenging year for the Korean financial market in terms of economic uncertainty and major corporate restructuring. As CEO of Koram Bank, can you comment on the overall economic outlook for the domestic market in 2002 and on the bank's plans and strategies to cope with the challenges of the New Year?

A Taking a broad look at the Korean economy for 2002, GDP growth is expected to exceed 5% driven by buoyant consumer spending, increasing construction activity, and improving business sentiment, as well as external stimuli, such as the joint hosting of the World Cup. We will also see improvement in the export market led by a recovery in the U.S. economy for IT products, such as mobile phones, semiconductors, and personal computing equipment. Thus, with the expected pick up in consumption and manufacturing, we will also see a similar rise in demand for consumer related banking products, such as housing loans and personal credit. We can also expect increased corporate demand for working capital facilities and credit lines to meet with the recovery in facility investments. Therefore, we should expect favorable market conditions for the banking industry and this should drive overall industry profitability.

Taking a close look at the Korean banking industry itself, several institutions underwent major restructuring in 2001, resulting in larger balance sheets and the ability to offer a wide range of products and services from banking to investment management. Moreover, now that this restructuring has been completed, we will see more competition in the key business areas of SME and consumer lending.

To cope with such encroachment, we have devised our strategies to enhance stability and sustainability of our business revenue growth. First, we will continue to increase the share of consumer business in our asset portfolio to 50% and reach our target of a 50/50 balanced loan portfolio by 2004. Second, we will lead the industry by implementing an advanced risk management system to achieve the highest asset quality possible while maximizing profitability. Third, we will upgrade our sales reach and marketing richness by shifting branch function from transaction processing, to sales and marketing centers. Fourth, we will seek to continue to transform our most valuable asset, our employees, into highly trained banking professionals by encouraging further development through specialized training programs and retain key employees by implementing meritocracy base HR policy.

Thus, overall we hope to grow by offering our clients the highest possible level of satisfaction and succeed in providing our shareholders the best possible value.

Q Could you introduce your new management team and share some of your major accomplishments this past year?

A Following my appointment CEO, we introduced a new management team in June 2001. As we brought in the new team, we challenged ourselves to think beyond the traditional seniority-based system, in which one executive manages a number of unrelated business areas. Our goal was to develop a clear and transparent system wherein each executive would manage a business best suited to his/her area of expertise and knowledge. This, in turn, would

Message from the CEO

enhance accountability and facilitate performance evaluation to which compensation would be linked.

With the above goal in mind, we recruited executive vice presidents for our Consumer Business, Credit Card and Financial Market Groups from Citibank/Citigroup, renowned for building a most advanced global financial services company. For our Corporate Banking Group and Corporate Credit Administration Group, areas of great strength for our Bank, we selected established and prominent executives, all of whom enjoying successful careers within the Bank, to manage those responsibilities. Through our management reshuffle, we established a more balanced, transparent, and accountable organization well suited to steer Koram into a prosperous future.

In 2001, we are pleased to share our major accomplishments. To enhance our operating platforms to support the execution of our goal of a 50/50 asset mix of consumer and corporate assets, we separated our corporate/consumer businesses and launched the Consumer Lending Direct Sales Team to further attract consumer business. In addition, we centralized our credit card operation and created the Consumer Credit Risk Management Team to manage our consumer credit risk and upgrade controls to global standards. These changes, combined with the appointment of the new management team, led to profound results by year-end, as our total consumer loans increased by 37% in the second half of 2001 to 4.181 trillion won, credit card assets grew by 66% in the second half of year to 1.937 trillion won, and in a

span of only two months from November through December, we achieved sales of 124.6 billion won in asset management products.

However, in 2001, loans to the SME sector were relatively weak compared to our other business areas, mainly as a consequence of the fall in facility investments and manufacturing downturn. In 2002, we anticipate a turnaround for the SME sector as well as overall improvement in corporate investment sentiment in 2002, and we will take measures to position ourselves to take full advantage of this recovery.

Q What is your chief vision for Koram Bank in both the short-term and long-term?

A Our management philosophy for Koram Bank is to build it into "the best quality bank" for shareholders and "the bank of first choice" for our target market. I will achieve this vision through the implementation of global standards and best practices I executed during my 20 years experience in my previous position.

In the long-term, I consider a "best quality bank" with successfully implemented global standards, as a bank that can consistently achieve an ROE over 20%, an ROA over 1%, expense/revenue ratio of under 40%, an NPL ratio of less than 2%, and a BIS ratio over 10%. By year-end 2002, we expect to achieve all of these targets with the exception of ROA, which will surpass 1% in 2003 by our forecast.

In the short-term, we will concentrate on building the platforms necessary to achieve all of our long-term goals. In 2001, we began by completing a financial MIS and establishing our independent Consumer Credit Risk Management Team. In 2002, we will strengthen our banking systems, particularly in the area of risk management through upgrades such as the construction of a RAROC system and the establishment of a new ALM system. In the area of human resources, further refinements to our performance evaluation and remuneration system will allow us to secure a transparent management system that will ensure stable and solid management long into the future, fostering teamwork among our employees.

What are the plans for the Bank to enhance shareholder value?

One of the core areas I have emphasized since taking up my position as CEO has been the open and transparent disclosure of the Bank's management situation to our shareholders and investors. Backing my resolve to achieve this, I visited Hong Kong, Singapore, Europe, and the US in 2001 and early-2002 to meet directly with our investors. We listened to their opinions and consistently sought to reflect their views in the way we manage the Bank.

As you may well be aware, our management team's major compensation package is linked to our performance. For this reason, our shareholders can be rest assured that our management's aims are aligned

with their best interests and that shareholder value-oriented management is our priority.

I consider shareholder value the essential element in managing the Bank. This can be achieved by maintaining the highest levels of management transparency among domestic banks and by continuing to strengthen our IR activities and delivering timely and accurate management information to our shareholders and investors. Furthermore, we can enhance shareholder value through sustainable profit creation and stable revenue growth. Therefore, we will continue to actively engage our target markets and promote our key products, SME and Consumer Loans, Credit Cards and Wealth Management Services, as well as optimizing risk adjusted returns and strengthening fee related businesses. All in all, we strive to achieve 20% ROE and deliver a sustainable payout ratio.

In closing, I would like to express my appreciation for the continued interest and support of our shareholders, investors and customers. I look forward to presenting you with even better results in 2002.



Yung-ku, Ha
Chairman & Chief Executive Officer

■ Vision & Strategy





This is how we're **building** the best
quality bank in Korea.

- * Balanced portfolio of corporate & consumer banking
- * Sustainable earnings growth
- * Expansion of credit card business
- * Strategic alliances with the best non-bank financial institutions

Koram Distinctiveness

Koram is distinct from other banks in Korea because it has the best set of tools for dealing with the new opportunities and challenges that are facing the Korean banking industry. With its rigorous risk management system, sound asset portfolio, strong operating platform, and skilled staffs that includes a management team with abundant international experience, Koram is in an ideal position to capture growth in 2002 and achieve its goal of becoming the "Best quality bank" in the market.

Expert Management Team

Superior Asset Quality

Rigorous Risk Control

Sustainable Earnings

Clear Shareholder Focus



A clear vision and strategy

An NPL ratio of 2.66% with a
95.5% coverage ratio

Global standard corporate / consumer
risk management systems

Over 20% ROE

A role model for sound corporate
governance

■ Review of Operations



We are **achieving**
sustainable earnings through
balanced growth between
the consumer and corporate
banking sector.

Consumer Banking

Since 2001, we have continued to pursue our goal of establishing a balanced portfolio between the consumer and corporate banking sectors. To achieve this goal, a number of major steps in the different areas of consumer banking were taken to increase the quality and quantity of business we undertake in this area.

Retail Lending

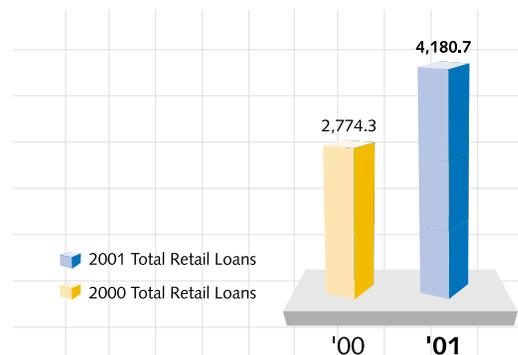
During 2001, we catalyzed growth in retail loans through the launch of a number of competitive new products including the ACE Mortgage Loan, and through cross sale of loans with preferential interest rates to Royal Customers and new credit card or account subscribers.

The Consumer Lending Direct Sales Team, launched in August 2001, is also contributing to growth in our retail lending business and from September to December, the team accounted for 25.6% of total retail loan sales. We focused on building up this sales channel during the year by increasing the number of direct sales agents and securing a nationwide network while enhancing operational flexibility. In the coming year, we expect the direct sales team to be a major driver of growth. We also actively sought to increase sales opportunities through active cooperation and co-marketing with real estate agents, and through strengthening of our branch operations in the area of loans.

Retail Loans

(In billions of Korean Won)

	2000	2001
Mortgage	1,568.3	2,545.8
UPL	634.8	1,112.7
Others	571.2	522.2
Total retail loans	2,774.3	4,180.7



All of the initiatives above contributed to a remarkable 51% growth in loans (or KRW1,406 billion) during fiscal year 2001 to KRW4,180.7 billion. Mortgage loans in particular recorded a dramatic increase of 62.3% (or KRW977.5 billion) to KRW 2,545.8 billion as a result of the launch of new products and other initiatives described above. In 2002, we will continue to push growth in mortgage loans by strengthening our promotional activities and by implementing initiatives such as a membership service for VIP loans customers as part of a customer retention program planned for launch during 2002. We are targeting an increase in total retail loans by KRW2 trillion in 2002 and will achieve this by concentrating on activities in the area of housing loan project financing and sales of real estate investment trust products.

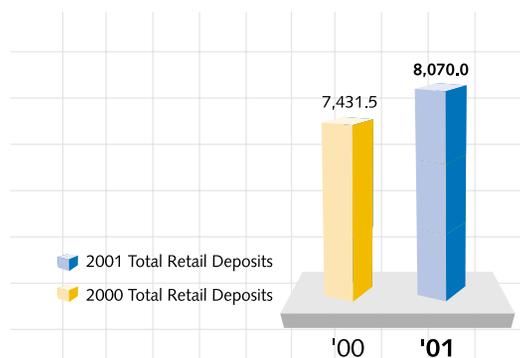
During the year, we also achieved an increase in sales of unsecured personal loans (UPL) of 75.3% from KRW634.8 billion in 2000 to KRW1,112.7 billion in 2001. This increase was the result of a suite of new products launched during the year tar-

getting specific customer sectors such as high-income professionals, and concerted cross-sale efforts targeting Royal Customers and other existing customers with excellent transaction records. Our competitiveness in the area of UPLs was considerably heightened during the year through an upgrade in our Credit Scoring System (CSS), which entailed a further differentiation of our credit scoring system from 5 levels to 11, and an increase in the credit loan limit from KRW30 million to KRW50 million. We expect to continue improvements to the credit scoring system in the future with the construction of a monitoring system.

Retail Deposits

Retail Deposits

	2000	2001
MMDA / Demand deposits	1,975.1	2,448.1
Time deposits	3,423.5	3,967.2
Others	2,032.9	1,654.7
Total retail deposits	7,431.5	8,070.0



In 2001, we successfully achieved volume increase in our retail deposit business, having recorded stable growth of 8.6% in overall deposits from KRW 7.43 trillion to KRW 8.07 trillion. This growth was chiefly the result of dramatic growth in MMDA and demand deposits of 23.9% (or KRW473.0 billion) to KRW2,448.1 billion, while other deposits decreased 18.6% to KRW1,654.7 billion.

During the year we expanded our customer base by enhancing our product competitiveness through the launch of new products offering increased convenience, such as a multiple account passbook, and a free style deposit account, aimed at potential long-term customers, which works on market interest rates after exceeding a 6-month introductory period. We also effectively utilized our call center to boost deposit account sales by providing close consultation to mid-range customers to assist them in upgrading their deposit level and by actively promoting new products to customers approaching fund maturation, a strategy that also minimized loss of customers.

In the fourth quarter of 2001, we sought to improve our bottom line by minimizing the number of branch tellers devoted to low-profit operations such as simple deposits withdrawals and payment of taxes. This has allowed us to better utilize staff to focus on sales functions in the branch. It also had the effect of increasing automated payment of tax and driving up usage of our low-cost automated delivery channels such as CD/ATM, phone banking and internet banking.

Wealth Management

We consider personal wealth management to be a key growth area, and in 2001 we allocated considerable resources to this area to spur growth. In a major development during the year, we began construction of the Royal Plaza, a branch office dedicated solely to our Private Banking customers (Royal customers). The branch, which is located in the Apjukong area, will offer a distinctive comprehensive financial service focusing on high return investment products. The branch, which is the first of its kind in Korea, is expected to become a key factor in differentiating our wealth management services from our competitors in the future.

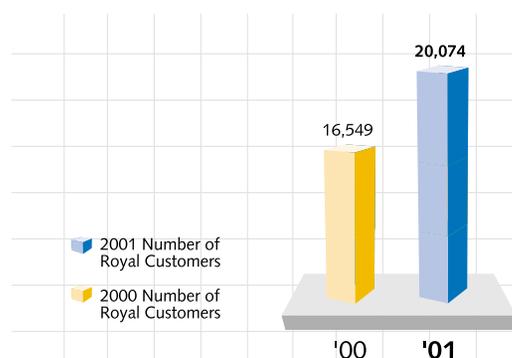
To capture new customers and derive additional value from our existing customer base, we focused on strengthening the preferential services offered as part of Royal Customer programs during 2001. We widened the scope of our Royal Customer base by creating a new classification and strengthened the appeal of our service by reducing or exempting transaction fees.

Our Private Banking capabilities underwent improvement during the year as we identified key PB branches and branches targeted for strengthening and nurturing and then stationed additional PB specialists accordingly to promote the operations. We also invested in continuous sales-related training for our PB staff, which numbers 203 (103 PB and 100 PB Assistants), introduced a PB Workshop and established certification processes for AFPK (Associate Financial Planner Korea) and CFP (Certified Financial Planner). In the coming year we will utilize our relationship sales management system, "Best PB System" to strengthen cross sales and perform Balanced Score Card (BSC) to systematize results management of our private banking operations.

Wealth Management

(Number of People, In billions of Korean Won)

	2000. 4Q	2001. 4Q
Number of Royal Customers	16,549	20,074
Royal Customer deposits (Monthly average)	3,515.0	4,064.0
Royal Customer loans (Monthly average)	316.7	559.9
Royal Customer profits (For fourth quarter only)	76.3	120.6



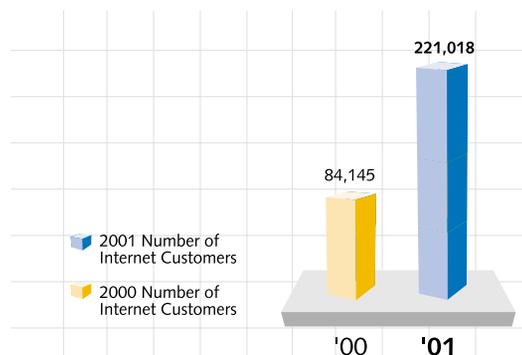
As a result of the initiatives outlined above, we recorded 21.3% growth (3,525) in the number of Royal Customers in 2001 to 20,074. The total volume of Royal Customer deposits and loans recorded a corresponding increase to KRW4,064.0 billion and KRW559.9 billion, with 15.6% and 76.8% growth respectively. The profit earned from our Royal Customer program recorded a large increase, growing from KRW 76.3 billion in the fourth quarter of 2000 to KRW120.6 billion in the fourth quarter of 2001, thus revealing the enormous potential of this program to create additional revenue for the Bank.

Internet Banking

Internet Banking

(Number of People, In billions of Korean Won)

	2000	2001
Number of Internet Banking customers	84,145	221,018
Internet banking transactions as a proportion of all transactions	1.98%	3.8%
Internet loans	20	51
No. of Internet addresses for e-mail marketing	-	327,004



Our Internet banking service is a key low cost channel for delivering our services and products. During 2001, we developed and launched a number of new Internet banking products that brought an increase in our sales results. We sold seven deposit products including the "Goodbank.com Time Deposit," which amounted to total sales of KRW19.3 billion, and two loan products which amounted to total sales of KRW15.6 billion. Twelve

new services, such as corporate analysis information and an individual information search function were added to our Internet banking site to enhance its features to make it more appealing and useful to customers.

During the year, we also took full advantage of our Internet delivery infrastructure to strengthen e-mail outbound marketing, a convenient, low-cost marketing method. E-mails were sent to over 327,000 addresses that were collected with customer's consent in the process of undertaking other transactions.

Our initiatives to strengthen Internet banking during 2001 translated into an increase in subscribers to the Internet banking service to 221,018, a 162.7% increase over 2000. Meanwhile, Internet banking transactions as a share of overall transactions increased from 1.98% to 3.8% and the total value of loans sold via the Internet increased by 155% to KRW51 billion. In 2002, we aim to capture additional Internet customers through new products and services such as a rewards program for the mailing service customers, and a customized Internet service called "My Page" that is designed to answer the differing needs of our customers.

Corporate Banking

Small and Medium Enterprise (SME)

In 2001, our lending strategy in the Small and Medium Enterprise (SME) business focused squarely on attracting the business of the more profitable and financially sound SME's.

Loans to the SME sector increased from KRW 5,648 billion in 2000 to KRW 5,869 billion in 2001, an increase of 3.9%. The relatively smaller growth rate in this area was a consequence of our focus on qualitative rather than quantitative growth to ensure that we maintain a level of asset quality appropriate for a "clean" bank.

Almost half of the total balance of loans at Koram is taken up by SME loans, leading us to conclude our customer base a strong one. This customer base has recorded consistent growth over the past year with our Royal Business Club for high quality SME's recording 9.4% growth in memberships to 650 companies in 2001.

Growth in our SME business during the year was driven in part by a number of new products designed and released to answer the diverse needs of our customers. These products include the Goodbank INNO-BIZ loan and the Goodbank Vendor SME Loan launched in September 2001, the Goodbank Franchisee Loan and Produce Mediator Loan launched in October, and the Goodbank New Qualified SME Loan launched in November.

In addition to the products above, we took a step away from our existing delivery methods to develop diverse products that utilize the Internet. For example, we developed the Credit Secured Loan utilizing an Internet Procurement System (IPS) and the Koram TheZone Internet Corporate Loan that offers convenient application through the Internet.

In 2002, to increase our market share in the SME sector we are planning to expand our guidance line over 1 trillion won to target 1,000 new SME customers, and will open more SME business-oriented branches in strategic locations.

In 2002, we will take a more active approach to expanding our mar-

ket share in SME banking. Accordingly, we are targeting a 17.4% increase in SME loans to approximately 7 trillion won, while continuing our drive to attract superior SMEs.

Large Corporate

In 2001, we sought to restrict narrow-based lending to large corporates and strived to maintain a balance in each industry in order to build a balanced and healthy loan portfolio.

Consequently, large corporate loans as a share of total lending fell by 1.5%p from 16.1% in 2000 to 14.6% in 2001, while compared to BIS capital it shrank by 53.9%p from 153.8% to 99.9% in 2001. Despite the fall in loans to large corporations, the total loans volume grew by 3.3% over the previous year, while growth in consumer lending helped us to achieve a more balanced loan portfolio.

Taking into consideration a reduction in demand for loans from the banking sector among large corporations, Koram plans to execute a differentiated strategy such as providing them with sophisticated tailor-made financial support services including purchasing cards, derivatives, cash and treasury through the Internet; not merely providing bullet loans. To implement this plan, in January 2002 Koram established two "Large corp banking center," which are entirely responsible for large corporate banking service with a focus on developing new products.

Parallel to our efforts to minimize large corporate lending, we concentrated on reducing non-performing loans. In 2001, the ratio of substandard or below loans fell from 9.0% in 2000 to 2.66% in 2001, reaching a level appropriate for a high-quality bank.

In 2002, we will concentrate on achieving the optimal loan portfolio by continuing our efforts to increase the proportion of SME and consumer loans while maintaining our strategy to reduce large corporate loans. Non-performing loans will also be reduced to a minimum through write-offs and NPL sales, so as to bring our ratio of substandard and below loans to below 2.0%, commensurate to that of a first-class bank.

Credit Card

In 2001, we achieved unprecedented growth in our credit card business and secured a position for ourselves as a major, long-term player in the market.

Our credit card business centers on our strategic alliances with card membership programs of major department stores. In December 2000, we acquired the credit card division of Shinsegae Department Store, and its approximately 1.8 million members. In 2001, we began to convert these members to the Shinsegae Koram Visa Card (Generally Accepted Cards), which adds VISA and other additional features to the department store card. The conversion of this in-house card allowed us to upgrade the status of the Shinsegae card members to full bank credit card holders, and create a large new source of potential sales. The card has also had the effect of bringing rapid growth in membership while at the same time spurring a dramatic increase in our sales and profit.

From early in the year we planned a strategy to expand our market presence. As part of this strategy we built a new operations organization and strengthened our marketing capabilities. These initiatives brought outstanding growth in our existing Koram Visa Card and BC Card sales compared to 2000. The number of Generally Accepted Card memberships soared by 315% and our sales volume rose 137%, leading to a 123% increase in revenue to KRW237.1 billion. Our strategic alliances with large department stores including Shinsegae, Galleria, Daegu, Say and others played important role in the growth of our credit card business by allowing us to secure a network in

the major cities throughout Korea.

Our outstanding growth in the Credit Card operations can be attributed to a number of major initiatives undertaken during 2001. Following two years of continuous development, in June 2001 we launched a new computerized system for the credit card operations that is supporting marketing, new product development and strengthening our operating platform.

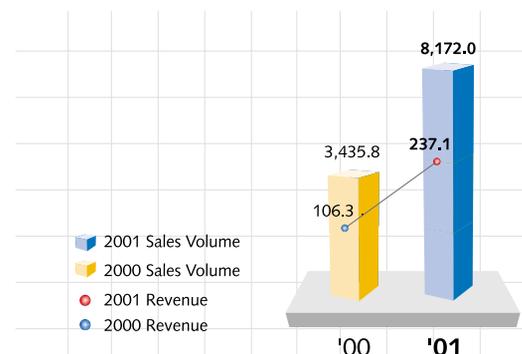
The expansion and modification of the Credit Card organization also began in July 2001, allowing us to acquire a stronger operations organization to support this growing business. As part of the upgrade, the Credit Card Team organization was promoted to the status of an independent Credit Card Business Group, and we enhanced the professionalism of our workforce through the introduction of an organization based on the front/middle/back office concept and an increase in the number of skilled professionals working in each area.

New product development and improvements to our customer service, two key factors behind attracting new customers and retaining existing ones, were also core focus areas during 2001. We released the Shinsegae Koram VISA Card, and the Galleria VISA card to department store card members during the year, and also launched the SK Telecom Moneta Card, an IC-chip installed credit card that also features a public transport travel pass function. Meanwhile, we introduced new products such as the Light Card Loan to promote stable growth in our loan portfolio, and expanded the number of special marketing tools, such as a usage

Credit Card

(Units: Thousands of accounts, Billions of Korean won)

	2000	2001	Percentage Increase compared to 2000
No. of Generally Accepted Cards (No. of Total Credit Cards)	542 (3,776)	2,252 (4,880)	315% (29%)
Sales Volume	3,435.8	8,172.0	137%
Average Net Receivables	588.1	1,333.8	126%
Revenue	106.3	237.1	123%



volume based points program to spur customer card usage. While we anticipate tough competition and pressure to reduce fees in 2002, we expect to repeat our record of strong growth due to a continuation of the Government's drive to promote credit card use and the anticipated economic recovery. This year we set our sights on building ourselves into a major player in the industry in terms of scale, revenue and profitability. We will utilize the enormous latent potential for growth in our diverse allied businesses to continue to expand our customer base, encourage card use and drive growth in sales and revenue. We will focus particularly on building a competitive level of customer service by strengthening our existing brands and developing unique new products, and by taking advantage of the Internet to enhance our marketing. Preferential services for quality customers will also form part of our campaign to increase loyalty and enhance customer retention during the year.

The credit card operations system as a whole will undergo a "level up" program during 2002, which is currently under development. This will include the construction of a database of prospective customers, the launch of a fraud detection system and a renovation of our application scoring system, among other things. We will also undertake staff training in these new systems and adopt practices that ensure we run the best credit operations and provide the best service in the industry.

Financial Market

During 2001, we made a number of changes to the Financial Market Team, which became the basis for our outstanding results during the year. We restructured the Financial Market Team by integrating the Won Currency Finance Team with the Foreign Currency Transaction Unit of the International Banking Team. These changes were designed to encourage the accumulation of professional expertise in this area of business and promote our capacity to actively and rapidly respond to changes in the market. To effectively drive change and improve business in this area, we placed an expert in the field, Mr. J W Park, at the

Financial Market

(In billions of Korean Won)

		2000	2001
Won Currency Bond	Interest Income	644.2	590.4
	Non-interest Income	122.0	133.6
Stock Income		(14.3)	4.2
Foreign Currency Bond	Interest Income	19.3	21.8
	Non-interest Income	4.4	5.8
Foreign Currency	Transaction Income	13.2	15.5
Derivatives	Option	0	0.9
	Swap	0	0.6

head of the Financial Market Business Group, and recruited additional derivatives experts into the team.

The above changes contributed to our stellar record both in the domestic and foreign currency operations in 2001. Non-interest income in the Korean currency operation increased 10% to KRW133.6 billion, while our turnaround in the stock trading unit from a KRW14.3 billion loss in 2000, to a net profit of KRW4.2 billion in 2001 was an achievement of particular note. In the foreign currency bond transactions, we recorded 32% growth in non-interest income to KRW5.8 billion. We also recorded considerable growth in profit earned from foreign currency transactions with KRW15.5 billion in profit in 2001 compared to KRW13.2 billion in 2000. In the area of options and swaps, we adopted a new computerized system and recruited more experts in the field to prepare a strong basis for building this area into a major growth driver in the future. In the key area of risk management, we adopted TRMS and the Kondor+ System to enable real-time limit confirmation, limit simulation, and limit systems based on diverse standards, and also completed the RAROC system based on VaR (Value at Risk).

In 2002, we will strive to achieve both qualitative and quantitative growth through stable bond management and active derivatives management, by diversifying our funding sources, and expanding our customer base for foreign currency transactions.

Asset Management

In the wake of the fall in interest rates, consumer preference has shifted away from fixed interest rate products to diverse performance-based investment products. In September 2001, we launched a new Asset Management business to sell domestic and overseas investment products and capture the potential for growth in this market. Through this business we aim to help our customers enhance the value of their asset portfolios and provide a one-stop shopping service, while at the same time improving our profit structure through the inflow of high-margin sales fees and commissions.

The new Asset Management Team entered into business agreements with overseas trust management companies and now sells the investment products of two overseas and four Korean companies. By the end of 2001, the team had sold investment products amounting to KRW124.6 billion. In 2002, we are aiming for a sales volume of KRW1,030 billion and we will achieve that target by focusing on improvements in three major areas - products, sales staff, and sales and marketing strategy.

Product Strategy

We plan to develop and launch diverse investment products as part of our goal to offer a one-stop shopping service to our customers. At present, we offer a wide range of investment products from 'Clean MMF', a domestic short-term fund, to long-term investment products that mature in a year or more. Our suite of investment products ranges from pure stock-type products to principle protected products. Our principle protected products answer the needs of customers who have a more conservative investment approach. In the future, we are aiming for the timely release of products to match market trends and further diversify our customers' asset portfolio.

Sales Staff

At present, as part of our company policy, only staff members who have passed the basic education process are permitted to sell investment products. This policy is in line with our goal to build a systematic and rational sales system that ensures investment products, which contain an inherent element of risk, are only sold after sufficient consultation with product-smart sales staff. Each month since September 2001, we have run the basic education course in order to train sales staff at our branches and reinforce marketing skills. In the future we plan to continue turning transaction staff into sales staff and will continue to upgrade the capabilities and sales strengths of employees who have graduated from the basic training program through tailor-made training programs.

Sales and Marketing Strategy

In order to increase sales of investment products, we are seeking to utilize a diverse range of delivery channels for facilitating sales such as our branch sales staff (PB), our direct sales network, call center and the Internet. As part of our strategy to improve marketing at branches, we plan to run small-scale investment seminars, employ diverse product promotion techniques, and promote cross-sales activities. Moreover, as a first step in our comprehensive asset management system we will roll out an investment sales support system during the first half of 2002, which will enable us to provide our customers with high quality investment consulting services such as product risk analysis and management.

In the future, we aim to grow into a leader in the industry that effectively distributes and manages the assets of its customers. All of the above initiatives will allow us to achieve these goals while allowing us to make timely responses to changes in the market and build our new Asset Management business into a strong growth driver and value creator for the Bank.

Risk Management

Koram Bank operates a risk management system including a Risk Management Committee and Risk Management Team that are independent from the marketing groups. Risks that arise in the process of banking operations are identified scientifically and enterprise-wide risk management is undertaken in order to ensure we maintain the Bank's stability.

In 2001, we established a new Consumer Credit Risk Management Team, constructed a market risk management system and new ALM system, and commenced a consultation project for our credit management system and RAROC system, all of which were significant developments for the Bank in the area of risk management.

At present, we have 4 risk management units within the risk management team that are responsible for the management of both financial and non-financial risk. An independent consumer risk management team is responsible for managing risks that arise in the consumer credit area.

Risk Management Team

Credit Risk

Credit risk has the potential to influence the success or failure of the Bank's business, a fact clearly demonstrated in the case of Korea's financial restructuring.

As part of our risk management process at Koram, we allocate risk capital to each of the control units. In order to avoid a concentration of credit risk, we manage our portfolio by industry and by credit rating, while at the same time ensuring that loans to one borrower (including affiliates) do not exceed a predetermined percentage of the Bank's equity.

In 2001, we completed the construction of a financial MIS system, which is a fundamental support system for undertaking effective risk management. At the end of 2001, we

commenced consultation projects to upgrade our credit rating system and RAROC, which is scheduled for completion in June 2002. All of the above efforts will help us secure the capabilities to undertake even more effective credit risk management.

Market Risk

In September 2001, we completed the development of a market risk management system, through which we acquired market risk management capabilities on par with global standards. We estimate the VaR for our trading position on a daily basis and monitor the Bank's market risk level. We have set a VAR with a 99% confidence interval and a holding period of 10 days. At present, equity capital requirements concerning market risk are calculated according to the standard models recommended by the Financial Supervisory Service of Korea. However, from the second quarter of 2002, we intend to manage VaR using internal models, which utilize methods such as the Delta-normal Method, Historical Simulation and Monte Carlo Simulation. We undertake back testing on a daily basis to double-check the effectiveness of our models.

Asset Liability Management

In 2001, we used our upgraded ALM system to perform interest rate gap, duration gap, NPV shock, profit and loss simulation and liquidity gap analysis to provide the information necessary for asset liability management. And we have a contingency plan for liquidity crisis. We are in the process of constructing an OFSA system - by Oracle - that is scheduled for completion in July 2002. The system will allow us to better reflect customer behavior in our analysis, calculate VaR/EaR and enhance the timeliness and accuracy of our ALM information.

Non-financial Risk

Non-financial risks such as operational risk are becoming increasingly important in Bank management. Accordingly,

each department responsible for operations risk, management risk, administrative risk, IT-related risk, reputation risk, and legal risk is required to provide regular reports to the Risk Management Committee.

Credit Review

In order to enhance the soundness of our credit assets, we operate a credit review unit that is independent from the credit administrative organization. The credit review unit reviews approved credit to ensure that the Bank's credit ratings are being applied consistently and correctly. Moreover, by identifying the symptoms of credit deterioration at an early stage, the unit enables the Bank to implement appropriate measures, thereby helping to enhance the soundness of the Bank's credit assets.

Consumer Credit Risk Management Team

In September 2001, we established a Consumer Credit Risk Management Team to advance our risk management capabilities in this area and secure a consumer credit process that meets global standards. With the hiring of Mr. Hyun Kim, who was formerly in charge of consumer credit risk management team at Citibank Seoul, we successfully implemented an advanced consumer risk management platform in 2001. The consumer credit risk management team supervises all the risk related with consumer lending and credit card business and reports to the CEO independently from other business groups.

The consumer credit risk management team plays a pivotal role in identifying and minimizing risks associated with the specific activities and processes undertaken in the consumer banking business. The team is developing risk acceptance criteria and undertaking a credit process review, as well as supervising the consumer credit cycle and collection.

As part of its risk management role, the team identifies risk throughout all stages of the credit process from credit initiation through consumer credit scoring, credit screening, account management, collection process and recovery of write-offs, in addition to feedback to assist in product planning.

In detail, firstly, the team analyzes the loan performance by acquisition channel, customer profile segment, income, age and occupation, booking vintages and others. Such analytic tools make possible the close monitoring of changes in loan quality. Secondly, the team is responsible for establishing risk acceptance criteria, operating the credit scoring system using various checking items to prevent default and securing the soundness of consumer credit assets. Thirdly, it is responsible for monitoring and screening the credit status of each customer through credit bureau information shared with other financial institutions. Fourthly, it conducts collection of delinquent loans using an advanced call system and specialized loan collectors numbering over 250 people. Finally, it reflects the risk calculated from each credit process in the planning of new products.

While year 2001 was the initial stage in the introduction of a global-standard consumer risk measurement system at Koram, 2002 will be the settling period for executing this advanced system in Korea. In 2002, we expect to see considerable improvements in customer quality and asset quality as the Consumer Credit Risk Management Team secures full control of consumer risk management and further strengthens the risk operations systems already in place at the Bank



■ Financial Section

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Management's Discussion & Analysis

Results of Operations Interest Income

For most of 2001, the Korean financial market enjoyed abundant liquidity amid continuing financial market restructuring. The continued descent in interest rates and an expansion in the lending services available to individuals were among the major changes in the Korean banking industry in fiscal year 2001.

Koram's 2001 interest income (excluding income from credit cards) was € 1,815.5 billion, a decrease from € 1,832.2 billion in 2000, while interest expense was € 1,325.2 billion, a decrease from € 1,387.1 billion. Due to the steeper drop in interest expense, net interest income rose from € 445.1 billion to € 490.4 billion.

Interest Income

	(In billions of Korean Won)	
	2001	2000
Interest Income	1,815.5	1,832.2
Due from Banks - Won Currency	15.3	7.5
Due from Banks - Foreign Currency	0.6	1.2
Securities - Won Currency	588.6	624.5
Securities - Foreign Currency	21.8	19.4
Call Loans - Won Currency	9.9	7.6
Call Loans - Foreign Currency	2.3	5.0
Loans* - Won Currency	995.7	942.5
Loans* - Foreign Currency	159.2	196.2
Other Interest Income - Won Currency	22.2	28.3
Interest Expenses	1,325.2	1,387.1
Deposits - Won Currency	867.1	929.8
Deposits - Foreign Currency	20.3	28.2
Debts** - Won Currency	261.7	228.1
Debts** - Foreign Currency	98.1	156.6
Call Money - Won Currency	48.6	21.8
Call Money - Foreign Currency	1.3	2.9
Other Interest Expenses - Won Currency	25.4	15.1
Other Interest Expenses - Foreign Currency	2.6	4.6
Net Interest Income	490.4	445.1

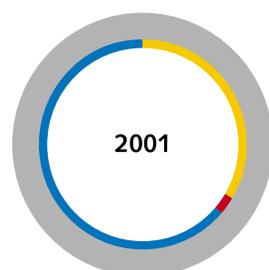
* Excluding interest on call loans and credit card accounts.

Including interest on bills bought, bonds purchased on resale agreements, advances for customers, and bonds purchased under private placement

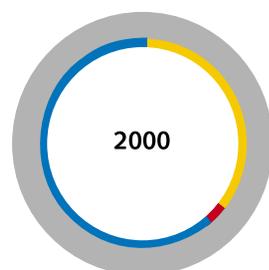
** Including Interest on borrowings, debentures, notes sold and bonds sold under repurchase agreements

Interest Income

	(In billions of Korean Won)	
	2001	2000
Loans	63.6%	62.1%
Securities	33.6%	35.1%
Other	2.8%	2.7%



■ Loans 63.6%
■ Securities 33.6%
■ Other 2.8%



■ Loans 62.1%
■ Securities 35.1%
■ Other 2.7%

Interest Income

Management's Discussion & Analysis

The major reason for the decline in interest income was a decrease in interest income from securities. Total interest income from securities in 2001 posted € 610.4 billion, a decrease from € 643.9 billion in 2000. The deterioration was partially offset by increases in interest income from loans and due from banks.

The origin of such deterioration was an overall decrease in interest rates on interest earning assets, especially interest rate on loans in won currency, the Bank's largest earning source, and the even faster decrease in interest rate on securities in won currency. During the year, loans in won currency showed an average interest rate of 7.95%, compared with 8.90% in 2000. Meanwhile, securities recorded an average rate of 6.91%, compared with 8.21% in 2000. As a result, the interest rate on interest earning assets declined from 8.20% in 2000 to 7.06% in 2001.

Average Interest-Earning Assets*

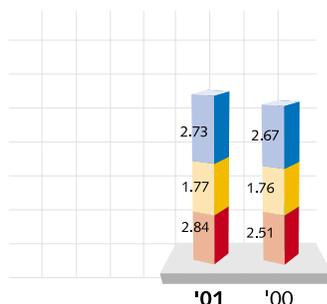
	2001		2000	
	Average	Rate	Average	Rate
Won Currency	21,946.7	7.43%	19,142.1	8.41%
Loans*	12,529.9	7.95%	10,595.5	8.90%
Securities	8,517.5	6.91%	7,610.8	8.21%
Other Liquid Assets	899.3	5.27%	935.8	4.64%
Foreign Currencies	3,759.2	4.31%	3,202.0	6.32%
Loans*	2,655.9	5.99%	2,350.7	8.35%
Securities	296.9	7.34%	249.8	7.75%
Other Liquid Assets	806.4	0.36%	601.5	1.04%
	25,705.9	7.06%	22,344.0	8.20%

* Excluding call loans and credit card accounts. Including bills bought, bonds purchased on resale agreements, advances for customers and bonds purchased under private placement

The drop in interest expenses was affected by interest expense on deposits. Interest expense on deposits in 2001 was € 887.4 billion, a decrease from € 958.0 billion in 2000. The decrease in interest expense on foreign currency debts was another factor that helped reduce interest expenses. Total interest expense on debt in both won and foreign currencies declined from € 384.7 billion to € 359.8 billion. Particularly, interest expense on debt in foreign currency decreased from € 156.6 billion in 2000 to € 98.1 billion in 2001.

The main reason for the reduction in interest expenses was the overall improvement in the interest rate on interest bearing liabilities. The most influential factor was the interest rate on foreign currency denominated accounts. Interest rate on debts in won currency improved by 1.26% point from 7.07% in 2000 to 5.81% in 2001. Average interest rate on interest bearing liabilities in foreign currencies was 4.74% in 2001, dropping from 6.92% in 2000. Average interest rate on interest bearing liabilities in won currency was 5.35%, a comparatively small decrease from the previous year's rate of 6.36%.

Interest Yield Ratios (%)



■ Interest Rate Spread - Loans/Deposits (Won Currency)
■ Interest Rate Spread - Asset/Liabilities *
■ Net Interest Margin

* Excluding interest income from credit cards

Non-Interest Income & Expenses

Average Interest-Bearing Liabilities

	2001		2000	
	Average	Rate	Average	Rate
Won Currency	22,483.3	5.35%	18,774.9	6.36%
Deposits	16,619.6	5.22%	14,923.9	6.23%
Debts*	4,505.3	5.81%	3,226.4	7.07%
Other Liquid Liabilities	1,358.4	5.45%	624.6	5.91%
Foreign Currencies	2,577.9	4.74%	2,777.6	6.92%
Deposits	648.0	3.13%	566.2	4.98%
Debts*	1,873.0	5.24%	2,144.7	7.30%
Other Liquid Liabilities	56.9	2.30%	66.7	4.35%
	25,061.2	5.29%	21,552.5	6.44%

* Including Interest on borrowings, debentures, due from BOK, notes sold and bonds sold under repurchase agreements

Due to the expansion of credit card business, the Bank's overall interest-related profitability increased significantly. Net interest margin including interest income from credit cards was 2.84% in 2001, up 33 basis points compared to the previous year. Net interest spread also improved by 1 basis point to 1.77%

The Bank's non-interest income includes earnings from varied sources such as fees from guarantees, credit card business and trust-related operations, and securities trading income. Non-interest income in 2001 was € 1,332.7 billion, an increase from € 972.4 billion in 2000. In comparison, non-interest expense in 2001 was € 1,195.9 billion, slightly up from € 1,169.9 billion in 2000. The gap between non-interest income and non-interest expense largely helped the Bank return to sustainable profitability.

Non-Interest Income

	2001		2000	
Fees and Commissions	304.6		170.6	
Guarantee Fees	7.7		9.4	
Credit Card Fees	237.1		106.3	
Commission on L/Cs and Acceptances	23.0		24.2	
Fees for Other Financial Services	36.8		30.7	
Trust Fees	109.4		84.5	
Gains on Foreign Exchange	261.8		171.5	
Gains on Securities	184.6		169.8	
Other	472.3		376.1	
	1,332.7		972.4	

Management's Discussion & Analysis

Non-Interest Expenses

	<i>(In billions of Korean Won)</i>	
	2001	2000
Fees & Commissions	63.7	32.0
General & Administrative Expenses	358.7	288.6
Loss on Foreign Exchange	233.6	154.2
Loss on Securities	104.5	166.4
Payment to Guaranteed Trust Accounts	0	225.3
Other	435.5	303.4
	1,195.9	1,169.9

The most meaningful improvement in non-interest income was an increase in credit card fees. During the year, the Bank earned fees of € 237.1 billion from its credit card business. The amount was more than double the credit card fees earned in 2000, solidifying the credit card business as another source of stable and diversified earnings and strengthening its status as a core business. Consequently, total fees and commissions rose from € 170.6 billion in 2000 to € 304.6 billion in 2001.

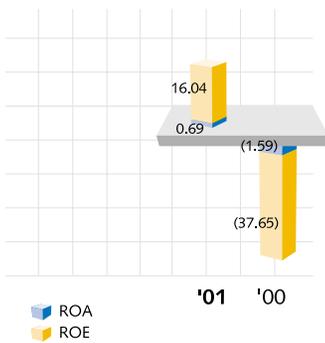
Net gain on foreign exchange rose from € 17.3 billion to € 28.2 billion while net gain on securities increased from € 3.4 billion to € 80.1 billion. Another contributor to the improvement in the non-interest income structure was payment to guaranteed trust accounts. After entering the trust business, the Bank, like other Korean commercial banks, provided trust products, which guaranteed a certain level of interest rates. However, as the Korean government prohibited banks from additional selling of "Development Trust Account" (principle & interest guaranteed trust product) in 1999, the Bank stopped selling the products. In 2000, the Bank fully paid for losses on the development trust accounts and as a result there was no more compensatory burden ensuing the regulatory change. Consequently, 2001 saw stable fee income generation from trust accounts.

Net Income

With a net interest income of € 490.4 billion and net non-interest income of € 136.8 billion, partially offset by provisioning for loan losses of € 334.1 billion, net income in 2001 registered € 195.0 billion, a positive turnaround from the net loss of € 396.0 billion in 2000.

The Bank's profitability returned to the right path with return on assets amounting to 0.69% and return on equity recording 16.04%.

Profitability (%)



Capital Management

Net Income

	<i>(In billions of Korean Won)</i>	
	2001	2000
Interest Income	1,815.5	1,832.2
Interest Expenses	1,325.2	1,387.1
Net Interest Income	490.4	445.1
Provision for Loan Losses	334.1	817.0
Non-Interest Income	1,332.7	972.4
Non-Interest Expenses	1,195.9	1,169.9
Income Taxes	98.0	(173.3)
Net Income	195.0	(396.0)

At December 31, 2001, the Bank's total shareholders' equity was € 1,242.3 billion, increasing from € 1,104.6 billion the year before. Shareholders' equity increased with the addition of € 195.0 billion in net income, despite € 52.0 billion paid to buy back preferred stock from KDIC. During the year 2001, the Bank reduced 10.4 million shares of preferred stock, which were issued to the Korea Deposit Insurance Corporation in accordance with the purchase & acquisition agreement of the former Kyunggi Bank in 1998.

Capital Structure

	<i>(In billions of Korean Won)</i>	
	2001	2000
Capital Stock	1,071.3	1,123.3
Capital Surplus	0.5	-
Retained Earnings	111.1	(63.5)
Capital Adjustment	59.4	44.8
Total Shareholders' Equity	1,242.3	1,104.6
Dividends	16.6	-

In 2001, the Bank paid € 16.6 billion in dividends, which accounted for only 8.5% of the net income. The beneficiaries were only preferred stockholders.

With core capital of € 951.0 billion and supplementary capital of W 886.1 billion, total risk-adjusted capital was € 1,837.1 billion in 2001, an increase from € 1,268.7 billion in the previous year. Divided by on and off-balance sheet assets, tier ⅳ capital ratio was 5.79% and tier ⅲ-capital ratio was 5.55% in 2001, up from 4.96% and 3.84%, respectively, in 2000. Accordingly, total risk-adjusted capital ratio improved from 8.67% in 2000 to 11.18% in 2001.

Management's Discussion & Analysis

Risk-Adjusted Capital		<i>(In billions of Korean Won)</i>	
	2001	2000	
Core Capital	951.0	726.0	
Capital Stock	971.3	1,023.3	
Capital Surplus	0.5	0	
Retained Earnings	115.7	(61.3)	
Deferred Tax	(134.5)	(227.4)	
Treasury Stock	(2.1)	(8.6)	
Supplementary Capital	911.5	561.9	
Allowance for Loan Losses	114.0	85.9	
Subordinated Borrowings	471.5	363.0	
Cumulative, participant preferred shares	100.0	100.0	
Upper Tier II subordinated bonds	212.2	0	
45% of valuation gain in investment securities	13.8	13.0	
Constitutions to Unconsolidated Subsidiaries	(25.4)	(19.2)	
Total Risk-Adjusted Capital	1,837.1	1,268.7	
Risk Weighted Assets	16,432.8	14,641.4	
On-Balance Sheet Assets	14,795.6	12,904.1	
Off-Balance Sheet Assets	1,637.2	1,737.4	
BIS Capital Ratios	11.18%	8.67%	
Tier 1 Capital	5.79%	4.96%	
Tier 2 Capital	5.55%	3.84%	

Asset Quality

Koram achieved consumer lending growth of 51% and credit card growth of 126% in 2001. In terms of corporate exposures, Koram disposed NPLs of ₩ 1.3 trillion (write-off of ₩ 1,027 billion and sell-off of ₩ 344 billion without recourse) mostly consisting of workout companies including affiliates of Daewoo Group and Hynix semiconductor.

On the strength of sound consumer asset expansion and disposal of non-performing loans, Koram's asset quality improved drastically to a year-end NPL ratio of 2.66%. Also, Koram's loan loss reserves decreased from ₩ 1,500.7 billion to ₩ 526.8 billion, while the actual NPL coverage ratio increased from 88.5% to 95.5%, the highest ratio in Korean banks.

Loans*

	(In billions of Korean Won)	
	2001	2000
Won Currency	15,328.5	14,325.1
Business Loans	11,147.8	11,550.8
Household Loans	4,180.7	2,774.3
Foreign Currencies	2,086.8	2,390.8
Onshore	482.6	411.5
Offshore	186.4	189.7
FX Bills Purchased	1,167.9	1,450.5
Other	249.9	339.1
	17,415.3	16,715.9
Present Value Discounts	13.3	102.4
Allowance for Loan Losses**	437.2	1,110.8
	16,964.7	15,502.7

* Excluding call loans

** Excluding allowance for guarantees & acceptances and allowances for trust accounts

Non-Performing Loans

	(In billions of Korean Won)	
	2001	2000
Normal	19,731.8	16,870.1
Precautionary	454.8	284.2
Substandard	166.3	120.8
Doubtful	329.2	1,498.8
Estimated Loss	56.7	76.3
Total Credits*	20,738.8	18,850.1
Bad Loans(Doubtful & Loss)	385.9	1,575.1
Non-Performing Loans(Substandard or below)	552.2	1,695.9

* Under FSS guidelines

Including loans in banking accounts, advances to customers, domestic import usance bills, local L/C bills bought, credit card loans, customers' liabilities under acceptances and loans in trust accounts

Non-Performing Loans Ratio

	(In billions of Korean Won)	
	2001	2000
Non-Performing Loans	552.2	1,695.9
Non-Performing Loans to Total Credits	2.66%	9.00%

Loan Loss Reserves

	(In billions of Korean Won)	
	2001	2000
Loan Loss Reserves*	526.8	1,500.7
NPL Coverage**	95.5%	88.5%

* Including allowance for loan losses, allowance for trust accounts and allowance for guarantees & acceptances

** Coverage based on total amount of non-performing loans

Report of Independent Public Accountants

**Anjin & Co.**

A Member Firm of Andersen Worldwide SC
 14th Floor, Hanwha Securities Building
 23-5 Yoido-dong, Youngdeungpo-ku, Seoul 150-717, Korea
 Tel 82-2-6676-1000, 1114 Fax:82-2-785-4753, 786-0267

To the Shareholders and Board of Directors of Koram Bank

We have audited the accompanying non-consolidated balance sheet of the bank accounts of Koram Bank (the "Bank") as of December 31, 2001 and the related statements of operations, appropriations of retained earnings and cash flows for the year then ended, all expressed in Korean won. These non-consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. The financial statements as of December 31, 2000, which are presented for comparative purposes, were audited by other auditors whose report, dated February 3, 2001, expressed an unqualified opinion on those statements.

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

In our opinion, the 2001 financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2001 and the results of its operations, the changes in its retained earnings and its cash flows for the year then ended, in conformity with financial accounting standards in the Republic of Korea (see Note 2).

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

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

As disclosed in Notes 5, 6 and 15 to the non-consolidated financial statements, amounts owed by Hyundai Group companies, which include Hyundai Petrochemical and Hyundai Merchant Marine amounted to ₩119,718 million (US\$90,278 thousand) including confirmed acceptances and guarantees as of December 31, 2001. The Bank has provided an allowance for possible loan losses (including an allowance for possible losses on confirmed acceptances and guarantees) of ₩27,070 million (US\$20,413 thousand). The Bank also owns securities issued by Hyundai Engineering and Construction of ₩23,884 million (US\$18,011 thousand), for which investment securities impairment loss of ₩15,326 million (US\$11,557 thousand) was recognized. Hyundai Group companies are presently undergoing a liquidity problem and the potential impact on the Bank's operations cannot presently be estimated.

As disclosed in Note 6 to the non-consolidated financial statements, amounts owed by Hynix Semiconductor Inc. (Hynix) amounted to ₩194,728 million (US\$146,843 thousand) of which ₩139,307 million (US\$105,050 thousand) was exempted, and the remainder, ₩55,421 million (US\$41,793 thousand), was swapped into convertible bonds according to the approved debt-restructuring plan for Hynix as determined by the Financial Institution Creditors' meeting held on October 31, 2001. The convertible bonds are recorded as loans for which a reserve of ₩2,771 million (US\$2,090 thousand) was provided as an allowance for possible loan losses.

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 accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying non-consolidated financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

Seoul, Korea, January 19, 2002

Non-Consolidated Balance Sheets

As of December 31, 2001 and 2000

Korean Won / Translation into US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
ASSETS				
Cash and due from banks (Notes 3, 18, 19 and 20)	₩ 764,056	₩ 1,530,853	\$ 576,168	\$ 1,154,402
Trading securities (Notes 4, 18, 19 and 20)	297,358	877,937	224,235	662,044
Investment securities (Notes 5, 18, 19 and 20)	8,006,490	8,121,505	6,037,622	6,124,354
Loans (Notes 6, 7, 8, 18, 19 and 20)	17,373,374	15,766,045	13,101,104	11,889,032
Fixed assets (Notes 9, 11, 18 and 19)	359,600	349,344	271,171	263,437
Other assets (Notes 10, 18, and 19)	1,613,856	1,523,128	1,216,994	1,148,577
	₩28,414,734	₩28,168,812	\$ 21,427,294	\$ 21,241,846
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Deposits (Notes 12, 18, 19 and 20)	₩17,756,068	₩17,463,967	\$ 13,389,690	\$ 13,169,419
Borrowings (Notes 13, 18, 19 and 20)	5,810,624	7,091,715	4,381,738	5,347,798
Debentures (Notes 14, 18, 19 and 20)	1,470,102	613,179	1,108,591	462,393
Other liabilities (Notes 16, 18, and 19)	2,135,665	1,895,377	1,610,486	1,429,287
	27,172,459	27,064,238	20,490,505	20,408,897
SHAREHOLDERS' EQUITY (Notes 17 and 19)				
Capital stock	1,071,334	1,123,334	807,883	847,096
Capital surplus	524	-	395	-
Other reserves	111,000	1,546	83,704	1,166
Retained earnings (deficit)				
(Net income of ₩195,020 million in 2001 and net loss of ₩396,048 million in 2000)	70	(65,061)	53	(49,062)
Capital adjustments	59,347	44,755	44,754	33,749
	1,242,275	1,104,574	936,789	832,949
	₩28,414,734	₩28,168,812	\$ 21,427,294	\$ 21,241,846

The accompanying notes are an integral part of these statements.

Non-Consolidated Statements of Operations

For the year ended December 31, 2001 and 2000

Korean Won / Translation into US Dollars (Note 2)	(In millions except per share amounts)		(In thousands except per share amounts)	
	2001	2000	2001	2000
OPERATING INCOME				
INTEREST INCOME:				
Interest on due from banks (Note 20)	₩ 15,838	₩ 8,749	\$ 11,943	\$ 6,598
Interest on trading securities (Note 20)	45,616	36,028	34,399	27,168
Interest on investment securities (Note 20)	564,800	607,797	425,910	458,334
Interest on loans (Note 20)	1,167,091	1,151,359	880,093	868,229
Other	22,191	28,263	16,734	21,313
	1,815,536	1,832,196	1,369,079	1,381,642
GUARANTEE FEES AND COMMISSIONS	304,573	170,571	229,676	128,626
OTHER OPERATING INCOME:				
Gain on disposal of trading securities	67,427	54,419	50,846	41,037
Gain on valuation of trading securities (Note 4)	2,641	26,563	1,992	20,031
Dividends from trading securities	4	350	3	264
Dividends from investment securities	1,842	19,345	1,389	14,588
Foreign exchange trading income	261,780	171,505	197,406	129,330
Fees and commissions from trust accounts (Note 27)	109,448	84,466	82,534	63,695
Reversal of allowance for possible losses on acceptances and guarantees	63,567	45,197	47,935	34,083
Gain on derivatives trading (Note 26)	344,254	285,543	259,599	215,325
Other	3,900	251	2,941	189
	854,863	687,639	644,645	518,542
Total operating income	2,974,972	2,690,406	2,243,400	2,028,810
OPERATING EXPENSES				
INTEREST EXPENSES:				
Interest on deposits (Note 20)	887,404	957,987	669,183	722,410
Interest on borrowings (Note 20)	343,425	359,097	258,974	270,792
Interest on debentures (Note 20)	66,298	50,310	49,995	37,938
Other	28,039	19,714	21,144	14,866
	1,325,166	1,387,108	999,296	1,046,006
COMMISSION EXPENSES	63,659	31,992	48,005	24,125

(continued)

Korean Won / Translation into US Dollars (Note 2)	(In millions except per share amounts)		(In thousands except per share amounts)	
	2001	2000	2001	2000
OTHER OPERATING EXPENSES:				
Loss on disposal of trading securities	₩ 58,758	₩ 24,807	\$ 44,309	\$ 18,707
Loss on valuation of trading securities (Note 4)	-	1,548	-	1,167
Foreign exchange trading loss	233,575	154,244	176,137	116,314
Loss on derivatives trading (Note 26)	338,774	252,040	255,466	190,061
Provision for possible loan losses (Note 8)	334,130	816,951	251,964	616,055
Payment to guaranteed trust accounts (Note 27)	-	225,318	-	169,910
Others	52,005	36,993	39,217	27,896
	1,017,242	1,511,901	767,093	1,140,110
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	358,740	288,631	270,522	217,654
Total operating expenses	2,764,807	3,219,632	2,084,916	2,427,895
OPERATING INCOME (LOSS)	210,165	(529,226)	158,484	(399,085)
NON-OPERATING INCOME (Note 22)	173,273	114,229	130,663	86,139
NON-OPERATING EXPENSES (Note 22)	90,428	154,361	68,191	116,402
ORDINARY INCOME (LOSS)	293,010	(569,358)	220,956	(429,348)
EXTRAORDINARY ITEMS	-	-	-	-
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	293,010	(569,358)	220,956	(429,348)
INCOME TAX EXPENSE (BENEFIT) (Note 23)	97,990	(173,310)	73,893	(130,692)
NET INCOME (LOSS)	₩ 195,020	₩ (396,048)	\$ 147,063	\$ (298,656)
ORDINARY INCOME (LOSS) PER COMMON SHARE (Note 24)	₩ 1,016	₩ (3,811)	\$ 0.77	\$ (2.87)
NET INCOME (LOSS) PER COMMON SHARE (Note 24)	₩ 1,016	₩ (3,811)	\$ 0.77	\$ (2.87)

The accompanying notes are an integral part of these statements.

Non-Consolidated Statements of Appropriations of Retained Earnings

For the year ended December 31, 2001 and 2000

Korean Won / Translation into US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
ACCUMULATED RETAINED EARNINGS (DEFICIT) BEFORE APPROPRIATION (DISPOSITION):				
Unappropriated accumulated retained earnings (deficit) carried over from prior years	₩ (65,061)	₩ 10	\$ (49,062)	\$ 8
Cumulative effect on prior years of accounting changes	-	(8,151)	-	(6,147)
Loss on valuation using equity method, net	(30)	(9,235)	(22)	(6,964)
Net income (loss)	195,020	(396,048)	147,063	(298,656)
	129,929	(413,424)	97,979	(311,759)
TRANSFER FROM OTHER STATUTORY RESERVES	1,546	2,120	1,165	1,599
APPROPRIATIONS (DISPOSITIONS):				
Legal reserve	19,600	(36,432)	14,780	(27,473)
Reserve for business rationalization	-	(11,320)	-	(8,536)
Voluntary reserve	91,400	(28,528)	68,924	(21,512)
Discount on stock issuance	3,845	-	2,899	-
Capital surplus	-	(269,963)	-	(203,577)
Cash dividends (Note 25)	16,560	-	12,488	-
	131,405	(346,243)	99,091	(261,098)
UNAPPROPRIATED ACCUMULATED RETAINED EARNINGS (DEFICIT) TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	₩ 70	₩ (65,061)	\$ 53	\$ (49,062)

The accompanying notes are an integral part of these statements.

Non-Consolidated Statements of Cash Flows

For the year ended December 31, 2001 and 2000

Korean Won / Translation into US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	₩ 195,020	₩ (396,048)	\$ 147,063	\$ (298,656)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Loss on disposal of trading securities	58,758	24,800	44,309	18,701
Loss on valuation of trading securities	-	1,548	-	1,167
Loss on derivatives instruments	76,818	103,610	57,928	78,131
Provision for possible loan losses	334,130	816,951	251,964	616,055
Provision for severance benefits	19,475	10,651	14,686	8,032
Depreciation and amortization	38,036	32,228	28,682	24,303
Loss on disposal of tangible assets	728	820	549	619
Loss on disposal of investment securities	13,180	10,473	9,939	7,898
Investment securities impairment loss	32,524	115,459	24,526	87,067
Loss on valuation of investment equity in fund	-	3,313	-	2,498
Loss on sales of loans	25,780	3,618	19,441	2,728
Other expenses not involving cash outflows	36,876	6,546	27,808	4,937
Gain on disposal of trading securities	(67,427)	(54,405)	(50,846)	(41,026)
Gain on valuation of trading securities	(2,641)	(26,563)	(1,992)	(20,031)
Gain on derivatives instruments	(62,449)	(79,455)	(47,092)	(59,916)
Reversal of allowance for possible loss				
on acceptances and guarantees	(63,567)	(45,197)	(47,935)	(34,083)
Gain on disposal of tangible assets	(47)	(40)	(35)	(30)
Gain on valuation using equity method	(8,731)	(3,904)	(6,584)	(2,944)
Gain on disposal of investment securities	(112,684)	(58,864)	(84,974)	(44,389)
Gain on valuation of investment equity in fund	(22,528)	(14,491)	(16,988)	(10,928)
Gain on sales of loans	(11,712)	(14,283)	(8,832)	(10,771)
Other revenues not involving cash inflows	(16,435)	(39,590)	(12,394)	(29,854)
Changes in assets and liabilities resulting from operations:				
Increase in accounts receivable - other	(256,151)	(162,330)	(193,161)	(122,412)
Decrease (increase) in accrued income	34,021	(20,986)	25,655	(15,825)
Decrease (increase) in prepaid expenses	69,021	(114,090)	52,048	(86,034)
Decrease (increase) in deferred income tax assets	92,917	(184,522)	70,068	(139,146)
Increase in accounts payable-other	262,289	185,778	197,789	140,093

(continued)

Korean Won / Translation into US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Increase (decrease) in accrued expense	₩ (84,835)	₩ 78,596	\$ (63,973)	\$ 59,269
Increase (decrease) in unearned income	(14,793)	12,533	(11,155)	9,451
Payment of severance benefits	(5,409)	(4,641)	(4,079)	(3,500)
Other	(43,932)	(30,891)	(33,129)	(23,295)
Net cash provided by operating activities	516,232	156,624	389,286	118,109
CASH FLOWS FROM INVESTING ACTIVITIES:				
Decrease (increase) in trading securities	591,889	(630,519)	446,338	(475,469)
Decrease (increase) in investment securities	223,780	(1,270,347)	168,751	(957,957)
Increase in loans	(1,964,014)	(4,880,453)	(1,481,045)	(3,680,305)
Proceeds from disposal of tangible assets	177	279	134	210
Acquisition of tangible assets	(49,027)	(91,276)	(36,971)	(68,830)
Decrease in other assets	31,913	559,380	24,065	421,823
Other	12,871	-	9,706	-
Net cash used in investing activities	(1,152,411)	(6,312,936)	(869,022)	(4,760,528)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Increase in deposits	292,101	3,914,502	220,271	2,951,891
Increase (decrease) in borrowings	(1,281,091)	2,106,622	(966,059)	1,588,585
Increase in debentures	836,397	142,688	630,719	107,600
Increase (decrease) in other liabilities	77,820	(290,920)	58,683	(219,381)
Proceeds from issuance of capital stock	-	534,428	-	403,007
Reduction of capital stock by payment in cash	(52,000)	(52,000)	(39,213)	(39,213)
Other	(3,845)	(2,534)	(2,899)	(1,911)
Net cash provided by (used in) financing activities	(130,618)	6,352,786	(98,498)	4,790,578
NET INCREASE (DECREASE) IN CASH	(766,797)	196,474	(578,234)	148,159
CASH, BEGINNING OF YEAR (Note 31)	1,530,853	1,334,379	1,154,402	1,006,243
CASH, END OF YEAR (Note 31)	₩ 764,056	₩ 1,530,853	\$ 576,168	\$ 1,154,402

The accompanying notes are an integral part of these statements.

Notes to Non-Consolidated Financial Statements (December 31, 2001)

1. General

Koram Bank (the "Bank") was established in 1983 and is engaged in the commercial banking business under the Banking Law, trust business under the Trust Business Law and foreign exchange business with approval from the Bank of Korea (BOK) and the Ministry of Finance and Economy (MOFE). The Bank has its head office in Seoul, Korea and operates through 222 domestic branches and 4 overseas networks as of December 31, 2001. The Bank's common stock was listed in the Korea Securities Exchange on November 11, 1989. The Bank's common stock amounts to ₩815,334 million (US\$614,836 thousand), consisting of 163 million common shares issued and outstanding, and the Bank's preferred stock amounts to ₩256,000 million (US\$193,047 thousand), consisting of 51 million preferred shares issued and outstanding as of December 31, 2001.

Under the decision of the Financial Supervisory Commission in accordance with the Act concerning the Structure Improvement of the Financial Industry, the Bank purchased certain assets, including the loans classified as normal or precautionary, and assumed most of the liabilities of Kyungki Bank (the P&A).

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

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

2. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

The Bank maintains its official accounting records in Korean won and prepares statutory non-consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the 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 non-consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices.

The accompanying non-consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language non-consolidated financial statements. Certain supplementary information included in the Korean language non-consolidated 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 non-consolidated financial statements.

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

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

Interest Income Recognition

The Bank applies the accrual basis in recognizing interest income related to deposits, loans, and securities, except for non-secured uncollectible receivables. Interest on loans, whose principal or interest is past due at the balance sheet date, is generally not accrued, with the exception of interest on certain loans secured by guarantee of governments or government agencies, or collateralized by bank deposits. Previously accrued interest is generally reversed to income when a loan is placed on non-accrual status and deducted from current interest income and future interest income is recognized on cash basis in accordance with accounting standards of banking industries. The unrecorded accrued interest

income on such loans based on this stated criteria amounted to ₩53,103 million (US\$ 40,044 thousand) and ₩87,208 million (US\$65,763 thousand) as of December 31, 2001 and 2000, respectively.

Valuation of Trading Securities

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

Valuation of Investment Securities

(1) Equity Securities

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

Equity securities held for investment that are in companies in which the Bank is able to exercise significant influence over the investees are accounted for using the equity method. The Bank's share in net income or net loss of investees is reflected in current operations. Changes in the retained earnings, capital surplus or other capital accounts of investees are accounted for as an adjustment to retained earnings or to capital adjustment.

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

(2) Debt Securities

Debt securities held for investment are classified as either held-to-maturity investment debt securities or available-for-sale investment debt securities at the time of purchase. Held-to-maturity investments debt securities are reclassified as available-for-sale investment debt securities in case where indicated below.

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

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

(3) Gain or Loss on Valuation of Investment Securities

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

(4) Recovery of Impaired Investment Securities

If the reasons for impairment losses are extinct and the value of any investment equity security or investment debt security previously recognized as impaired subsequently recovers, in the case of marketable equity securities and available-for-sale debt securities, the increase in

value is recorded in current operations up to the amount of the previously recognized impairment loss and any excess is recorded as a capital adjustment. In the case of unlisted equity securities and held-to-maturity debt securities, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss.

(5) Reclassification of Securities

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

Allowance for Possible Losses on Credits

The Bank classifies corporate credits (loans, confirmed acceptances and guarantees) based on borrowers' capability to repay in consideration of borrowers' business operation, financial position and future cash flows (Forward Looking Criteria) as well as past due period and status of any bankruptcy proceedings (Historical Repayment Criteria). Credits to small companies and to households, however, are classified not by evaluating the debt repayment capability of a borrower or customer but by past due period and status of bankruptcy proceedings. The Bank generally classifies all credits to a single borrower in the same category of classification but credits guaranteed or credits collateralized by bank deposits, real estate and other assets may be classified differently based on his or her guarantor's capability to service such guarantee or based on the value of collateral securing such credits.

Based on the Bank's corporate credit evaluation model, credits to a borrower are classified into eleven grades from one to ten (1,2,3,4,5,6,6w,7,8,9,10). Credits of grades of 1 to 6W are classified as normal, credits of grade 7 - precautionary, credits of grade 8 - substandard, credits of grade 9 - doubtful, and credits of grade 10 - estimated loss. Credits are finally classified reflecting past due period and bankruptcy considerations.

The Historical Repayment Criteria are set forth as follows:

- **Normal**

Loans in arrears for less than one month

- **Precautionary**

Loans in arrears for one month or more but less than three months

- **Substandard**

Collectible portion of loans in arrears for three months or more and/or loans extended to customers who are judged to have serious risks in collectibility due to the final default by non-payment of their promissory notes, liquidation or bankruptcy proceedings or closing of their businesses

- **Doubtful**

Amount in excess of collectible portion of loans in arrears for three months or more but less than twelve months and/or loans extended to customers who are determined by the court to begin final restructuring plan prepared through court receivership or court mediation

- **Estimated loss**

Amount in excess of collectible portion of loans in arrears for twelve months or more and/or loans extended to customers who are judged to have serious risks in collectibility due to final default by non-payment of their promissory notes, liquidation or bankruptcy proceedings or closing of their businesses

The Forward Looking Criteria based on ability to repay are set forth as follows:

- **Grade 1 (Normal)**

Credits extended to the customers which, in consideration of their business and operations, financial conditions and future cash flows, do not raise concerns regarding their capability to repay the credits notwithstanding extreme stagnancy of business activities

- **Grade 2 (Normal)**

Credits extended to the customers which, in consideration of their business and operations, financial conditions and future cash flows, do not raise concerns regarding their capability to repay the credits notwithstanding major business fluctuations

- **Grade 3 (Normal)**

Credits extended to the customers which, in consideration of their business and operations, financial conditions and future cash flows, do not raise concerns regarding their capability to repay the credits notwithstanding short-term business fluctuations

- **Grade 4 (Normal)**

Credits extended to the customers which, in consideration of their business and operations, financial conditions and future cash flows, do not raise concerns regarding their capability to repay, although they can be influenced by stagnancy of business activities

- **Grade 5 (Normal)**

Credits extended to the customers which, in consideration of their business and operations, financial conditions and future cash flows, do not raise concerns regarding their capability to repay except in stagnancy of business activities

- **Grade 6 (Normal)**

Credits extended to the customers which, in consideration of their business and operations, financial conditions and future cash flows, raise concerns regarding their capability to repay without collateral

- **Grade 6W (Normal)**

Credits extended to the customers which, in spite of similarity to grade 6, can be classified as under grade 7 without overcoming their weakness; or which cannot be classified as grade 6 due to insufficient information

- **Grade 7 (Precautionary)**

Credits extended to the customers which, in consideration of their business and operations, financial position and future cash flows, are judged to have potential risks with respect to their capability to repay the credits in the future without eliminating their potential weakness, although there have not occurred any immediate risks for default in repayment

- **Grade 8 (Substandard)**

Collectible portion of credits extended to the customers which, in consideration of their business and operations, financial position and future cash flows, are judged to have incurred considerable risks for default in repayment as the customers' capability to repay has deteriorated

- **Grade 9 (Doubtful)**

Amount in excess of collectible portion of credits extended to customers which in consideration of their business and operations, financial conditions and future cash flows, are judged to have incurred serious risks for default in repayment due to noticeable deterioration in their capability to repay

- **Grade 10 (Estimated loss)**

Amount in excess of collectible portion of credits extended to customers which, in consideration of their business and operations, financial position and future cash flows, are judged to have to be accounted for as loss as the inability to repay became certain due to serious deterioration in their capability to repay

An allowance is then calculated on the category balances using the prescribed percentages of 0.5 - 1.9 percent for normal, 2 - 19 percent for precautionary, 20 - 49 percent for substandard, 50 - 99 percent for doubtful, and 100 percent for estimated loss. However, the Bank does not provide allowances for loans to the Korean government and local government entities, bonds bought under resale agreements, and inter-bank loans that are classified as Normal.

The Bank also provides an allowance for possible losses on confirmed acceptances and guarantees. Confirmed acceptances and guarantees are classified as of the balance sheet dates using the same loan classification criteria. An allowance is then calculated, using from 20 to 49 percent for substandard, from 50 to 99 percent for doubtful and 100 percent for estimated loss. No allowance is provided for those confirmed acceptances and guarantees classified as normal and precautionary. However, an allowance for confirmed acceptances and guarantees classified as precautionary to companies under workout is provided from 2 to 19 percent. The allowance for possible losses on confirmed acceptances and guarantees is presented in other liabilities.

Restructuring of Loans

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

Valuation of Receivables and Payables at Present Value

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

Tangible Assets and Depreciation

Tangible assets included in fixed assets are recorded at cost, except for the effect of upward revaluation made in accordance with the Asset

Revaluation Law. Routine maintenance and repairs are expensed as incurred.

Expenditures that result in the enhancement of the value or extension of the useful lives of the facilities involved are capitalized as additions to tangible assets.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Years
Buildings	50
Equipment	5
Leasehold improvements	5

Intangible Assets

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

Recognition of Assets Impairment

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

Amortization of Discount (Premium) on Debentures

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

Bonds under Resale or Repurchase Agreements

Bonds purchased under resale agreements are recorded as loans and bonds sold under repurchase agreements are recorded as borrowings when the Bank purchases or sells securities under resale or repurchase agreements.

Accrued Severance Benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Bank, based on their length of service and rate of pay at the time of termination. The accrued severance benefits which would be payable, assuming all eligible employees and directors were to resign as of December 31, 2001 and 2000, amounted to ₩48,371 million (US\$36,476 thousand) and ₩34,305 million (US\$25,869 thousand), respectively. The accrued severance benefits are included in other liabilities.

The funding of the severance liability is not required. However, the Bank has insured a portion of its obligations for severance benefits in order to obtain the related tax benefits, by making deposits with life insurance companies. The Bank has purchased severance insurance, which meets the funding requirement for tax purposes, and made deposits with Samsung Life Insurance and others. The individual severance insurance deposits, amounting to ₩45,670 million (US\$34,439 thousand) and ₩31,288 million (US\$23,594 thousand) as of December 31, 2001 and 2000, respectively, are presented as a deduction from accrued severance benefits because the severance insurance's beneficiaries are the Bank employees.

Before April 1999, the Bank and its employees paid 3 percent and 6 percent, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law of Korea. The Bank paid half of the employees' 6 percent portion, which was paid as an advance for the future severance payment and deducted from the total severance indemnity payable at the termination. Such advance payment, totalling ₩2,701 million (US\$2,037 thousand) as of December 31, 2001 and ₩3,017 million (US\$2,275 thousand) as of December 31, 2000, are presented as a deduction from accrued severance benefits. Since April 1999, according to a revision in the National Pension Law, the Bank and its employees each pay 4.5 percent of monthly pay to the Fund.

Actual payment of severance indemnities amount to ₩5,409 million (US\$4,079 thousand) in 2001 and ₩4,641 million (US\$3,500 thousand) in 2000.

Accounting for Derivative Instruments

The Bank accounts for derivative instruments pursuant to the Interpretations on Financial Accounting Standards 53-70 on accounting for

derivative instruments. Derivative instruments are classified as used for trading activities or for hedging activities according to their transaction purpose. All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations.

The accounting for derivative transactions that are part of a qualified hedge, based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting, differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustment is added to or deducted from the asset or the liability.

Accounting for Stock Options

Stock options are valued at fair value pursuant to the Interpretations on Financial Accounting Standards 39-35 on accounting for stock options. The fair value of stock options is charged to operating expense in the statement of operations and credited to capital adjustments as stock option cost over the contract term of the services provided.

Accounting for Trust Accounts

The Bank engages in trust business with the approval, under the Article 3 of Trust Act, from the Ministry of Finance and Economy (MOFE) on February 2, 1984. The Bank maintains the books of accounts and financial statements in connection with the trust operations (the trust accounts) separately from those of the bank accounts in accordance with the Trust Business Act and the trust accounting guidelines of MOFE. When surplus funds are generated through the management of trust assets, such funds are deposited with the Bank and are recorded as due to trust accounts of the bank accounts. The Bank receives the fees for operation and management of trust business and accounts for them as fees and commissions from trust accounts.

With respect to certain trust account products, the Bank guarantees the repayment of the principal of the trust accounts and, in certain cases, a fixed rate of return. If income from such trust accounts is insufficient to pay the guaranteed amount, such a deficiency is satisfied by using special reserves maintained in the trust accounts, offsetting trust fee payable to bank accounts and receiving compensation contributions from the bank accounts of the Bank in an orderly manner. If the Bank pays compensating contributions to guaranteed return trusts to cover such deficiencies, these contributions are reflected as other operating expense of the bank accounts and as other income of the trust accounts. There is no assurance that the Bank will not be required to make such compensating transfers in the future or that the amounts of such transfers may not be significantly greater in the future.

Income Tax Expense

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

Accounting for Foreign Currency Transactions and Translation

The Bank maintains its accounts in Korean Won. Transactions in foreign currency are recorded in Korean Won based on the prevailing rate of exchange on the transaction date. The Korean Won equivalent of assets and liabilities denominated in foreign currency are translated in these non-consolidated financial statements based on BOK Basic Rate (₩1,326.10 and ₩1,259.70 to US\$1.00 at December 31, 2001 and 2000, respectively) or cross rates as of the balance sheet dates. Translation gains and losses on foreign currency denominated assets and liabilities are credited or charged to operations. Financial statements of overseas branches and subsidiaries in which investments are accounted for using equity method are translated based on BOK Basic Rate as of the balance sheet date.

Reclassification

Certain accounts of the prior period were reclassified to conform with the current period's presentation for comparative purposes. However,

those reclassifications had no effect on the previously reported prior period net loss or shareholders' equity of the Bank.

3. Cash and Due from Banks:

(1) Cash and due from banks in local currency and foreign currencies as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Cash and checks	₩ 459,675	₩ 581,613	\$ 346,637	\$ 438,589
Foreign currencies	27,547	30,196	20,773	22,771
Due from banks in local currency	217,506	819,358	164,019	617,870
Due from banks in foreign currencies	59,328	99,686	44,739	75,172
	₩ 764,056	₩ 1,530,853	\$ 576,168	\$ 1,154,402

(2) Restricted due from banks in local currency and foreign currencies as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	Financial institution	(In millions)		(In thousands)		Reason of restriction
		2001	2000	2001	2000	
Reserve deposits	BOK	₩178,025	₩560,654	\$ 134,247	\$ 422,784	BOK Act
Other deposits	Samsung life Insurance Co.	22,000	22,000	16,590	16,590	Subordinated borrowings
	Hanvit Bank	3,998	18,658	3,015	14,070	Escrow account for Daewoo Telecom
	Korea Stock Exchange	356	426	268	321	Deposits for securities transaction
	Samsung life Insurance Co. and others	1,099	2,834	829	2,137	Severance indemnities
Due from banks in foreign currencies	BOK	34,551	35,360	26,055	26,665	BOK Act
		₩240,029	₩639,932	\$ 181,004	\$ 482,567	

(3) Due from banks by financial institution as of December 31, 2001 and 2000 included the following:

Interest rate / Korean Won / US Dollars (Note 2)	2001	2001	2000	(In thousands)	
				2001	2000
Due from banks in local currency					
BOK	-	₩ 178,025	₩ 560,654	\$ 134,247	\$ 422,784
Certificate of deposits of local banks	-	-	24,559	-	18,520
Other financial institutions	1.00 - 5.00	39,481	234,145	29,772	176,566
		217,506	819,358	164,019	617,870
Due from banks in foreign currencies					
BOK	-	₩ 34,551	₩ 35,360	\$ 26,055	\$ 26,665
Foreign financial institutions and others	-	24,777	64,326	18,684	48,507
		59,328	99,686	44,739	75,172
		₩ 276,834	₩ 919,044	\$ 208,758	\$ 693,042

As of December 31, 2001, due from banks in local currency to other financial institution includes ₩9,448 million (US\$7,125 thousand) of deposit to closed merchant banks of which had been assumed by Hanareum Banking Corporation, which has been established for the restructuring of merchant banks. The Banks classified this amount as precautionary and provided an allowance for possible loan losses based on its classification.

4. Trading Securities:

(1) Trading securities as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Equity securities	₩ 23,914	₩ 7,452	\$ 18,033	\$ 5,619
Government and public bonds	273,444	735,429	206,202	554,580
Finance debentures	-	20,021	-	15,098
Corporate bonds	-	99,872	-	75,313
Trading securities in foreign currencies	-	15,163	-	11,434
	₩ 297,358	₩ 877,937	\$ 224,235	\$ 662,044

(2) The valuation of trading securities as of December 31, 2001 was as follows (Unit: Won in millions):

	Face value	Acquisition cost	Adjusted by effective interest method	Fair value
Equity securities	₩ -	₩ 21,540	₩ -	₩ 23,914
Government and public bonds	258,473	274,173	273,177	273,444
	₩ 258,473	₩ 295,713	₩ 273,177	₩ 297,358

The valuation of trading securities as of December 31, 2000 was as follows (Unit: Won in millions):

	Face value	Acquisition cost	Adjusted by effective interest method	Fair value
Equity securities	₩ -	₩ 9,000	₩ -	₩ 7,452
Government and public bonds	692,773	709,010	708,785	735,429
Finance debentures	20,000	20,014	20,014	20,021
Corporate bonds	100,000	100,074	100,073	99,872
Trading securities in foreign currencies	15,116	15,047	15,050	15,163
	₩ 827,889	₩ 853,145	₩ 843,922	₩ 877,937

Fair value of trading debt securities in local currency is determined based on closing yields of bonds on the balance sheet dates announced by the Korea Securities Computer Co., Ltd. and excludes accrued interest income. Fair value of trading securities in foreign currencies is determined by the latest market prices, which are announced by market price information providers or yields, which are provided by professional dealers of bonds. Acquisition costs of trading securities in foreign currency are Korean Won equivalents of foreign currency denominated acquisition costs based on BOK Basic Rate on the balance sheet dates.

The Bank recorded gain on valuation of trading securities of ₩2,641 million (US\$1,992 thousand) in 2001 and ₩26,563 million (US\$20,031 thousand) in 2000 and loss on valuation of trading securities of ₩1,548 million (US\$1,167 thousand) in 2000.

(3) The portfolio of trading securities, by industry, as of December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2) / Percentage	(In millions)		(In thousands)		(%)	
	2001	2000	2001	2000	2001	2000
Financial industry	₩ 3,831	₩ 20,022	\$ 2,889	\$ 15,098	1.29	2.28
Government	278,299	839,221	209,863	632,849	93.59	95.59
Manufacturing	8,740	11,242	6,591	8,477	2.94	1.28
Wholesales and retails	4,312	7,452	3,251	5,620	1.45	0.85
Others	2,176	-	1,641	-	0.73	-
	₩ 297,358	₩ 877,937	\$ 224,235	\$ 662,044	100.00	100.00

(4) The portfolio of trading securities, by type, as of December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2) / Percentage	(In millions)		(In thousands)		(%)	
	2001	2000	2001	2000	2001	2000
Stocks	₩ 23,914	₩ 7,452	\$ 18,033	\$ 5,619	8.04	0.85
Fixed rate bonds	273,444	870,485	206,202	656,425	91.96	99.15
	₩ 297,358	₩ 877,937	\$ 224,235	\$ 662,044	100.00	100.00

(5) All trading securities as of December 31, 2001 and 2000 were issued in Korea.

5. Investment Securities:

(1) Investment securities as of December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Equity securities	₩ 188,692	₩ 124,968	\$ 142,291	\$ 94,237
Equity investments	7,953	5,148	5,997	3,882
Government and public bonds	1,772,009	1,709,479	1,336,256	1,289,103
Finance debentures	2,536,186	1,864,753	1,912,515	1,406,193
Corporate bonds	2,523,330	3,556,126	1,902,820	2,681,643
Investment securities in foreign currencies	469,028	209,341	353,690	157,862
Others	509,292	651,690	384,053	491,434
	₩ 8,006,490	₩ 8,121,505	\$ 6,037,622	\$ 6,124,354

(2) Investment equity securities, including in foreign currencies, as of December 31, 2001 were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	Acquisition cost	Book value	Acquisition cost	Book value
Equity securities accounted for using equity method	₩ 55,675	₩ 25,399	\$ 41,984	\$ 19,153
Marketable investment equity securities	185,686	101,520	140,024	76,555
Unlisted investment equity securities	102,934	61,773	77,622	46,583
	344,295	188,692	259,630	142,291
Investment equity securities in foreign currencies	315	315	238	238
	₩ 344,610	₩ 189,007	\$ 259,868	\$ 142,529

Investment equity securities, including in foreign currencies, as of December 31, 2000 were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	Acquisition cost	Book value	Acquisition cost	Book value
Equity securities accounted for using equity method	₩ 87,281	₩ 19,219	\$ 65,818	\$ 14,493
Marketable investment equity securities	135,868	40,686	102,457	30,681
Unlisted investment equity securities	104,594	65,063	78,873	49,063
	327,743	124,968	247,148	94,237
Investment equity securities in foreign currencies	1,191	1,559	898	1,176
	₩ 328,934	₩ 126,527	\$ 248,046	\$ 95,413

1) Investment equity securities accounted for using equity method as of December 31, 2001 were as follows (Unit: Won in millions):

	Book value before valuation	Book value after valuation	Gain (Loss) on valuation using equity method	Presented in retained earnings	Presented in capital adjustments
Hanmi Capital Co., Ltd.	₩ -	₩ 8,419	₩ 8,246	₩ -	₩ 173
Hanmi Technology Investment Co., Ltd.	10,507	9,666	(629)	(43)	383
SK Investment Trust Management Co., Ltd.	6,503	7,314	1,114	-	(3)
	₩ 17,010	₩ 25,399	₩ 8,731	₩ (43)	₩ 553

Dividends of ₩552 million (US\$416 thousand) and ₩300 million (US\$226 thousand) received from Hanmi Technology Investment Co., Ltd. and SK Investment Trust Management Co., Ltd. in 2001, respectively, were deducted from book value. Goodwill and negative goodwill resulting from equity method of accounting are amortized over five years using the straight-line method. Such amortized amounts of negative goodwill in 2001 were ₩3,849 million (US\$2,902 thousand).

The closing month of companies accounted for using equity method and balance sheet date of the financial statements of these companies used for equity method were as follows:

	Percentage of ownership (%)	Closing month	Balance sheet date
Hanmi Capital Co., Ltd.	29.00	March	December
Hanmi Technology Investment Co., Ltd.	25.73	December	December
SK Investment Trust Management Co., Ltd.	20.00	March	December

2) Marketable investment equity securities as of December 31, 2001 were as follows (Unit: Won in millions):

	Shares	Percentage of ownership (%)	Acquisition cost	Book value before valuation	Fair value	Book value
Kohap Corp.	3,820,000	9.08	₩ 19,100	₩ 3,209	₩ 2,082	₩ 2,082
Daewoo Engineering & Construction Co., Ltd.	339,348	0.24	98	64	947	947
Daewoo International Corporation	176,499	0.49	51	34	294	294
Daewoo Electronics Co., Ltd.	4,537,142	5.06	21,483	21,483	16,560	16,560
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	1,000,000	0.50	3,500	3,500	6,350	6,350
Daewoo Heavy Industry & Machinery Co., Ltd.	1,382,542	0.82	4,444	4,444	2,606	2,606
Daewoo Securities Co., Ltd.	3,130,000	2.03	55,215	15,963	31,926	31,926
Daewoo Telecom. Ltd.	1,559,000	4.78	3,180	1,497	1,185	1,185
Saehan Industries Inc.	2,365,000	11.99	10,444	10,444	5,108	5,108
Shin Won Corporation	3,264,750	1.88	6,801	2,167	2,971	2,167
Ssangyong Engineering & Construction Co., Ltd.	2,470,000	2.00	12,350	865	1,210	865
Hankang Restructuring Fund	1,260,000	0.99	6,300	3,396	4,114	4,114
Hyundai Engineering & Construction Co., Ltd.	7,200,876	1.49	36,004	36,004	23,403	23,403
Others			6,716	3,295	4,098	3,913
			₩ 185,686	₩ 106,365	₩ 102,854	₩ 101,520

Marketable investment equity securities as of December 31, 2000 were as follows (Unit: Won in millions):

	Shares	Percentage of ownership (%)	Acquisition cost	Book value before valuation	Fair value (Book value)
Kohap Corp.	3,820,000	9.08	₩ 19,100	₩ 14,516	₩ 3,208
Daewoo Securities Co., Ltd.	3,130,000	2.03	55,215	40,220	15,963
Daewoo Telecom. Ltd.	1,559,000	4.78	3,180	3,180	1,497
Shin Won Corporation	3,043,400	2.40	7,458	3,475	1,887
Ssangyong Engineering & Construction Co., Ltd.	2,470,000	2.00	12,350	2,495	865
Hankang Restructuring Fund	1,260,000	0.99	6,300	7,749	3,396
Haitai Confectionery Co., Ltd.	3,860,8000	2.37	19,304	52,871	9,275
Others			12,961	9,848	4,595
			₩ 135,868	₩ 134,354	₩ 40,686

Marketable investment equity securities were stated at fair value with a valuation gain or loss recorded as a capital adjustment. If the fair value declined compared to acquisition cost and was not expected to recover (impaired investment security), the value of the equity security was adjusted to fair value, with the valuation loss charged to current operations. Marketable investment equity securities impairment loss was ₩27,443 million (US\$20,695 thousand) in 2001 and ₩47,300 million (US\$35,669 thousand) in 2000.

3) Unlisted investment equity securities as of December 31, 2001 were as follows (Unit: Won in millions):

	Shares	Percentage of ownership (%)	Acquisition cost	Book value before valuation	Net asset value	Book value
Korea Housing Guarantee Co., Ltd.	5,457,600	0.94	₩ 8,292	₩ 3,092	₩ 4,738	₩ 3,092
Mukunghwa Structure Control Fund	1,260,000	1.89	6,300	6,300	6,360	6,360
BC Card Co., Ltd.	87,120	1.98	1,331	1,331	1,830	1,331
Samsung Capital Co., Ltd.	2,105,556	5.05	11,372	11,372	15,576	11,372
Seoul Debt Control Fund	2,220,000	1.85	10,879	10,879	10,956	10,956
Arirang Structure Control Fund	1,260,000	1.89	6,300	6,300	5,737	5,737
Kiwoom.com Securities Co., Ltd.	500,000	5.00	2,500	2,500	2,118	2,500
Final Data Inc.	33,330	0.67	1,000	1,000	164	1,000
Korea Securities Finance Corp.	1,003,217	1.48	5,019	5,038	6,185	5,038
Korea Aerospace Industries Co., Ltd.	475,400	0.51	2,377	2,377	1,703	1,703
Others			47,564	13,215	8,448	12,684
			₩ 102,934	₩ 63,404	₩ 63,815	₩ 61,773

Unlisted investment equity securities as of December 31, 2000 were as follows (Unit: Won in millions):

	Shares	Percentage of ownership (%)	Acquisition cost	Book value before valuation	Book value
Mukunghwa Structure Control Fund	1,260,000	1.89	₩ 6,300	₩ 6,300	₩ 6,300
BC Card Co., Ltd.	87,120	1.98	1,331	1,331	1,331
Samsung Capital Co., Ltd.	2,105,556	5.05	11,372	11,372	11,372
Seoul Debt Control Fund	2,220,000	1.85	11,100	11,100	11,100
Arirang Structure Control Fund	1,260,000	1.89	6,300	6,300	6,300
Kiwoom.com Securities Co., Ltd.	500,000	5.00	2,500	2,500	2,500
Final Data Inc.	3,330	0.66	1,000	1,000	1,000
Korea Securities Finance Corp.	1,003,217	1.48	5,019	5,038	5,038
Others			59,672	53,841	20,122
			₩ 104,594	₩ 98,782	₩ 65,063

Unlisted investment equity securities were stated at acquisition cost. If the net equity value declined compared to acquisition cost and was not expected to recover (impaired investment security), the value of the equity security was adjusted to net equity value, with the valuation loss charged to current operations. Investment securities impairment loss on unlisted investment equity securities was ₩1,205 million (US\$908 thousand) in 2001 and ₩33,719 million (US\$25,427 thousand) in 2000.

4) Investment in equity securities in foreign currencies of December 31, 2001 and 2000 were as follows (Unit: Won in millions):

	Shares	Percentage of ownership (%)	2001		2000	
			Acquisition cost	Book value	Acquisition cost	Book value
Balkan Fund	198,020	-	₩ 315	₩ 315	₩ 329	₩ 299
UzDaewoo Bank	1,000,000	10.00	-	-	862	1,260
			₩ 315	₩ 315	₩ 1,191	₩ 1,559

(3) As of December 31, 2001 and 2000, the equity investments were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
SMSF	₩ 6,153	₩ 3,848	\$ 4,640	\$ 2,902
KAMCO	1,300	1,300	980	980
Other	500	-	377	-
	₩ 7,953	₩ 5,148	\$ 5,997	\$ 3,882

The Bank's investment in Stock Market Stabilization Fund (SMSF) (0.87 percent owned as of December 31, 2001) was stated at net asset value while the investment in KAMCO (0.93 percent owned as of December 31, 2001) was stated at acquisition cost.

Gain or loss on valuation of SMSF investment was reflected in non-operating income or expenses. Gain on valuation of SMSF in 2001 was ₩3,847 million (US\$2,901 thousand) and loss on valuation of SMSF in 2000 was ₩3,313 million (US\$2,498 thousand).

(4) The valuation of investment debt securities as of December 31, 2001 was as follows (Unit: Won in millions):

	Face value	Acquisition cost	Adjusted by effective interest method	Fair value (Book value)
Available-for-sale				
Government and public bonds	₩ 1,364,097	₩ 1,270,998	₩ 1,301,392	₩ 1,337,847
Finance debentures	407,690	397,094	396,525	398,188
Corporate bonds	1,642,505	1,636,167	1,600,168	1,615,599
Other investment securities in foreign currencies	473,129	463,659	468,577	468,713
	3,887,421	3,767,918	3,766,662	3,820,347
Held-to-maturity				
Government and public bonds	433,095	434,988	434,162	434,162
Finance debentures	2,210,000	2,148,643	2,137,998	2,137,998
Corporate bonds	908,904	903,773	907,731	907,731
	3,551,999	3,487,404	3,479,891	3,479,891
	₩ 7,439,420	₩ 7,255,322	₩ 7,246,553	₩ 7,300,238

The valuation of investment debt securities as of December 31, 2000 was as follows (Unit: Won in millions):

	Face value	Acquisition cost	Adjusted by effective interest method	Fair value (book value)
Available-for-sale				
Government and public bonds	₩ 1,455,808	₩ 1,317,139	₩ 1,341,526	₩ 1,397,585
Finance debentures	877,730	857,588	857,334	860,588
Corporate bonds	2,268,655	2,255,924	2,255,942	2,245,015
Other investment securities in foreign currencies	226,399	166,206	168,770	189,381
	4,828,592	4,596,857	4,623,572	4,692,569
Held-to-maturity				
Government and public bonds	311,345	312,721	311,894	311,894
Finance debentures	1,036,700	1,004,155	1,004,165	1,004,165
Corporate bonds	1,322,270	1,316,471	1,311,111	1,311,111
Other investment securities in foreign currencies	18,404	16,503	18,401	18,401
	2,688,719	2,649,850	2,645,571	2,645,571
	₩ 7,517,311	₩ 7,246,707	₩ 7,269,143	₩ 7,338,140

Book values of government and public bonds, finance debentures, and corporate bonds are the sum of fair values of available-for-sale investment debt securities and amounts adjusted by effective interest method of held-to-maturity investment debt securities. Book value of other investment securities in foreign currency in the balance sheets is the sum of fair value of available-for-sale other investment securities in foreign currency, amounts adjusted by effective interest rate method of held-to-maturity investment securities in foreign currency and stocks in foreign currency in Note 5(2).

Fair values of available-for-sale investment debt securities in local currency and held-to-maturity investment debt securities in local currency were calculated based on the closing market interest rate announced by Korea Securities Computer Co., Ltd. Other investment securities in foreign currency were calculated based on the latest market value announced by price information provider, or yield that is provided by professional dealers. Acquisition costs of other investment securities in foreign currency are Korean Won equivalents of foreign currency denominated acquisition costs at BOK Basic Rate on the balance sheet dates. Book value and fair value of held-to-maturity investment securities in foreign currency are amounts adjusted by effective interest rate method.

Investment securities impairment loss on investment debt securities was ₩3,876 million (US\$2,923 thousand) in 2001 and ₩34,440 million (US\$25,971 thousand) in 2000, and recovery of impairment loss was ₩1,125 million (US\$848 thousand) in 2000.

In addition, hedging the exposure of the interest rate risk and foreign exchange rate risk, the Bank is engaged in swap transactions. For these swap transactions, the Bank recorded gain on fair value hedge of ₩3,607 million (US\$2,720 thousand) in 2001 and ₩251 million (US\$189 thousand) in 2000 and loss on fair value hedge of ₩430 million (US\$324 thousand) in 2001 and ₩91 million (US\$69 thousand) in 2000 to current operations.

(5) Other investment securities as of December 31, 2001 and 2000 were as follows (Unit: Won in millions):

	2001		2000	
	Acquisition cost	Fair value	Acquisition cost	Fair value
Investments in beneficiary certificates	₩ 260,400	₩ 289,949	₩ 347,200	₩ 361,690
Treasury stock fund (Note 17)	9,317	9,317	-	-
Others	210,032	210,026	290,000	290,000
	₩ 479,749	₩ 509,292	₩ 637,200	₩ 651,690

Gain on valuation of investments in beneficiary certificates amounting to ₩18,681 million (US\$14,087 thousand) in 2001 and ₩14,491 million (US\$10,928 thousand) in 2000, which are related to the investment in bond market stabilization, was credited to non-operating income.

(6) The gain (loss) on valuation of investment securities for the year ended December 31, 2001 reflected in capital adjustments consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)			(In thousands)
	January 1, 2001	Increase (Decrease)	December 31, 2001	December 31, 2001
Investment equity securities	₩ (47,792)	₩ 25,185	₩ (22,607)	\$ (17,048)
Investment debt securities	77,494	(23,945)	53,549	40,381
Securities denominated in foreign currencies	(1,474)	1,610	136	103
Other investment securities	-	2,282	2,282	1,721
	₩ 28,228	₩ 5,132	₩ 33,360	\$ 25,157

(7) The portfolio of investment securities, by country, as of December 31, 2001 and 2000 was as follows:

Korean Won / US Dollars (Note 2) / Percentage	(In millions)		(In thousands)		(%)	
	2001	2000	2001	2000	2001	2000
Korea	₩ 7,938,817	₩ 8,062,113	\$ 5,986,590	\$ 6,079,566	99.15	99.27
U.S.A.	39,166	18,401	29,535	13,876	0.49	0.23
Thailand	21,366	32,529	16,112	24,530	0.27	0.40
Indonesia	318	6,468	240	4,878	-	0.08
Others	6,823	1,994	5,145	1,504	0.09	0.02
	₩ 8,006,490	₩ 8,121,505	\$ 6,037,622	\$ 6,124,354	100.00	100.00

(8) The portfolio of investment securities, by industry, as of December 31, 2001 and 2000 was as follows:

Korean Won / US Dollars (Note 2) / Percentage	(In millions)		(In thousands)		(%)	
	2001	2000	2001	2000	2001	2000
Financial industry	₩ 666,690	₩ 2,056,711	\$ 502,745	\$ 1,550,947	8.33	25.32
Government	6,099,925	4,106,146	4,599,898	3,096,408	76.19	50.56
Manufacturing	592,214	686,179	446,583	517,442	7.40	8.45
Construction	94,601	187,850	71,338	141,656	1.18	2.31
Wholesales and retails	10,737	309,785	8,097	233,606	0.13	3.82
Others	542,323	774,834	408,961	584,295	6.77	9.54
	₩ 8,006,490	₩ 8,121,505	\$ 6,037,622	\$ 6,124,354	100.00	100.00

(9) The portfolio of investment securities, by type, as of December 31, 2001 and 2000 was as follows:

Korean Won / US Dollars (Note 2) / Percentage	(In millions)		(In thousands)		(%)	
	2001	2000	2001	2000	2001	2000
Stocks	₩ 189,007	₩ 126,527	\$ 142,529	\$ 95,413	2.36	1.56
Fixed rate bonds	5,194,883	5,300,844	3,917,414	3,997,319	64.88	65.27
Floating rate bonds	1,994,636	2,283,517	1,504,137	1,721,980	24.91	28.12
Convertible bonds	71,553	34,333	53,957	25,890	0.90	0.42
Beneficiary certificates	289,949	361,690	218,648	272,747	3.62	4.45
Others	266,462	14,594	200,937	11,005	3.33	0.18
	₩ 8,006,490	₩ 8,121,505	\$ 6,037,622	\$ 6,124,354	100.00	100.00

(10) The portfolio of investment securities in foreign currencies, by foreign currency and type, as of December 31, 2001 and 2000 was as follows:

Korean Won / US Dollars (Note 2) / Percentage		(In millions)		(In thousands)		(%)	
Currency	Type	2001	2000	2001	2000	2001	2000
USD	Floating rate notes	₩ 149,257	₩ 67,691	\$ 112,553	\$ 51,045	31.82	32.34
	Bonds	208,677	95,595	157,361	72,087	44.49	45.66
	Convertible bonds	20,067	28,268	15,132	21,317	4.28	13.50
	Exchange bonds	45,270	1,184	34,138	893	9.65	0.57
	Stocks	315	1,559	238	1,176	0.07	0.74
	Credit-linked notes	39,166	-	29,535	-	8.35	-
	Others	-	9,444	-	7,122	-	4.51
		462,752	203,741	348,957	153,640	98.66	97.32
HKD	Bonds	60	56	45	42	0.01	0.03
JPY	Floating rate notes	-	661	-	498	-	0.32
CHF	Convertible bond	6,216	4,883	4,688	3,682	1.33	2.33
		₩ 469,028	₩ 209,341	\$ 353,690	\$ 157,862	100.00	100.00

(11) The Bank had investment securities issued by Daewoo Group companies of ₩29,124 million (US\$21,962 thousand), which was the net amount after deducting investment securities impairment loss of ₩8,089 million (US\$6,100 thousand) in 2001. In addition, the Bank had investment securities of workout companies (including private workout and leasing companies) other than Daewoo Group companies amounting to ₩13,927 million (US\$10,502 thousand), which was the net amount after deducting investment securities impairment loss of ₩6,619 million (US\$4,991 thousand) in 2001.

(12) The Bank had investment securities issued by Hyundai Engineering and Construction of ₩23,884 million (US\$18,011 thousand), which was the net amount after deducting investment securities impairment loss of ₩15,326 million (US\$11,557 thousand) in 2001.

(13) As of December 31, 2001 and 2000, investment securities, which were provided as collateral, were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)		Provided for
Provided to	2001	2000	2001	2000	
Korea Securities Depository	₩ 1,300,320	₩ 499,893	\$ 980,560	\$ 376,965	Customer RP
Bank of Korea	138,458	108,800	104,410	82,045	Inter-bank settlement
Bank of Korea	730,852	671,482	551,129	506,358	Loans with credit limit from Bank of Korea
Bank of Korea	1,398,579	988,656	1,054,656	745,537	RP of Bank of Korea
Bank of Korea	104,909	106,988	79,111	80,679	Borrowings from Bank of Korea
Korea Asset Management Corporation	13,735	13,755	10,357	10,373	Settlement of non-performing loans
Seoul Guarantee Insurance Company	88,957	-	67,082	-	Guarantee for construction execution
Samsung Futures and other	16,116	11,970	12,153	9,026	Futures
	₩ 3,791,926	₩ 2,401,544	\$ 2,859,458	\$ 1,810,983	

6. Loans:

(1) Loans as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Loans in local currency	₩12,387,822	₩11,656,987	\$ 9,341,544	\$ 8,790,428
Loans in foreign currencies	669,013	1,368,703	504,497	1,032,127
Bills bought in local currency	246,931	218,678	186,208	164,903
Bills bought in foreign currencies	1,167,882	1,450,492	880,689	1,093,803
Advances for customers	42,516	331,699	32,061	250,131
Credit card accounts	1,936,849	858,993	1,460,560	647,759
Bond purchased under resale agreements	-	32,190	-	24,274
Call loans	408,656	263,371	308,164	198,606
Privately placed bonds	604,464	457,767	455,821	345,198
Loans to be converted to equity securities	121,481	89,737	91,608	67,670
Domestic import usance	238,295	250,606	179,696	188,980
	17,823,909	16,979,223	13,440,848	12,803,879
Allowance for possible loan losses (Note 8)	(437,213)	(1,110,781)	(329,698)	(837,630)
Present value discounts (Note 7)	(13,322)	(102,397)	(10,046)	(77,217)
	₩17,373,374	₩15,766,045	\$ 13,101,104	\$ 11,889,032

(2) Loans in local currency as of December 31, 2001 and 2000, classified by borrower type, were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Loans to enterprise				
Working capital	₩ 6,892,989	₩ 6,599,853	\$ 5,197,940	\$ 4,976,889
Facilities and equipment	674,348	738,673	508,520	557,027
	7,567,337	7,338,526	5,706,460	5,533,916
Loans to households				
Overdrafts	9	58	7	44
General purpose	3,932,949	2,543,358	2,965,801	1,917,923
Installment saving	4,564	4,417	3,442	3,331
Other	-	10	-	7
	3,937,522	2,547,843	2,969,250	1,921,305
Loans to public sector and other				
Working capital	183,647	1,005,208	138,487	758,018
Facilities and equipment	19,860	80,256	14,976	60,520
	203,507	1,085,464	153,463	818,538
Housing	243,186	226,398	183,384	170,725
Inter-bank loans	436,270	458,756	328,987	345,944
	₩12,387,822	₩11,656,987	\$ 9,341,544	\$ 8,790,428

(3) Loans in foreign currencies, by country of the borrower, as of December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2) / Percentage	(In millions)		(In thousands)		(%)	
	2001	2000	2001	2000	2001	2000
Korea	₩ 285,800	₩ 465,197	\$ 215,519	\$ 350,801	66.01	77.38
U.S.A.	1,654	4,495	1,248	3,390	0.38	0.75
Russia	47,740	45,349	36,000	34,197	11.03	7.54
Indonesia	2,990	7,837	2,255	5,910	0.69	1.30
Oversea branches	92,474	71,461	69,734	53,888	21.36	11.89
Others	2,309	6,848	1,741	5,164	0.53	1.14
	₩ 432,967	₩ 601,187	\$ 326,497	\$ 453,350	100.00	100.00

(*) The above loans excluded inter-bank loans of ₩236,046 million in 2001 and ₩767,516 million in 2000.

(4) Loans in local currency and loans in foreign currencies, by customers, as of December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2) / Percentage	(In millions)		(In thousands)		(%)	
	2001	2000	2001	2000	2001	2000
Large corporations	₩ 1,807,712	₩ 1,899,839	\$ 1,363,179	\$ 1,432,651	14.60	16.10
Medium and small corporations	6,100,118	5,967,890	4,600,044	4,500,332	49.25	50.58
Households	4,180,708	2,774,240	3,152,634	2,092,030	33.76	23.51
Others	203,507	1,085,988	153,463	818,933	1.64	9.20
Oversea branches	92,474	71,461	69,734	53,888	0.75	0.61
	₩12,384,519	₩11,799,418	\$ 9,339,054	\$ 8,897,834	100.00	100.00

(*) The above loans excluded inter-bank loans.

(5) Loans in local currency and loans in foreign currencies, by industry, as of December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2) / Percentage	(In millions)		(In thousands)		(%)	
	2001	2000	2001	2000	2001	2000
Manufacturing	₩ 4,334,484	₩ 4,277,320	\$ 3,268,595	\$ 3,225,488	35.00	36.25
Wholesales and retails	1,284,722	1,267,325	968,797	955,678	10.37	10.74
Finance and insurance	417,133	1,367,648	314,556	1,031,331	3.37	11.59
Construction	173,904	344,185	131,140	259,547	1.40	2.92
Transportation, storage and communication	511,590	491,447	385,786	370,596	4.13	4.17
Real estate and renting	485,806	403,861	366,342	304,548	3.92	3.42
Food and accommodations	142,666	118,728	107,583	89,532	1.15	1.01
Others	761,032	683,203	573,887	515,197	6.15	5.79
Oversea branches	92,474	71,461	69,734	53,888	0.75	0.60
Sub-total	8,203,811	9,025,178	6,186,420	6,805,805	66.24	76.49
Loan to households	4,180,708	2,774,240	3,152,634	2,092,029	33.76	23.51
	₩12,384,519	₩11,799,418	\$ 9,339,054	\$ 8,897,834	100.00	100.00

(*) The above loans excluded inter-bank loans.

(6) Loans to financial institutions as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Banks	₩ 83,154	₩ 66,881	\$ 62,706	\$ 50,434
Special purpose companies	36,420	-	27,464	1
Leasing companies	37,450	93,539	28,241	70,537
Korea Deposit Insurance Company	-	900,000	-	678,682
Mutual savings and finance companies	993	18,143	749	13,681
Credit card companies	125,000	95,000	94,261	71,638
Investment trust companies	33,804	46,494	25,491	35,061
Investment banking	23,601	39,280	17,797	29,621
Finance companies	39,455	15,212	29,753	11,471
Other financial institutions	37,256	93,099	28,094	70,205
	₩ 417,133	₩ 1,367,648	\$ 314,556	\$ 1,031,331

(7) Daewoo Group companies, which were placed under a workout in August 1999 due to their liquidity problems, are undergoing a workout or court receivership as of December 31, 2001. As of December 31, 2001, the Bank had loans outstanding (including confirmed acceptances and guarantees and trust accounts with guaranteed return) to Daewoo Group companies of ₩227,269 million (US\$171,381 thousand). For these credits, after deducting present value discounts of ₩3,693 million (US\$2,785 thousand), the Bank provided an allowance for possible loan losses (including allowance for possible losses on confirmed acceptances and guarantees) of ₩134,916 million (US\$101,739 thousand) based on its loan classification.

The recovery of loans outstanding to Daewoo Group companies is highly dependent on the results of the business restructuring; accordingly, the potential impact on the Bank's operations of the workout program and of the difficulties Daewoo Group companies are facing cannot presently be determined.

(8) As of December 31, 2001, amounts owed by companies under workout program excluding Daewoo Group companies amounted to ₩152,120 million (US\$114,712 thousand). After deducting the net of present value discounts of ₩13,268 million (US\$10,005 thousand), the Bank provided an allowance for possible loan losses (including allowance for possible losses on confirmed acceptances and guarantees) of ₩91,766 million (US\$69,200 thousand). The collectibility of these loans may be affected by the outcome of the restructuring of these companies under workout program.

(9) As of December 31, 2001, amounts owed by Hyundai Group companies, which include Hyundai Petrochemical and Hyundai Merchant Marine amounted to ₩119,718 million (US\$90,278 thousand) including confirmed acceptances and guarantees. The Bank has provided an allowance for possible loan losses (including allowance for possible losses on confirmed acceptances and guarantees) of ₩27,070 million (US\$20,413 thousand) based on its loan classification. Hyundai Group companies are presently undergoing a liquidity problem and the potential impact on the Bank's operations of the difficulties these companies are facing cannot presently be determined.

(10) In 2001, amounts owed by Hynix Semiconductor Inc. (Hynix) amounted to ₩194,728 million (US\$146,843 thousand) of which ₩139,307 million (US\$105,050 thousand) was exempted, and the remainder, ₩55,421 million (US\$41,793 thousand), was swapped into convertible bonds according to the approved debt-restructuring plan for Hynix as determined by the Financial Institution Creditors' meeting held on October 31, 2001. The convertible bonds are recorded as loans for which a reserve of ₩2,771 million (US\$2,090 thousand) was provided as an allowance for possible loan losses.

(11) The Banks sold its non-performing loans of ₩213,715 million (US\$161,161 thousand) in 3 different batches to Korea Asset Management Corporation since December 1997. As of December 31, 2001, the unsettled amount was ₩51,312 million (US\$38,694 thousand). The Bank has provided an allowance for possible loan losses totaling ₩25,128 million (US\$18,949 thousand).

In 2001, the Bank sold its non-performing loans of ₩302,834 million (US\$228,364 thousand) including ₩74,044 million (US\$55,836 thousand) of written off loans to Cerberus and others and recognized gain on disposal of loans of ₩11,712 million (US\$8,832 thousand) and loss on disposal of loans of ₩25,780 million (US\$19,441 thousand).

(12) The classification of asset quality for loans, net of present value discount, as of December 31, 2001 is summarized as follows (Unit: Won in millions):

	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Loans in local currency (*1)	₩12,144,939	₩ 191,940	₩ 78,126	₩ 80,046	₩ 13,228	₩12,508,279
Loans in foreign currencies	577,871	53,601	33,100	4,441	-	669,013
Bill bought in local currency	235,931	11,000	-	-	-	246,931
Bill bought in foreign currencies	1,032,764	4,947	122	126,251	3,798	1,167,882
Advances for customers	181	1,121	1,289	26,234	13,660	42,485
Credit card loans	1,817,251	70,137	28,369	16,119	4,973	1,936,849
Privately placed bonds	524,325	27,816	8,984	31,071	1	592,197
Domestic import usance	238,295	-	-	-	-	238,295
Others (*2)	408,683	9,461	692	963	1,010	420,809
	₩16,980,240	₩ 370,023	₩ 150,682	₩ 285,125	₩ 36,670	₩17,822,740

(*1) including loans to be converted to equity securities

(*2) consisting of call loans (excluding inter-banks reconciliation funds), suspense receivable as credit, due from banks in local currency, and accounts receivable reclassified from dishonored bills bought in foreign currency

The classification of asset quality for loans, net of present value discount, as of December 31, 2000 is summarized as follows (Unit: Won in millions):

	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Loans in local currency (*1)	₩11,288,062	₩ 169,054	₩ 61,585	₩ 372,985	₩ 7,839	₩11,899,525
Loans in foreign currencies	1,166,985	73,588	19,561	107,894	470	1,368,498
Bill bought in local Currency (*2)	54,473	-	-	-	-	54,473
Bill bought in foreign currencies	1,134,877	7,989	131	288,994	18,501	1,450,492
Advances for customers	937	460	9,768	264,699	1,941	277,805
Credit card loans	838,348	14,752	3,319	1,189	1,385	858,993
Privately placed loans	315,648	-	-	105,526	617	421,791
Domestic import usance	250,606	-	-	-	-	250,606
Others (*3)	180,613	2	724	31	127	181,497
	₩15,230,549	₩ 265,845	₩ 95,088	₩ 1,141,318	₩ 30,880	₩16,763,680

(*1) including loans to be converted to equity securities, commercial papers and accounts receivable reclassified from commercial papers

(*2) excluding commercial papers

(*3) consisting of call loans (excluding inter-banks reconciliation funds), bonds purchased under resale agreements, suspense receivable as credit, and accounts receivable reclassified from dishonored bills bought in foreign currency

7. Restructuring Loans:

(1) Present value discounts related to outstanding restructured loans as of December 31, 2001 were as follows (Unit: Won in millions):

Type	Discount rate (%)	Loans	Present value discounts (*2)			Ending Balance
			Beginning balance	Increase	Decrease (*1)	
Court receivership	11.00	₩ -	₩ 47	₩ -	₩ 47	₩ -
Composition	9.54 - 15.95	1,155	2,073	-	2,019	54
Workout programs	11.00	51,754	96,828	6,289	89,849	13,268
		₩ 52,909	₩ 98,948	₩ 6,289	₩ 91,915	₩ 13,322

(*1) composed of amortization of present value discount of ₩14,733 million and reversal of present value discount of ₩77,182 million due to advanced redemption

(*2) excluded the present value discount provided for Korea Leasing Co. not related to restructured loans

Cash flows from outstanding fixed rate loans are discounted by the original agreed interest rate, and cash flows from matured fixed rate loans and floating rate loans are discounted by the interest rate reflecting debtors' credit at the time of restructuring of the loans.

(2) Debt restructuring for the year ended December 31, 2001 was as follows (Unit: Won in millions):

Type	Amount before restructuring	Exemption	Debt-equity swap (debt)	Debt-equity swap	Transferred to CB	Interest reduction
Court receivership	₩ 4,250	₩ -	₩ -	₩ 4,250	₩ -	₩ -
Composition	856	-	-	856	-	-
Workout programs	74,916	-	-	38,320	15,138	21,458
Others	212,834	139,307	55,421	18,106	-	-
	₩ 292,856	₩ 139,307	₩ 55,421	₩ 61,532	₩ 15,138	₩ 21,458

8. Allowance for Possible Loan Losses:

(1) The allowance for possible loan losses as of December 31, 2001 and 2000 is summarized as follows (Unit: Won in millions):

	2001					2000	
	Normal	Precautionary	Substandard	Doubtful	Loss	Total	Total
Loans in local currency	₩ 58,544	₩ 14,881	₩ 17,721	₩ 69,847	₩ 13,228	₩ 174,221	₩ 357,113
Loans in foreign currencies	1,709	3,756	16,283	2,221	-	23,969	101,585
Bill bought in local currency	1,180	1,294	-	-	-	2,474	272
Bill bought in foreign currencies	5,164	99	24	108,697	3,798	117,782	277,548
Advances for customers	1	22	258	13,239	13,660	27,180	224,530
Credit card loans	9,086	1,403	5,674	8,060	4,973	29,196	7,131
Privately placed loans	2,621	5,475	1,917	22,275	1	32,289	99,407
Domestic import usance	1,191	-	-	-	-	1,191	1,253
Others (*1)	45	189	14,109	8,359	6,209	28,911	41,942
	₩ 79,541	₩ 27,119	₩ 55,986	₩ 232,698	₩ 41,869	₩ 437,213	₩ 1,110,781

(*1) including an allowance for possible loan losses of ₩25,128 million provided for unsettled non-performing loans sold (Note 6(11))

(2) The changes in allowance for possible loan losses as of December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Beginning balance	₩ 1,110,781	₩ 631,280	\$ 837,630	\$ 476,043
Written-off charged to present value discount	(6,289)	(88,680)	(4,742)	(66,873)
Loans written-off	(972,621)	(157,372)	(733,445)	(118,673)
Conversion to equity securities	(28,443)	(60,135)	(21,449)	(45,347)
Sales of loans	(101,603)	(67,177)	(76,618)	(50,657)
Collection of previously written-off loans	12,871	6,970	9,706	5,256
Repurchase of NPLs sold	1,106	3,928	834	2,962
Termination of restructuring	74,745	-	56,365	-
Other	12,536	25,016	9,453	18,864
Provision for possible loan losses	334,130	816,951	251,964	616,055
Ending balance	₩ 437,213	₩ 1,110,781	\$ 329,698	\$ 837,630

(3) The allowance for possible loan losses compared to total loans, net of present value discount, is summarized as follows:

Korean Won / US Dollars (Note 2)	(In millions)	(In thousands)	(In millions)	(In thousands)	Percentage (%)
	Total loans(*)		Allowance for possible loan losses		
Dec 31, 2001	₩16,741,767	\$12,624,815	₩ 437,213	\$ 329,698	2.61
Dec 31, 2000	15,357,425	11,580,895	1,110,781	837,630	7.23
Dec 31, 1999	₩11,293,024	\$ 8,515,967	₩ 631,280	\$ 476,043	5.59

(*) excluding call loans and inter-bank loans classified as normal

9. Fixed Assets:

(1) Fixed assets as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Tangible assets	₩ 489,839	₩ 448,674	\$ 369,383	\$ 338,341
Less: Accumulated depreciation	(130,463)	(99,609)	(98,381)	(75,114)
Intangible assets	224	279	169	210
	₩ 359,600	₩ 349,344	\$ 271,171	\$ 263,437

(2) Tangible assets as of December 31, 2001 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)	(In thousands)	(In millions)	(In thousands)
	Acquisition cost		Accumulated depreciation	
Land	₩ 124,966	\$ 94,236	₩ -	\$ -
Buildings	149,626	112,831	14,835	11,187
Equipment and furniture	182,300	137,471	97,048	73,183
Leasehold improvements	32,293	24,352	18,580	14,011
Construction in process	654	493	-	-
	₩ 489,839	\$ 369,383	₩ 130,463	\$ 98,381

Tangible assets as of December 31, 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)	(In thousands)	(In millions)	(In thousands)
	Acquisition cost		Accumulated depreciation	
Land	₩ 124,928	\$ 94,207	₩ -	\$ -
Buildings	146,652	110,589	11,668	8,799
Equipment and furniture	148,344	111,865	73,474	55,406
Leasehold improvements	28,096	21,187	14,467	10,909
Construction in process	654	493	-	-
	₩ 448,674	\$ 338,341	₩ 99,609	\$ 75,114

As of December 31, 2001 and 2000, the published value of land was ₩74,829 million(US\$56,428 thousand) and ₩74,717 million(US\$56,343 thousand), respectively, using the disclosed public land price announced annually by the Government pursuant to the Laws on Disclosure of Land Price and Valuation of Land.

10. Other Assets:

(1) Other assets as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Guarantee deposits	₩ 234,500	₩ 222,706	\$ 176,834	\$ 167,941
Accounts receivable (Note 26)	564,667	308,516	425,810	232,649
Accrued income (Note 2)	288,895	322,916	217,853	243,508
Prepaid expenses	136,321	205,342	102,799	154,847
Deferred income tax assets (Note 23)	134,452	227,369	101,389	171,457
Derivatives assets (Note 26)	69,777	77,106	52,618	58,145
Loans to trust accounts (Note 27)	-	94,952	-	71,602
Domestic exchange settlements debits	175,272	57,387	132,171	43,275
Sundry assets	9,972	6,834	7,520	5,153
	₩ 1,613,856	₩ 1,523,128	\$ 1,216,994	\$ 1,148,577

(2) Sundry assets among other assets as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Suspense receivables	₩ 7,800	₩ 4,259	\$ 5,882	\$ 3,211
Deposit money to court	1,272	915	959	690
Other	900	1,660	679	1,252
	₩ 9,972	₩ 6,834	\$ 7,520	\$ 5,153

11. Insured Assets:

Assets insured as of December 31, 2001 were as follows (Unit: Won in millions):

Type of insurance	Assets	Book value	Insured amount	Insurance companies
Property composite	Buildings (*)	₩ 148,504	₩ 122,293	Samsung Fire and Marine Insurance
	Equipment and furniture	85,252	52,388	Samsung Fire and Marine Insurance
		₩ 233,756	₩ 174,681	

(*) including leasehold improvements.

The Bank also has compensation liability insurance for officers and compensation liability insurance for business.

12. Deposits:

(1) Deposits as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Deposits in local currency	₩15,880,078	₩15,018,173	\$ 11,975,023	\$ 11,325,068
Deposits in foreign currencies	576,354	681,952	434,623	514,254
Certificates of deposits	1,299,636	1,763,842	980,044	1,330,097
	₩17,756,068	₩17,463,967	\$ 13,389,690	\$ 13,169,419

(2) Deposit in local currency as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Demand deposits	₩1,359,278	₩ 1,186,812	\$ 1,025,019	\$ 894,964
Savings deposits	14,277,365	13,546,995	10,766,432	10,215,666
Mutual installment receipts	154,414	243,007	116,442	183,249
Housing installment deposits	89,021	41,359	67,130	31,189
	₩15,880,078	₩15,018,173	\$ 11,975,023	\$ 11,325,068

(3) Deposits in foreign currencies as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Current deposits	₩ 38,814	₩ 21,571	\$ 29,269	\$ 16,266
Passbook deposits	207,964	146,914	156,824	110,787
Notice deposits	2,882	2,701	2,173	2,037
Time deposits	325,627	510,338	245,552	384,841
Temporary deposits	1,067	428	805	323
	₩ 576,354	₩ 681,952	\$ 434,623	\$ 514,254

(4) Deposits with financial institutions as of December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Deposits in local currency				
Banks	₩ 146,207	₩ 132,016	\$ 110,253	\$ 99,552
Securities companies	54,725	31,898	41,268	24,054
Insurance companies	213,868	184,275	161,276	138,960
Other financial institution	1,143,150	883,541	862,039	666,270
	1,557,950	1,231,730	1,174,836	928,836
Deposits in foreign currencies				
Banks	302	189	228	143
Insurance companies	3	50	2	38
Other financial institution	9,811	5,102	7,398	3,847
	10,116	5,341	7,628	4,028
	₩ 1,568,066	₩ 1,237,071	\$ 1,182,464	\$ 932,864

13. Borrowings:

(1) Borrowings as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Borrowings in local currency	₩ 1,830,724	₩ 2,083,767	\$ 1,380,532	\$ 1,571,350
Borrowings in foreign currencies	1,405,584	1,946,186	1,059,938	1,467,601
Bonds sold under repurchase agreements	883,184	542,356	666,001	408,986
Bills sold	244,839	811,298	184,631	611,793
Due to BOK in foreign currencies	32,425	150,908	24,451	113,798
Call money	1,413,868	1,557,200	1,066,185	1,174,270
	₩ 5,810,624	₩ 7,091,715	\$ 4,381,738	\$ 5,347,798

(2) Borrowings in local currency as of December 31, 2001 and 2000 consisted of the following:

Annual interest rate / Korean Won / US Dollars (Note 2)	(%)	(In millions)		(In thousands)	
		2001	2000	2001	2000
BOK	2.50 - 5.00	₩ 543,188	₩ 455,637	\$ 409,613	\$ 343,592
Borrowing from government fund	4.00	49,176	67,840	37,083	51,157
Small & Medium-Sized Business					
Development and others	2.00 - 10.00	1,238,360	1,560,290	933,836	1,176,601
		₩ 1,830,724	₩ 2,083,767	\$ 1,380,532	\$ 1,571,350

The details of subordinated borrowings, included in others, as of December 31, 2001 and 2000 consisted of the following:

Institution	Annual interest rate (%) / Korean Won / US Dollars (Note 2)	Condition of borrowings	(In millions)		(In thousands)	
			2001	2000	2001	2000
Samsung life insurance	6.06 - 9.98	Lump sum reimbursement	₩ 100,000	₩ 100,000	\$ 75,409	\$ 75,409
Korea life insurance	10.00	Lump sum reimbursement	30,000	30,000	22,623	22,623
			₩ 130,000	₩ 130,000	\$ 98,032	\$ 98,032

(3) Borrowings in foreign currencies as of December 31, 2001 and 2000 consisted of the following:

Annual interest rate / Korean Won / US Dollars (Note 2)	(%)	(In millions)		(In thousands)	
Institution	2001	2001	2000	2001	2000
Development Bank of Singapore and others	2.00 - 7.10	₩ 1,234,148	₩ 1,766,514	\$ 930,660	\$ 1,332,112
Development Bank of Singapore and others	2.17 - 2.66	171,436	179,672	129,278	135,489
		₩ 1,405,584	₩ 1,946,186	\$ 1,059,938	\$ 1,467,601

(4) Due to BOK in foreign currencies as of December 31, 2001 and 2000 was received from BOK for the purpose of the Bank's working capital (funds for operation) and for re-lending pursuant to government policies (funds for import facility) consisted of the following:

Annual interest rate / Korean Won / US Dollars (Note 2)	(%)	(In millions)		(In thousands)	
	2001	2001	2000	2001	2000
Funds for import of facility	Libor	₩ 32,425	₩ 50,132	\$ 24,451	\$ 37,804
Funds for operation	-	-	100,776	-	75,994
		₩ 32,425	₩ 150,908	\$ 24,451	\$ 113,798

(5) Call money as of December 31, 2001 and 2000 consisted of the following:

Annual interest rate / Korean Won / US Dollars (Note 2)	(%)	(In millions)		(In thousands)	
Institution	2001	2001	2000	2001	2000
Local currency					
LG investment trust and other	3.80 - 3.85	₩ 1,395,700	₩ 1,557,200	\$ 1,052,485	\$ 1,174,270
Foreign currencies					
Chohung bank	2.00	396	-	298	-
Inter-bank reconciliation					
Shinhan bank and others	-	17,772	-	13,402	-
		₩ 1,413,868	₩ 1,557,200	\$ 1,066,185	\$ 1,174,270

(6) Borrowings in local currency and borrowings in foreign currencies with financial institutions as of December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
BOK	₩ 543,188	₩ 455,636	\$ 409,613	\$ 343,591
Banks	1,096,767	1,748,229	827,062	1,318,324
Insurance companies	130,000	130,000	98,032	98,032
Other financial institution	4,215	26,313	3,178	19,842
	₩ 1,774,170	₩ 2,360,178	\$ 1,337,885	\$ 1,779,789

14. Debentures:

(1) Debentures as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Debentures in local currency	₩ 1,134,390	₩ 482,609	\$ 855,433	\$ 363,931
Less: Discounts	(16,100)	(1,803)	(12,141)	(1,359)
Debentures in foreign currencies	360,460	142,132	271,820	107,180
Less: Discounts	(5,038)	(865)	(3,799)	(652)
Less: Adjustment for conversion rights	(3,610)	(8,894)	(2,722)	(6,707)
	₩ 1,470,102	₩ 613,179	\$ 1,108,591	\$ 462,393

(2) Debentures in local currency as of December 31, 2001 and 2000 were as follows:

Annual interest rate (%) / Korean Won / US Dollars (Note 2)				(In millions)		(In thousands)		
Type	Issuance date	2001	Expiration date	2001	2000	2001	2000	
Debenture	Dec. 1997	11.42	May 2002	₩ 14	₩ 20,213	\$ 11	\$ 15,242	
	May 1999	5.35	May 2002	3	3	2	2	
	May 1999	8.01	May 2002	15,000	15,000	11,311	11,311	
	July 1999	5.87	July 2002	50,000	50,000	37,705	37,705	
	Sep. 2000	6.87	Sep. 2003	10,000	10,000	7,541	7,541	
	Nov. 2000	6.46	Nov. 2003	10,000	10,000	7,541	7,541	
	Dec. 2000	5.45	Dec. 2005	10,000	10,000	7,541	7,541	
	Feb. 2001	5.76	Feb. 2003	10,000	-	7,541	-	
	Mar. 2001	5.71	Mar. 2002	70,000	-	52,786	-	
	Mar. 2001	5.82	Mar. 2002	20,000	-	15,082	-	
	Mar. 2001	5.86	Mar. 2003	5,000	-	3,770	-	
	Mar. 2001	5.68	Mar. 2002	11,000	-	8,295	-	
	Mar. 2001	5.85	Mar. 2002	5,000	-	3,770	-	
	Mar. 2001	6.13	Mar. 2003	10,000	-	7,541	-	
	Apr. 2001	6.09	Apr. 2002	40,000	-	30,164	-	
	Apr. 2001	6.40	Apr. 2003	10,000	-	7,541	-	
	May 2001	6.20	May 2002	16,000	-	12,065	-	
	May 2001	6.01	May 2002	20,000	-	15,082	-	
	May 2001	6.27	May 2003	24,000	-	18,098	-	
	May 2001	5.89	May 2002	10,000	-	7,541	-	
	July 2001	5.17	July 2002	20,000	-	15,082	-	
	Aug. 2001	4.86	Aug. 2002	6,000	-	4,525	-	
	Sep. 2001	4.39	Sep. 2002	10,000	-	7,541	-	
	Sep. 2001	4.30	Sep. 2002	110,000	-	82,950	-	
	Oct. 2001	4.23	Oct. 2002	5,000	-	3,770	-	
	Nov. 2001	4.60	Nov. 2002	20,000	-	15,082	-	
	Nov. 2001	5.72	Nov. 2004	10,000	-	7,541	-	
	Nov. 2001	4.61	Nov. 2002	10,000	-	7,541	-	
	Nov. 2001	5.68	Nov. 2004	10,000	-	7,541	-	
	Nov. 2001	5.03	Nov. 2002	10,000	-	7,541	-	
	Dec. 2001	5.47	Dec. 2002	10,000	-	7,541	-	
	Sub-ordinated				567,017	115,216	427,583	86,883
		Dec. 1997	(*1)	Mar. 2003	71,000	71,000	53,541	53,541
Dec. 1998		(*2)	Mar. 2004	133,300	133,300	100,520	100,520	
Dec. 1998		(*1)	Mar. 2004	63,100	63,100	47,583	47,583	
Mar. 2000		10.50 - 10.60	June 2005	99,993	99,993	75,404	75,404	
May 2001		7.60 - 7.65	Jan. 2007	99,980	-	75,393	-	
Sep. 2001		6.80 - 6.84	Mar. 2007	100,000	-	75,409	-	
			567,373	367,393	427,850	277,048		
			₩1,134,390	₩ 482,609	\$ 855,433	\$ 363,931		

(*1)depository rate of public capital managing funds plus 1 percent

(*2)depository rate of public capital managing funds

(3) Debentures in foreign currency as of December 31, 2001 and 2000 consisted of:

Annual interest rate (%) / Korean Won / US Dollars (Note 2)				(In millions)		(In thousands)	
Type	Issuance date	2001	Expiration date	2001	2000	2001	2000
Subordinated debentures	May 1997	6.88	May. 2007	₩ 15,588	₩ 15,783	\$ 11,755	\$ 11,901
Subordinated convertible bonds	Aug. 1997	0.25	Aug. 2007	132,610	125,970	100,000	94,993
Subordinated debentures	Dec. 2001	6.95	Dec. 2011	212,176	-	160,000	-
				360,374	141,753	271,755	106,894
Gain on valuation of fair market value risk hedge (prior year)				(293)	-	(221)	-
Loss on valuation of fair market value risk hedge (current year)				379	379	286	286
				₩ 360,460	₩ 142,132	\$ 271,820	\$ 107,180

The major terms relating to the subordinated convertible bonds, shown above, are as follows:

Agreement Terms	
Conversion price	₩13,203
Number of shares to be converted	6,775,796 shares of common stock
Conversion exchange rate	₩894.60 / US\$1
Put Option	137.74% of principal after 5 years from issue date (Put premium: 6.836%)
Call Option	100% of principal after 5 years from issue date
Conversion period	September 25, 1997 - July 26, 2007
Interest payment	Once at every year end (End-of-period)
Other	Non-guaranteed subordinated debentures

15. Acceptances and Guarantees and Allowances for Possible Losses:

(1) Acceptances and guarantees as of December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Confirmed acceptances and guarantees in local currency				
Payment guarantee for issuance of debenture	₩ 17,507	₩ 22,836	\$ 13,202	\$ 17,220
Payment guarantee for loan	23,187	36,526	17,485	27,544
Others	187,407	191,036	141,322	144,059
	228,101	250,398	172,009	188,823
Confirmed acceptances and guarantees in foreign currencies				
Acceptances for letter of credit	352,958	638,900	266,162	481,788
Letters of guarantees for importers	28,706	55,346	21,647	41,736
Guarantees on credit derivatives	39,783	6,299	30,000	4,750
Others (*)	188,655	293,906	142,263	221,632
	610,102	994,451	460,072	749,906
	₩ 838,203	₩ 1,244,849	\$ 632,081	\$ 938,729
Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Unconfirmed acceptances and guarantees				
Customer's liability on letter of credit	₩ 544,039	₩ 634,953	\$ 410,255	\$ 478,812
Others	35,100	35,100	26,469	26,469
	₩ 579,139	₩ 670,053	\$ 436,724	\$ 505,281

(*) acceptances and guarantees for the return of advances related to export, overseas bidding, contractual obligations, payment guarantee for other borrowings in foreign currency.

(2) Acceptances and guarantees (including unconfirmed acceptances and guarantees), by customer, as of December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2) / Percentage	(In millions)		(In thousands)		(%)	
	2001	2000	2001	2000	2001	2000
Large enterprise	₩ 941,040	₩ 1,331,342	\$ 709,630	\$ 1,003,953	66.39	69.53
Small and medium enterprise	475,784	569,513	358,784	429,464	33.57	29.74
Others	518	14,047	391	10,593	0.04	0.73
	₩ 1,417,342	₩ 1,914,902	\$ 1,068,805	\$ 1,444,010	100.00	100.00

(3) Acceptances and guarantees (including unconfirmed acceptances and guarantees), by industry, as of December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2) / Percentage	(In millions)		(In thousands)		(%)	
	2001	2000	2001	2000	2001	2000
Manufacturing	₩ 924,300	₩ 1,417,243	\$ 697,006	\$ 1,068,730	65.21	74.01
Wholesales and retails	171,418	249,259	129,265	187,964	12.10	13.02
Finance and insurance	144,375	55,797	108,872	42,076	10.19	2.91
Construction	54,738	79,237	41,277	59,752	3.86	4.14
Others	122,511	113,366	92,385	85,488	8.64	5.92
	₩ 1,417,342	₩ 1,914,902	\$ 1,068,805	\$ 1,444,010	100.00	100.00

(4) Acceptances and guarantees (including unconfirmed acceptances and guarantees), by country, as of December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2) / Percentage	(In millions)		(In thousands)		(%)	
	2001	2000	2001	2000	2001	2000
Korea	₩ 1,408,671	₩ 1,866,899	\$ 1,062,266	\$ 1,407,812	99.39	97.49
China	8,273	41,327	6,239	31,164	0.58	2.16
United Kingdom	398	6,676	300	5,034	0.03	0.35
	₩ 1,417,342	₩ 1,914,902	\$ 1,068,805	\$ 1,444,010	100.00	100.00

(5) Allowance for possible losses on confirmed acceptances and guarantees as of December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2) Classification	(In millions)		(In thousands)	
	2001	2000	2001	2000
Normal	₩ 781,492	₩ 1,129,194	\$ 589,316	\$ 851,515
Precautionary	33,585	7,447	25,326	5,616
Substandard	169	11,699	127	8,822
Doubtful	7,498	79,313	5,654	59,809
Estimated loss	15,459	17,196	11,658	12,967
	₩ 838,203	₩ 1,244,849	\$ 632,081	\$ 938,729
Allowance for possible losses	₩ 20,923	₩ 84,628	\$ 15,778	\$ 63,817
Ratio (%)	2.50	6.80	2.50	6.80

(6) As of December 31, 2001, confirmed acceptances and guarantees to Daewoo Group companies amounted to ₩9,368 million (US\$ 7,064 thousand), for which an allowance for possible losses of ₩250 million (US\$ 189 thousand) had been provided based on the Bank's loan classification.

(7) As of December 31, 2001, confirmed acceptances and guarantees to Hyundai Group companies amounted to ₩22,960 million (US\$ 17,314 thousand), for which no allowance for possible losses had been provided.

16. Other Liabilities:

(1) Other liabilities as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Accrued severance benefits (Note 2)	₩ 48,371	₩ 34,305	\$ 36,476	\$ 25,869
Less: Transfer to National Pension	(2,701)	(3,017)	(2,037)	(2,275)
Less: Individual severance insurance deposits	(45,670)	(31,288)	(34,439)	(23,594)
Allowance for possible losses on confirmed acceptances and guarantees (Note 15)	20,923	84,628	15,778	63,817
Borrowings from trust accounts (Note 27)	465,731	230,395	351,204	173,739
Foreign exchange remittance pending	21,284	15,212	16,050	11,471
Accounts payable (Note 26)	592,041	313,192	446,453	236,175
Accrued expenses	381,340	466,175	287,565	351,539
Unearned revenues	45,300	60,093	34,160	45,316
Deposits for letter of guarantees and other	25,247	30,860	19,039	23,271
Derivative liabilities (Note 26)	88,464	105,702	66,710	79,709
Local exchange settlement credits	268,310	340,784	202,330	256,982
Sundry liabilities	227,025	248,336	171,197	187,268
	₩ 2,135,665	₩ 1,895,377	\$ 1,610,486	\$ 1,429,287

(2) Sundry liabilities among other liabilities as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Suspense payable	₩ 57,400	₩ 80,097	\$ 43,285	\$ 60,400
Cash received from other banks	1,180	623	890	470
Withholding taxes	34,177	64,177	25,772	48,395
Guarantee deposits for securities subscription	2,661	12,392	2,007	9,345
Liability incurred by agency relationship	94,374	72,205	71,166	54,449
Account for agency businesses	36,099	16,409	27,222	12,374
Others	1,134	2,433	855	1,835
	₩ 227,025	₩ 248,336	\$ 171,197	\$ 187,268

17. Shareholders' Equity:

(1) Common stock and preferred stock

As of December 31, 2001 and 2000, the Bank has 600 million authorized shares (₩5,000 par value), of which 163,066,765 shares (₩815,334 million) had been issued as common stock, and 51,200,000 shares (₩256,000 million) and 61,600,000 shares (₩308,000 million), respectively, had been issued as preferred stock. The Bank's major shareholders of common stock were J.P. Morgan & Carlyle Consortium (40.11 percent) and Samsung Group (16.82 percent) as of December 31, 2001.

With approval at the general shareholders' meeting, on April 16, 2001, the Bank paid ₩52,000 million (US\$ 39,213 thousand) to reduce 10,400,000 shares of preferred stock, which were issued to the Korea Deposit Insurance Corporation, in accordance with the P&A agreement for Kyunggi Bank.

(2) Capital surplus

Capital surplus amounting to ₩524 million (US\$395 thousand) resulted from the valuation of treasury stock fund.

(3) Legal reserve

The Korean Banking Law requires a bank to appropriate at least 10 percent of net income after income tax to legal reserve, until such reserve

equals 100 percent of its paid-in capital. This reserve is not available for payment of cash dividends, however, it can be used to reduce deficit or to transfer to capital.

(4) Reserves for overseas investment loss and technological development

The Bank had recorded reserves for overseas investment loss and technological development based on the Regulation of Tax Reduction and Exemption Act, and had followed the related tax regulations in providing for and disposal of such reserves.

(5) Retained earnings to be appropriated for accumulated deficit conservation

The Bank appropriated capital surplus, legal reserve and other reserve amounting to ₩348,363 million (US\$262,697 thousand) for accumulated deficit conservation, pursuant to the approval of shareholders' meeting on March 9, 2001.

(6) Changes in unappropriated retained earnings (undisposed accumulated deficit) carried over from prior years

Changes in 2001 and 2000 in the unappropriated retained earnings (undisposed accumulated deficit) carried over from prior years consisted of credits for the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Net cumulative effect of accounting changes	₩ -	₩ (8,151)	\$ -	\$ (6,147)
Loss on valuation using equity method, net	(30)	(9,235)	(22)	(6,964)
	₩ (30)	₩ (17,386)	\$ (22)	\$ (13,111)

(7) Capital adjustment

Capital adjustments as of December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Treasury stock	₩ (2,138)	₩ (8,649)	\$ (1,612)	\$ (6,522)
Gain on valuation of investment securities-net (Note 5)	33,360	28,228	25,157	21,286
Stock option cost	3,853	904	2,906	682
Other	24,272	24,272	18,303	18,303
	₩ 59,347	₩ 44,755	\$ 44,754	\$ 33,749

1) Treasury stock

The Bank deposited ₩10,000 million (US\$7,541 thousand) on the treasury stock funds of Daehan Investment Trust Securities in 1998. The Bank recorded the fair value of the treasury stock included in treasury funds as of December 31, 2001 as the balance of treasury stock. The difference between the fair value and the book value was recognized as gain or loss on disposal of treasury stock in capital surplus or capital adjustment. The remainder of the treasury stock funds was recorded as investment securities.

2) Stock option cost

On March 20, 2000, the Bank granted to 460 employees and directors 1,620,500 shares as stock options (first stock option), which have rights to buy the Bank's shares at the exercise price of ₩7,190 per share. The Bank has the option to choose one of settlement methods either through issuance of new shares or payment of the difference between the market price and the exercise price in cash or treasury stock, if the stock options are exercised. The stock options are exercisable during a three-year period beginning after three years from the grant date.

In addition, on May 17, 2001, the Bank granted to 480 employees and directors including the president 3,560,500 shares as stock options (second stock option), which have rights to buy the Bank's shares at the exercise price of ₩7,310 per share. The stock options with a graded vesting schedule are exercisable during an eight-year period, after minimum two years from the grant date, beginning at an irrevocable date set by the board of directors. The Bank has the option to choose one of settlement methods either through issuance of new shares or payment of the difference between the market price and the exercise price in cash or treasury stock, if the stock options are exercised.

The Bank valued the stock options at fair value and charged to expense ₩2,949 million (US\$2,224 thousand) in 2001 and ₩904 million (US\$682 thousand) in 2000, and credited ₩3,853 million (US\$2,906 thousand) to capital adjustment as of December 31, 2001. The amount of ₩7,675 million (US\$5,788 thousand) will be expensed in the future.

18. Assets and Liabilities Denominated in Foreign Currencies:

Assets and liabilities denominated in foreign currencies as of December 31, 2001 and 2000 were as follows:

	(In thousands)		(In millions)	
	2001		2000	
	U.S. Dollar equivalent	KRW equivalent	U.S. Dollar equivalent	KRW equivalent
Assets				
Foreign currencies	\$ 20,773	₩ 27,547	\$ 23,971	₩ 30,196
Due from banks-foreign currencies	44,739	59,328	79,135	99,686
Trading securities-foreign currencies	-	-	12,037	15,163
Investment securities-foreign currencies	353,690	469,028	166,183	209,341
Loans in foreign currencies	504,497	669,013	1,086,531	1,368,703
Bills bought in foreign currencies	880,689	1,167,882	1,151,458	1,450,492
Domestic import usance	179,213	237,655	198,941	250,606
Call loans	81,936	108,656	30,000	37,791
Other assets	236,230	313,264	197,187	248,396
	\$ 2,301,767	₩ 3,052,373	\$ 2,945,443	₩ 3,710,374
Liabilities				
Deposits-foreign currencies	\$ 434,623	₩ 576,354	\$ 541,361	₩ 681,952
Borrowings-foreign currencies	1,059,938	1,405,584	1,544,960	1,946,186
Due to BOK	24,451	32,425	119,797	150,908
Call money	299	396	-	-
Debentures-foreign currencies	271,755	360,374	112,529	141,753
Other liabilities	193,211	256,217	118,121	148,797
	\$ 1,984,277	₩ 2,631,350	\$ 2,436,768	₩ 3,069,596

(*) Foreign currencies other than US dollars were translated into US dollars at the appropriate exchange rates at balance sheet dates.

19. Term Structure of Assets and Liabilities:

The term structure of assets and liabilities as of December 31, 2001 was as follows (Won in millions):

	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 years	More than 3 years	Total
Assets in local currency:						
Due from banks	₩ 12,801	₩ 26,324	₩ 356	₩ -	₩ 178,025	₩ 217,506
Securities	6,856,403	422,291	59,371	263,683	233,072	7,834,820
Loans (*1)	3,346,777	1,885,521	3,017,857	2,986,764	1,150,903	12,387,822
Advances for customers	1,302	-	-	-	41,214	42,516
Allowance for possible loan losses	-	-	-	-	(293,120)	(293,120)
Present value discounts	-	-	-	-	(8,554)	(8,554)
Other	1,735,636	228,524	230,431	258,730	2,728,050	5,181,371
	₩11,952,919	₩2,562,660	₩3,308,015	₩3,509,177	₩4,029,590	₩25,362,361
Liabilities & shareholders' equity in local currency:						
Deposits	₩ 6,850,822	₩ 1,960,148	₩ 2,751,418	₩ 1,283,672	₩ 3,034,018	₩15,880,078
Certificate deposit	920,904	333,751	44,731	250	-	1,299,636
Borrowing	689,762	24,674	47,153	215,697	853,438	1,830,724
Shareholders' equity	-	-	-	-	1,258,808	1,258,808
Other	3,395,451	262,035	420,019	507,869	928,764	5,514,138
	₩11,856,939	₩ 2,580,608	₩ 3,263,321	₩ 2,007,488	₩ 6,075,028	₩25,783,384
Assets in foreign currencies:						
Due from banks	₩ 59,328	₩ -	₩ -	₩ -	₩ -	₩ 59,328
Securities	382,838	5,033	15,157	36,716	28,651	468,395
Loans (*2)	374,320	159,613	54,591	55,176	76,578	720,278
Bill bought in foreign currencies	907,674	115,322	10,130	-	134,756	1,167,882
Offshore assets (*3)	1,983	1,610	13,936	20,543	148,951	187,023
Allowance for possible loan losses	-	-	-	-	(144,093)	(144,093)
Other	586,329	-	5,351	-	1,880	593,560
	₩2,312,472	₩ 281,578	₩ 99,165	₩ 112,435	₩ 246,723	₩3,052,373
Liabilities in foreign currencies:						
Deposits	₩345,097	₩33,727	₩4,153	₩285	₩193,092	₩576,354
Borrowings (*4)	872,514	167,196	70,045	155,367	1,451	1,266,573
Offshore liabilities (*5)	36,837	-	134,599	-	15,674	187,110
Other	259,568	-	129,000	-	212,745	601,313
	₩1,514,016	₩ 200,923	₩ 337,797	₩ 155,652	₩ 422,962	₩2,631,350

(*1) Including loans to be swapped for equity investments

(*2) Including domestic import usance in foreign currencies

(*3) Consisting of offshore loans in foreign currencies and offshore securities in foreign currencies

(*4) Including due to BOK in foreign currencies

(*5) Consisting of offshore borrowings in foreign currencies and offshore debenture in foreign currencies

20. Interest Revenue and Expenses:

The average balance of the interest bearing assets and liabilities, and the related interest revenue and expense as of and for the year ended December 31, 2001 were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)		Percentage (%)
	Average balance	Interest revenue/expense	Average balance	Interest revenue/expense	
Assets					
Due from Banks	₩ 654,277	₩ 15,838	\$ 493,384	\$ 11,943	2.42
Trading securities	738,916	45,616	557,210	34,399	6.17
Investment securities	8,075,470	564,800	6,089,639	425,910	6.99
Loans (*)	15,490,257	1,167,091	11,681,063	880,093	7.53
	₩24,958,920	₩ 1,793,345	\$ 18,821,296	\$ 1,352,345	7.19
Liabilities					
Deposits	₩17,267,640	₩ 887,404	\$ 13,021,371	\$ 669,183	5.14
Borrowings	6,567,881	343,425	4,952,780	258,974	5.23
Debenture	937,366	66,298	706,859	49,995	7.07
	₩24,772,887	₩ 1,297,127	\$ 18,681,010	\$ 978,152	5.24

The average balance of the interest bearing assets and liabilities, and the related interest revenue and expense as of and for the year ended December 31, 2000 were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)		Percentage (%)
	Average balance	Interest revenue/expense	Average balance	Interest revenue/expense	
Assets					
Due from Banks	₩ 554,852	₩ 8,749	\$ 418,409	\$ 6,598	1.58
Trading securities	468,448	36,028	353,252	27,168	7.69
Investment securities	7,392,178	607,797	5,574,374	458,333	8.22
Loans (*)	13,785,326	1,151,359	10,395,389	868,229	8.35
	₩22,200,804	₩ 1,803,933	\$ 16,741,424	\$ 1,360,328	8.13
Liabilities					
Deposits	₩15,490,116	₩ 957,987	\$ 11,680,956	\$ 722,409	6.18
Borrowings	5,308,398	359,097	4,003,015	270,792	6.76
Debenture	552,904	50,310	416,940	37,938	9.10
	₩21,351,418	₩ 1,367,394	\$ 16,100,911	\$ 1,031,139	6.40

(*) The balance excluded the average balance of the credit card account amounts to ₩1,333,835 million (\$1,005,833 thousand) and ₩588,149 million (\$443,518 thousand) for the years ended December 31, 2001 and 2000, respectively.

21. General and Administrative Expenses:

(1) General and administrative expenses for the years ended December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Salaries	₩ 151,186	₩ 128,958	\$ 114,008	\$ 97,246
Provision for severance benefits	19,475	10,651	14,686	8,032
Other employee benefits	26,420	21,810	19,923	16,447
Rent	7,416	5,141	5,592	3,877
Entertainment	3,909	3,517	2,948	2,652
Depreciation	37,976	32,187	28,637	24,272
Amortization of intangible assets	60	41	45	31
Taxes and dues	30,790	21,714	23,218	16,374
Advertising	18,296	12,590	13,797	9,494
Other (Note 30)	63,212	52,022	47,668	39,229
	₩ 358,740	₩ 288,631	\$ 270,522	\$ 217,654

(2) The value added information in the sales and administrative expense account for the years ended December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Salaries	₩ 151,186	₩ 128,958	\$ 114,008	\$ 97,246
Provision for severance benefits	19,475	10,651	14,686	8,032
Other employee benefits	26,420	21,810	19,923	16,447
Rent	7,416	5,141	5,592	3,877
Depreciation	37,976	32,187	28,637	24,272
Taxes and dues	30,790	21,714	23,218	16,374
	₩ 273,263	₩ 220,461	\$ 206,064	\$ 166,248

22. Non-Operating Income and Expenses:

Non-operating income and expenses for the years ended December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Non-operating income:				
Gain on disposal of tangible assets	₩ 47	₩ 40	\$ 35	\$ 30
Rent income	2,524	2,227	1,903	1,679
Gain on valuation using equity method (Note 5)	8,731	3,904	6,584	2,944
Gain on disposal of investment securities	112,684	68,036	84,974	51,305
Recovery of investment securities impairment loss (Note 5)	-	1,125	-	848
Gain on valuation of investment equity in fund (Note 5)	22,528	14,491	16,988	10,928
Gain on sales of loans	11,712	14,283	8,832	10,771
Other	15,047	10,123	11,347	7,634
	₩ 173,273	₩ 114,229	\$ 130,663	\$ 86,139
Non-operating expenses:				
Loss on disposal of tangible assets	₩ 728	₩ 820	\$ 549	\$ 619
Loss on disposal of investment securities	13,180	24,556	9,939	18,517
Investment securities impairment loss (Note 5)	32,524	115,459	24,526	87,067
Loss on valuation of investment equity in fund (Note 5)	-	3,313	-	2,498
Loss on sales of loans	25,780	3,618	19,441	2,728
Other	18,216	6,595	13,736	4,973
	₩ 90,428	₩ 154,361	\$ 68,191	\$ 116,402

23. Income Tax Expense:

(1) The differences between pretax accounting income for the year ended December 31, 2001 and taxable income pursuant to Korean Corporate Income Tax Law are summarized as follows (Unit: Won in millions)

	Amount
Income before income taxes	₩ 293,010
Taxable and non-deductible items	
Temporary difference	423,376
Permanent difference	12,333
	435,709
Deductible and non-taxable items	
Temporary difference	(785,396)
Permanent difference	(3,402)
	(788,798)
Tax loss carryforwards	(63,391)
Tax loss	(₩ 123,470)

(2) The tax effects on temporary differences and tax loss carryforwards that gave rise to significant portions of the deferred income tax assets as of December 31, 2001 were as follows:

Korean Won / US Dollars (Note 2)	(In millions)				(In thousands)
	Beginning of year	Deduction	Addition	End of year	End of year
Allowance for possible loan losses	₩ 415,786	₩ 415,786	₩ 140,948	₩ 140,948	\$ 106,288
Allowance for possible losses of confirmed acceptances and guarantees	84,628	84,628	20,923	20,923	15,778
Accrued income	(147,702)	(41,743)	(38,877)	(144,836)	(109,220)
Restructuring of loans	96,009	96,009	9,882	9,882	7,452
Valuation of securities	102,703	102,703	126,810	126,810	95,626
Valuation loss on derivatives financial instruments	28,638	28,638	18,688	18,688	14,092
Valuation loss from debt-for-equity swap	60,135	7,713	28,443	80,865	60,980
Others	25,958	11,042	61,036	75,952	57,275
	666,155	704,776	367,853	329,232	248,271
Tax loss carry forwards	63,391	-	60,079	123,470	93,107
	729,546	704,776	427,932	452,702	341,378
Statutory tax rate	30.8%	29.7%	29.7%	29.7%	29.7%
Deferred income tax assets	₩ 224,700	₩ 209,318	₩ 127,096	₩ 134,452	\$ 101,389

(3) Income tax expenses for the year ended December 31, 2001 are summarized as follows (Unit: Won in millions):

	Amount
Income tax currently payable	₩ -
Additional income tax payable for prior years(*)	7,742
Changes in deferred tax assets	
Tax effect on cumulative temporary differences	107,394
Tax effect on tax loss carryforwards	(17,146)
Income tax expense	₩ 97,990

(*)representing additional income tax payment for prior years due to tax examination by tax authorities.

(4) The Bank is subject to corporate income taxes at 16 percent of the first ₩100 million of taxable income and 28 percent of the excess. Added this is a resident surtax of 10 percent of the corporate income tax due. Due to the differences between pretax accounting income and taxable income pursuant to Korean Corporate Income Tax Law, the effective income tax rate is approximately 33.4 percent in 2001.

24. Earnings Per Share:

(1) Ordinary income per share and net income per share

Earnings per share in 2001 and 2000 were calculated for common stock and for participating preferred stock by dividing net income available to common shareholders and participating preferred shareholders, respectively, by the weighted average number of outstanding common stock of 163,066,765 shares in 2001 (105,886,437 shares in 2000) and outstanding participating preferred stock of 20,000,000 shares in 2001.

Earnings per share for common stock and for preferred stock in 2001 were computed as follows (Korean Won in millions except per share amounts):

	Common stock	Participating preferred stock	Ordinary preferred stock	Total
Dividends (Note 25)	₩ -	₩ 7,500	₩ 1,560	₩ 9,060
Income available for additional dividends (*)	165,644	20,316	-	185,960
Net income	165,644	27,816	₩ 1,560	₩ 195,020
Number of shares outstanding	163,066,765	20,000,000		
Earnings per share (in currency unit)	₩ 1,016	₩ 1,391		

(*) Income available for additional dividends = Net income - Dividends for preferred stock
Income available for additional dividends attributable to common stock
= ₩185,960 million X 815,334 million ÷ (815,334 million + 100,000 million) = ₩165,644 million
Income available for additional dividends attributable to participating preferred stock
= ₩185,960 million X 100,000 million ÷ (815,334 million + 100,000 million) = ₩20,316 million

Participating preferred stock consisted of cumulative, participating preferred stock, which was issued in the form of public placement on June 30, 2000 (issue amount per share: ₩5,000, total issue amount: ₩100,000 million). This preferred stock can be converted to common stock after stipulated dividends (7.5% per annum) paid for three years (i.e. 7.5% X 3 years = 22.5%) with the conversion ratio of one for one, resulting in 20,000,000 common shares to be issued.

Since there is no extraordinary gain or loss in 2001, ordinary income available to common stock and preferred stock are same with the net income available to common stock and preferred stock.

(2) Diluted ordinary income per share and diluted net income per shares

Diluted ordinary income per common share and diluted net income per common share are not computed since there are no dilutive effects for all dilutive potential common shares.

(3) As of December 31, 2001, dilutive securities are summarized as follows (Unit: Won in millions, shares):

	Face value	Exercise period	Common stocks to be issued	Remark
Convertible preferred stock	₩ 100,000	After payment of stipulated dividends	20,000,000	Conversion rate is 1 : 1
Convertible bonds	132,610	1997. 9. 25 - 2007. 7. 26	6,775,796	See Note 14
Stock option	-	2003. 3. 21 - 2006. 3. 20	1,620,500	See Note 17
Stock option	-	2003. 5. 18 - 2009. 5. 17	3,560,500	See Note 17

25. Dividends:

(1) Dividends per share in the current year are ₩750 for participating preferred stock, ₩50 for ordinary preferred stock and no dividends for common stock. Details of dividend were as follows:

Korean Won / US Dollars (Note 2)	Shares	(In millions)			(In thousands)	
		No. of shares subject to receive dividend	Par value	Dividend rate(%)	Dividends	Dividends
Common stock:		163,066,765	₩ 5,000	0.0	₩ -	\$ -
Preferred stock:						
Participating		20,000,000	₩ 5,000	15.0	₩ 15,000	\$ 11,311
Ordinary		31,200,000	5,000	1.0	1,560	1,177
		51,200,000			₩ 16,560	\$ 12,488

(2) Propensity to dividend and dividend yield ratio to preferred stock in current period were as follows:

Classification	Computation	Ratio (%)	Remarks
Propensity to dividend	Dividend amount / Net income	8.49	
Dividend yield ratio (*)	Dividend per share / Stock price (Closing price at balance sheet date)	7.77	Participating preferred stock

(*) Yield of ordinary preferred stock that has no closing price available is not calculated

26. Contingencies and Commitments:

In the normal course of its commercial banking business, the Bank made various commitments and incurred certain contingent liabilities, which were not recorded in the financial statements.

(1) The Bank manages written-off loans whose time period for legal claim has not elapsed. The balance of such loans was ₩956,483 million

(US\$721,275 thousand) as of December 31, 2001.

(2) As of December 31, 2001, the Bank has ₩1,077 million (US\$812 thousand) of endorsed notes for sales which had been purchased on discount.

(3) The Bank sold its non-performing loans of ₩213,715 million (US\$161,161 thousand) in 3 different batches to Korea Asset Management Corporation since December 1997. As of December 31, 2001, the amount of these non-performing loans unsettled was ₩51,312 million (US\$38,694 thousand).

(4) As of December 31, 2001, the Bank had receivables of unsettled spot foreign currency transactions of ₩550,718 million (US\$415,291 thousand) and payables of ₩549,210 million (US\$414,154 thousand).

(5) As of December 31, 2001, the Bank has been engaged to provide the credit line commitment with the limit of ₩1,617,160 million (US\$1,219,486 thousand), for the support of payments for bonds issued by New Millennium Special Purpose Company and others. As of December 31, 2001, ₩378,420 million (US\$285,363 thousand) had been used.

(6) The Export-Import Bank of Korea (EIBK) filed a lawsuit against the Bank, demanding the issuance of the certification of payment guarantee amounting to US\$60 million in connection with the loans previously provided by EIBK to Daewoo Corporation. In addition, there are pending legal actions instituted by the Bank such as claims for auction concerning compensation of loans. The outcome of these lawsuits cannot presently be determined.

(7) Derivative instruments outstanding as of December 31, 2001 were as follows (Unit: Won in millions):

Type	Outstanding contract amount		
	Trading	Hedging	Total
Currency:			
Currency forward (*)	₩ 3,918,736	₩ -	₩ 3,918,736
Currency futures (*)	3,424	-	3,424
Currency swap (*)	594,945	15,588	610,533
Currency option purchased	315,612	-	315,612
Currency option sold	294,394	-	294,394
	5,127,111	15,588	5,142,699
Interest rate:			
Interest rate swap (*)	633,261	72,161	705,422
Interest rate future	35,283	-	35,283
	668,544	72,161	740,705
	₩5,795,655	₩ 87,749	₩5,883,404

Type	Gain (loss) on valuation (P/L)			Gain (loss) on valuation (B/S)
	Trading	Hedging	Total	
Currency:				
Currency forward (*)	₩ 45,481	₩ -	₩ 45,481	₩ 46,252
	(57,291)	-	(57,291)	(58,212)
Currency swap (*)	12,206	-	12,206	15,551
	(7,901)	(1,571)	(9,472)	(16,076)
Currency option purchased	1,446	-	1,446	4,627
	-	-	-	-
Currency option sold	-	-	-	-
	(2,420)	-	(2,420)	(5,185)
	59,133		59,133	66,430
	(67,612)	(1,571)	(69,183)	(79,473)
Interest rate:				
Interest rate swap (*)	2,886	430	3,316	3,347
	(2,434)	(5,201)	(7,635)	(8,991)
	₩ 62,019	₩ 430	₩ 62,449	₩ 69,777
	(70,046)	(6,772)	(76,818)	(88,464)

Derivative instruments outstanding as of December 31, 2000 were as follows (Unit: Won in millions):

Type	Outstanding contract amount		
	Trading	Hedging	Total
Currency:			
Currency:			
Currency forward (*)	₩ 2,586,548	₩ -	₩ 2,586,548
Currency futures (*)	12,408	-	12,408
Currency swap (*)	125,970	22,082	148,052
	2,724,926	22,082	2,747,008
Interest rate:			
Interest rate swap (*)	37,791	30,391	68,182
Interest rate future	9,252	-	9,252
	47,043	30,391	77,434
	₩ 2,771,969	₩ 52,473	₩ 2,824,442

Type	Gain (loss) on valuation (P/L)			Gain (loss) on valuation (B/S)
	Trading	Hedging	Total	
Currency:				
Currency forward (*)	₩ 72,898	₩ -	₩ 72,898	₩ 72,635
	(92,600)	-	(92,600)	(92,373)
Currency swap (*)	6,289	-	6,289	4,046
	(6,374)	(1,603)	(7,977)	(6,044)
	79,187		79,187	76,681
	(98,974)	(1,603)	(100,577)	(98,417)
Interest rate:				
Interest rate swap (*)	267	-	267	425
	(277)	(2,756)	(3,033)	(7,285)
	₩ 79,454	₩ -	₩ 79,454	₩ 77,106
	(99,251)	(4,359)	(103,610)	(105,702)

(*) For transaction between Korean Won to foreign currency, unsettled amount of transaction is presented using transaction basic foreign exchange rate based on the transaction amount in foreign currency. For transaction between foreign currency to foreign currency, unsettled amount is presented using transaction basic foreign exchange rate based on foreign currency purchased

Outstanding contract amount and gain or loss on valuation for hedging purpose in the table included or resulted from both derivative instruments accounted for as hedge accounting pursuant to the Interpretations on Financial Accounting Standards 53-70 and derivative instruments used for hedging activities but not accounted for as hedge accounting. As of December 31, 2001, the Bank did not have derivative instruments used for cash flow hedging activities or accounted for as cash flow hedge accounting. However, it had derivative instruments accounted for as fair value hedge accounting. Hedged items, to which fair value hedge accounting was applied, consisted of investment securities and debentures in foreign currency and hedging derivative instruments such as currency swaps and interest rate swaps which were used to cover exposures to changes in fair value of hedged items resulting from interest rate changes. Resulting from the valuation of hedged items accounted for as fair value hedges, gain on valuation of ₩3,607 million (\$2,720 thousand) on investment securities, and loss on valuation of ₩430 million (\$324 thousand) on investment securities and gain on valuation of ₩293 million (\$221 thousand) on debenture were reflected in current operations (see Notes 5(4) and 13(2)), and opposite corresponding amounts of gain or loss from valuation of derivative instruments accounted for as fair value hedge accounting were reflected in current operations.

27. Trust Accounts:

(1) Classification of trust accounts

The Bank manages twenty-one accounts. Unspecified Monetary Trust and Development Trust guarantee a fixed rate of return on, and the

repayment of, principal. Old-age Pension Trust, New Old-age Pension Trust, Personal Pension Trust, New Personal Pension Trust, Pension Trust and Retirement Trust guarantee the repayment of principal. Household Monetary Trust, Corporation Monetary Trust and Installment Savings Trust (Performance) guarantee the repayment of principal to only customers who made trust contracts prior to April 30, 1996.

Pursuant to the related regulations, new trust contracts of the types "General Unspecified Monetary Trust" and "Installment Savings Trust (Guaranteed)" have not been allowed since January 1, 1996 and new trust contracts of the type "Development Trust" have not been allowed since January 1, 1999. With respect to any unspecified monetary trusts wherein debentures are not marked to market, new contracts have not been allowed since July 1, 2000. Specified Monetary Trust is individually-managed and performance-based trust.

(2) Result of the trust business

As of December 31, 2001 and 2000, major financial information related to the trust accounts and significant balances were as follows:

Korean Won / US Dollars (Note 2)

	(In millions)		(In thousands)	
	2001	2000	2001	2000
Operating revenue of trust operation:				
Trust fees and commissions from trust accounts	₩ 109,448	₩ 84,466	\$ 82,534	\$ 63,695
Commissions from termination of commodities in trust accounts	741	5,680	559	4,283
Interest income on loans to trust accounts	2,932	3,165	2,211	2,387
	₩ 113,121	₩ 93,311	\$ 85,304	\$ 70,365
Operating expenses of trust operation:				
Payment to guaranteed trust accounts	₩ -	₩ 225,318	\$ -	\$ 169,910
Interest expense on borrowings from trust accounts	12,501	5,808	9,427	4,380
	₩ 12,501	₩ 231,126	\$ 9,427	\$ 174,290
Assets:				
Loans to trust accounts	₩ -	₩ 94,952	\$ -	\$ 71,602
Accrued receivable trust fees	35,745	10,531	26,955	7,941
	₩ 35,745	₩ 105,483	\$ 26,955	\$ 79,543
Liabilities:				
Borrowings from trust accounts	₩ 465,731	₩ 230,395	\$ 351,204	\$ 173,739

(3) The possible losses the Bank account may bear due to the difference between the book value and the fair market value as of December 31, 2001 consisted of the following (Unit: Won in millions):

Classification	Book value	FMV	Charge to the Bank account
Trust accounts guaranteeing a fixed rate of return on, and the repayment of principal:			
Development Money Trust	₩ 22,108	₩ 22,108	₩ -
Unspecified Monet Trust	534	534	-
	22,642	22,642	-
Trust accounts guaranteeing the repayment of principal:			
Old age Pension Trust	117,112	118,193	-
Personal Pension Trust	203,413	202,329	-
Pension Trust	3,635	3,635	-
Retirement Trust	156,284	156,284	-
New Personal Pension Trust	9,286	9,286	-
New Old-age Pension Trust	351,968	351,968	-
	841,698	841,695	-
	₩ 864,340	₩ 864,337	₩ -

28. Transactions with Related Parties:

(1) Significant balances with related parties as of December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Assets:				
Trust accounts of the Bank (Note 27)	₩ 35,745	₩ 10,531	\$ 26,955	\$ 7,941
Samsung Electronics	280,155	228,904	211,262	172,614
Samsung Life Insurance	46,359	40,235	34,959	30,341
Samsung Corporation	13,774	15,145	10,387	11,421
Bank of America	7,701	46,308	5,807	34,921
Hanmi Technology Investment	500	-	377	-
Hanmi Capital	9,060	11,325	6,832	8,540
	₩ 393,294	₩ 352,448	\$ 296,579	\$ 265,778
Liabilities:				
Trust accounts of the Bank (Note 27)	₩ 465,731	₩ 230,395	\$ 351,203	\$ 173,739
Samsung Electronics	221,940	80,000	167,363	60,327
Samsung Life Insurance	244,654	157,443	184,491	118,726
Samsung Corporation	3	-	2	-
Samsung Fire and Marine Insurance	1,510	-	1,139	-
Bank of America	48,332	10,740	36,447	8,099
Hanmi Technology Investment	3,405	3,930	2,568	2,964
Hanmi Capital	29,764	5,954	22,445	4,490
SK Investment Trust Management	1,084	-	817	-
Carlyle Korea	258	-	195	-
	₩ 1,016,681	₩ 488,462	\$ 766,670	\$ 368,345

(2) Significant transactions with related parties as of December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Revenues:				
Trust accounts of the Bank (Note 27)	₩ 113,121	₩ 93,311	\$ 85,303	\$ 70,365
Samsung Electronics	2,149	1,076	1,621	811
Samsung Life Insurance	2,879	3,409	2,171	2,571
Samsung Corporation	553	39	417	29
Samsung Fire and Marine Insurance	13	-	10	-
Bank of America	682	680	514	513
Hanmi Technology Investment	4	-	3	-
Hanmi Capital	-	1,168	-	881
	₩ 119,401	₩ 99,683	\$ 90,039	\$ 75,170
Expenses:				
Trust accounts of the Bank (Note 27)	₩ 12,501	₩ 231,126	\$ 9,427	\$ 174,290
Samsung Electronics	3,955	4,430	2,983	3,341
Samsung Life Insurance	15,139	25,996	11,416	19,603
Samsung Corporation	160	135	121	102
Samsung Fire and Marine Insurance	279	-	210	-
Bank of America	857	5,983	646	4,512
Hanmi Technology Investment	197	368	149	277
Hanmi Capital	654	2,659	493	2,005
SK Investment Trust Management	424	121	320	91
Carlyle Korea	3	-	2	-
	₩ 34,169	₩ 270,818	\$ 25,767	\$ 204,221

(3) The Bank has provided acceptances and guarantees to Samsung Corporation amounting to ₩4,211 million (US\$3,175 thousand) and ₩2,163 million (US\$1,631 thousand) as of December 31, 2001 and 2000, respectively.

(4) The Bank's business building and equipment and furniture are covered by general property insurance with Samsung Fire and Marine Insurance (Note 11).

29. Employee Benefits:

The Bank has employee benefits programs such as support for purchase or rent of houses, cafeteria, scholarship medical insurance, accident compensation, compensated leave, gym facilities, and other benefits.

30. Expert Training Expenses:

The Bank paid ₩1,763 million (US\$1,329 thousand) and ₩1,176 million (US\$887 thousand) for expert training to local and foreign training institutes during the years ended December 31, 2001 and 2000, respectively.

31. Statement of Cash Flows:

(1) Cash flows from operating activities are presented by the indirect method. Cash item in the cash flow statements included cash and due from banks as of December 31, 2001 and 2000.

(2) Material transactions not involving cash inflows and outflows in 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Write-offs of loans	₩ 972,621	₩ 157,372	\$ 733,445	\$ 118,673
Cumulative effects of accounting change	-	8,151	-	6,147
Increase in capital adjustments due to valuation of investment securities	5,132	36,484	3,871	27,512
Decrease in retained earnings due to valuation of equity securities using equity method	30	9,235	22	6,964
Debt to equity swap	61,532	72,964	46,401	55,021
Write-off of loan loss reserve resulting from the debt to equity swap	28,443	60,135	21,449	45,347
Increase of dividends payable	16,560	-	12,488	-

Report of Independent Public Accountants



Anjin & Co.
 A Member Firm of Andersen Worldwide SC
 14th Floor, Hanwha Securities Building
 23-5 Yoido-dong, Youngdeungpo-ku, Seoul 150-717, Korea
 Tel 82-2-6676-1000, 1114 Fax:82-2-785-4753, 786-0267

To the Shareholders and Board of Directors of Koram Bank

We have audited the accompanying consolidated balance sheet of Koram Bank (the "Bank") and its subsidiaries as of December 31, 2001 and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the year then ended, all 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. The consolidated financial statements as of December 31, 2000, which are presented for comparative purposes, were audited by other auditors whose report, dated February 24, 2001, expressed an unqualified opinion on those statements.

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

In our opinion, the 2001 financial statements referred to above present fairly, in all material respects, the financial position of the Bank and its subsidiaries as of December 31, 2001 and the results of its operations, changes in shareholders' equity and its cash flows for the year then ended, in conformity with financial accounting standards in the Republic of Korea (see Note 2).

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

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

As disclosed in Notes 5, 6 and 13 to the consolidated financial statements, amounts owed by Hyundai Group companies, which include Hyundai Petrochemical and Hyundai Merchant Marine amounted to ₩119,718 million (US\$90,278 thousand) including confirmed acceptances and guarantees as of December 31, 2001. The Bank has provided an allowance for possible loan losses (including an allowance for possible losses on confirmed acceptances and guarantees) of ₩27,070 million (US\$20,413 thousand). The Bank also owned securities issued by Hyundai Engineering and Construction of ₩27,134 million (US\$20,462 thousand), for which investment securities impairment loss of ₩17,076 million (US\$12,877 thousand) was recognized. Hyundai Group companies are presently undergoing a liquidity problem and the potential impact on the Bank's operations cannot presently be determined.

As disclosed in Note 6 to the consolidated financial statements, amounts owed by Hynix Semiconductor Inc. (Hynix) amounted to ₩194,728 million (US\$146,843 thousand) of which ₩139,307 million (US\$105,050 thousand) was exempted, and ₩55,421 million (US\$41,793 thousand) was swapped into convertible bonds according to the approved debt-restructuring plan for Hynix as determined by the Financial Institution Creditors' meeting held on October 31, 2001. The convertible bonds are recorded as loans for which a reserve of ₩2,771 million (US\$2,090 thousand) was provided as an allowance for possible loan losses.

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 accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

Seoul, Korea, January 26, 2002

Consolidated Balance Sheets

As of December 31, 2001 and 2000

Korean Won / Translation into US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
ASSETS				
Cash and due from banks (Notes 3 and 16)	₩ 764,056	₩ 1,530,853	\$ 576,168	\$ 1,154,402
Trading securities (Notes 4 and 16)	756,589	1,242,817	570,537	937,197
Investment securities (Notes 5, 9 and 16)	8,006,490	8,121,505	6,037,622	6,124,353
Loans (Notes 6 and 16)	17,695,699	15,962,430	13,344,166	12,037,124
Fixed assets (Note 7)	359,600	349,344	271,171	263,437
Other assets (Note 8)	1,603,386	1,456,110	1,209,099	1,098,040
	₩29,185,820	₩28,663,059	\$ 22,008,763	\$ 21,614,553
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Deposits (Notes 10 and 16)	₩18,579,686	₩18,011,372	\$ 14,010,773	\$ 13,582,213
Borrowings (Notes 11 and 16)	5,810,624	7,091,715	4,381,739	5,347,798
Debentures (Notes 12 and 16)	1,470,102	613,179	1,108,591	462,393
Other liabilities (Notes 13 and 14)	2,078,465	1,840,020	1,567,351	1,387,542
	27,938,877	27,556,286	21,068,454	20,779,946
SHAREHOLDERS' EQUITY (Note 15)				
Capital stock	1,071,334	1,123,334	807,883	847,096
Capital surplus	524	-	395	-
Retained earnings (deficit)				
(Net income of ₩195,020 million in 2001 and net loss of ₩396,048 million in 2000)	115,738	(61,316)	87,277	(46,238)
Capital adjustments	59,347	44,755	44,754	33,749
	1,246,943	1,106,773	940,309	834,607
	₩29,185,820	₩28,663,059	\$ 22,008,763	\$ 21,614,553

The accompanying notes are an integral part of these statements.

Consolidated Statements of Operations

For the year ended December 31, 2001 and 2000

Korean Won / Translation into US Dollars (Note 2)	(In millions except per share amounts)		(In thousands except per share amounts)	
	2001	2000	2001	2000
OPERATING INCOME				
INTEREST INCOME:				
Interest on due from banks	₩ 15,838	₩ 8,749	\$ 11,943	\$ 6,598
Interest on trading securities	89,599	75,323	67,566	56,800
Interest on investment securities	564,800	607,797	425,910	458,334
Interest on loans	1,195,385	1,201,056	901,429	905,705
Other (Note 23)	22,384	30,250	16,880	22,811
	1,888,006	1,923,175	1,423,728	1,450,248
GUARANTEE FEES AND COMMISSIONS	305,231	170,634	230,172	128,674
OTHER OPERATING INCOME:				
Gain on disposal of trading securities	97,415	65,424	73,460	49,336
Gain on valuation of trading securities	2,644	28,191	1,994	21,259
Dividends from trading securities	4	734	3	553
Dividends from investment securities	1,842	19,345	1,389	14,588
Foreign exchange trading income	261,780	171,505	197,406	129,330
Fees and commissions from trust accounts (Note 23)	57,819	80,661	43,601	60,826
Reversal of allowance for possible losses on acceptances and guarantees	63,567	45,197	47,935	34,083
Gain on derivatives trading (Note 22)	346,814	288,896	261,529	217,854
Other	3,900	251	2,941	189
	835,785	700,204	630,258	528,018
Total operating income	3,029,022	2,794,013	2,284,158	2,106,940
OPERATING EXPENSES				
INTEREST EXPENSES:				
Interest on deposits	922,697	1,054,986	695,797	795,556
Interest on borrowings	343,425	359,097	258,974	270,792
Interest on debentures	66,298	50,310	49,995	37,938
Other (Note 23)	25,854	21,358	19,496	16,106
	1,358,274	1,485,751	1,024,262	1,120,392
COMMISSION EXPENSES	63,908	32,816	48,192	24,746

(continued)

Korean Won / Translation into US Dollars (Note 2)	(In millions except per share amounts)		(In thousands except per share amounts)	
	2001	2000	2001	2000
OTHER OPERATING EXPENSES:				
Loss on disposal of trading securities	₩ 99,049	₩ 48,158	\$ 74,692	\$ 36,316
Loss on valuation of trading securities	2,385	1,548	1,798	1,167
Foreign exchange trading loss	233,575	154,244	176,137	116,314
Loss on derivatives trading (Note 22)	344,940	253,916	260,116	191,476
Provision for possible loan losses	303,226	1,024,792	228,660	772,786
Others	55,643	39,116	41,960	29,497
	1,038,818	1,521,774	783,363	1,147,556
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	358,740	289,090	270,523	218,000
Total operating expenses	2,819,740	3,329,431	2,126,340	2,510,694
OPERATING INCOME (LOSS)	209,282	(535,418)	157,818	(403,754)
NON-OPERATING INCOME (Note 18)	176,681	120,421	133,233	90,808
NON-OPERATING EXPENSES (Note 18)	92,953	154,361	70,095	116,402
ORDINARY INCOME (LOSS)	293,010	(569,358)	220,956	(429,348)
EXTRAORDINARY ITEMS	-	-	-	-
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	293,010	(569,358)	220,956	(429,348)
INCOME TAX EXPENSE (BENEFIT) (Note 19)	97,990	(173,310)	73,893	(130,692)
NET INCOME (LOSS)	₩ 195,020	₩ (396,048)	\$ 147,063	\$ (298,656)
BASIC ORDINARY INCOME (LOSS) PER COMMON SHARE (Note 20)	₩ 1,016	₩ (3,811)	\$ 0.77	\$ (2.87)
BASIC NET INCOME (LOSS) PER COMMON SHARE (Note 20)	₩ 1,016	₩ (3,811)	\$ 0.77	\$ (2.87)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Shareholders' Equity

For the year ended December 31, 2001 and 2000

Korean Won	(In millions)					
	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	Total
January 1, 2000	₩ 748,334	₩ 165,751	₩ 82,741	₩ 2,233	₩ -	₩ 999,059
Paid-in capital increase	427,000	105,943	-	-	-	532,943
Capital reduction	(52,000)	-	-	-	-	(52,000)
Offsetting deficit	-	(269,963)	269,963	-	-	-
Valuation of treasury stock funds	-	(1,731)	(1,852)	-	-	(3,583)
Transferred to special reserve for the trust account	-	-	1,267	-	-	1,267
Net loss	-	-	(396,048)	-	-	(396,048)
Change of capital adjustment	-	-	-	42,522	-	42,522
Cumulative effect of accounting changes	-	-	(8,152)	-	-	(8,152)
Adjustment of retained earnings using the equity method	-	-	(9,235)	-	-	(9,235)
December 31, 2000	₩ 1,123,334	₩ -	₩ (61,316)	₩ 44,755	₩ -	₩ 1,106,773
January 1, 2001	₩ 1,123,334	₩ -	₩ (61,316)	₩ 44,755	₩ -	₩ 1,106,773
Capital reduction	(52,000)	-	-	-	-	(52,000)
Valuation of treasury stock funds	-	524	-	-	-	524
Transferred to special reserve for the trust account	-	-	2,469	-	-	2,469
Net income	-	-	195,020	-	-	195,020
Change of capital adjustment	-	-	-	14,592	-	14,592
Adjustment of retained earnings using the equity method	-	-	(30)	-	-	(30)
Dividends (Note 21)	-	-	(16,560)	-	-	(16,560)
Amortization of discount on stock issuance	-	-	(3,845)	-	-	(3,845)
December 31, 2001	₩ 1,071,334	₩ 524	₩ 115,738	₩ 59,347	₩ -	₩ 1,246,943

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For the year ended December 31, 2001 and 2000

Korean Won / Translation into US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	₩ 195,020	₩ (396,048)	\$ 147,063	\$ (298,656)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Loss on disposal of trading securities	99,049	48,158	74,692	36,316
Loss on valuation of trading securities	2,385	1,548	1,798	1,167
Loss on derivatives instruments	76,818	103,610	57,928	78,131
Provision for possible loan losses	304,038	1,025,049	229,272	772,980
Provision for severance benefits	19,475	10,651	14,686	8,032
Depreciation and amortization	38,036	32,228	28,682	24,303
Loss on disposal of tangible assets	728	820	549	618
Loss on disposal of investment securities	13,180	24,556	9,939	18,518
Investment securities impairment loss	32,524	115,459	24,526	87,067
Loss on valuation of investment equity in fund	-	3,313	-	2,498
Loss on sales of loans	28,290	3,618	21,333	2,728
Other expenses not involving cash outflows	39,372	7,814	29,691	5,893
Gain on disposal of trading securities	(97,415)	(65,424)	(73,460)	(49,336)
Gain on valuation of trading securities	(2,644)	(28,191)	(1,994)	(21,259)
Gain on derivatives instruments	(62,449)	(79,455)	(47,092)	(59,916)
Reversal of allowance for possible loss on acceptances and guarantees	(63,567)	(45,197)	(47,935)	(34,083)
Gain on disposal of tangible assets	(47)	(40)	(36)	(30)
Gain on valuation using the equity method	(8,731)	(3,904)	(6,584)	(2,944)
Gain on disposal of investment securities	(112,684)	(68,036)	(84,974)	(51,305)
Gain on valuation of investment equity in fund	(22,528)	(14,491)	(16,988)	(10,928)
Gain on sales of loans	(14,280)	(18,552)	(10,768)	(13,990)
Other revenues not involving cash inflows	(19,561)	(39,590)	(14,751)	(29,854)
Changes in assets and liabilities resulting from operations:				
Increase in accounts receivable - other	(256,256)	(163,950)	(193,240)	(123,633)
Decrease in accrued income	72,530	718	54,694	542
Decrease (increase) in prepaid expenses	69,021	(114,090)	52,048	(86,034)
Decrease (increase) in deferred income tax assets	92,917	(191,706)	70,068	(144,564)
Increase in accounts payable-other	262,323	183,941	197,816	138,708

(continued)

Korean Won / Translation into US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Decrease in accrued expense	₩ (82,401)	₩ (82,164)	\$ (62,138)	\$ (61,959)
Increase (decrease) in unearned income	(14,776)	9,236	(11,142)	6,965
Payment of severance benefits	(5,409)	(4,641)	(4,079)	(3,500)
Other	(43,932)	(30,891)	(33,129)	(23,295)
Net cash provided by operating activities	539,026	224,349	406,475	169,180
CASH FLOWS FROM INVESTING ACTIVITIES:				
Decrease (increase) in trading securities	511,336	(563,348)	385,594	(424,816)
Decrease (increase) in investment securities	223,780	(1,270,347)	168,751	(957,957)
Increase in loans	(2,083,188)	(4,503,190)	(1,570,913)	(3,395,815)
Proceeds from disposal of tangible assets	177	279	133	210
Acquisition of tangible assets	(49,027)	(91,276)	(36,971)	(68,830)
Decrease (increase) in other assets	(63,039)	655,953	(47,537)	494,648
Other	12,871	-	9,706	-
Net cash used in investing activities	(1,447,090)	(5,771,929)	(1,091,237)	(4,352,560)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Increase in deposits	568,314	3,326,928	428,561	2,508,806
Increase (decrease) in borrowings	(1,281,091)	2,106,243	(966,059)	1,588,299
Increase in debentures	836,397	143,067	630,719	107,886
Increase (decrease) in other liabilities	73,492	(312,078)	55,419	(235,336)
Proceeds from issuance of capital stock	-	534,428	-	403,007
Reduction of capital stock by payment in cash	(52,000)	(52,000)	(39,213)	(39,213)
Other	(3,845)	(2,534)	(2,899)	(1,910)
Net cash provided by financing activities	141,267	5,744,054	106,528	4,331,539
NET INCREASE (DECREASE) IN CASH	(766,797)	196,474	(578,234)	148,159
CASH, BEGINNING OF THE YEAR (Note 24)	1,530,853	1,334,379	1,154,402	1,006,243
CASH, END OF THE YEAR (Note 24)	₩ 764,056	₩1,530,853	\$ 576,168	\$ 1,154,402

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements (December 31, 2001)

1. General

Koram Bank (the "Bank") was established in 1983 and is engaged in the commercial banking business under the Banking Law, trust business under the Trust Business Law and foreign exchange business with approval from the Bank of Korea (BOK) and the Ministry of Finance and Economy (MOFE). The Bank has its head office in Seoul, Korea and operates through 222 domestic branches and 4 overseas networks as of December 31, 2001. The Bank's common stock was listed on the Korea Securities Exchange on November 11, 1989. The Bank's common stock amounts to ₩815,334 million (US\$614,836 thousand), consisting of 163 million common shares issued and outstanding, and the Bank's preferred stock amounts to ₩256,000 million (US\$193,047 thousand), consisting of 51 million preferred shares issued and outstanding as of December 31, 2001.

In accordance with the decision of the Financial Supervisory Commission in compliance with the Act concerning the Structure Improvement of the Financial Industry, the Bank purchased certain assets, including the loans classified as normal or precautionary, and assumed most of the liabilities of Kyungki Bank (the P&A).

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

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

Scope of Consolidation and Accounting using the Equity Method

The consolidated financial statements include the banking accounts and the trust accounts of the Bank. Certain trust accounts whose principal is not guaranteed by the Bank are excluded from the consolidated financial statements in accordance with the accounting guidelines of the Financial Supervisory Commission in the Republic of Korea. The trust accounts included in the consolidation as of December 31, 2001 and 2000 are as follows (Unit: Won in millions):

	Total assets		Total revenue	
	2001	2000	2001	2000
Subsidiaries				
Trust accounts	₩ 864,339	₩ 652,617	₩ 91,725	₩ 97,183

Subsidiaries accounted for using the equity method as of December 31, 2001 are as follows (Unit: Won in millions):

	Capital stock	Business	Share owned	Percentage of ownership (%)	Closing month
Hanmi Capital Co., Ltd.	₩ 184,333	Leasing	10,691,129	29.00	March
Hanmi Technology Investment Co., Ltd.	17,867	Financing	919,520	25.73	December
SK Investment Trust Management Co., Ltd.	30,000	Trust management	1,200,000	20.00	March

2. Summary of Significant Accounting Policies:

Basis of Consolidated Financial Statement Presentation

The Bank maintains its official accounting records in Korean won and prepares its statutory consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea consisting of the Financial Accounting Standards, the Rules for Accounting for Banks, the Rules for Preparation of Consolidated Financial Statements and banking regulations promulgated by Financial Supervisory Commission in the Republic of Korea. Certain accounting principles applied by the Bank that

conform with the accounting principles generally accepted in the Republic of Korea may not conform with accounting principles generally accepted in other countries. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices.

The accompanying consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language consolidated financial statements. Certain supplementary information included in the Korean language consolidated financial statements, but not required for a fair presentation of the Bank and its subsidiaries' financial position, results of operations or cash flows, is not presented in the accompanying consolidated financial statements.

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

Basis of Consolidated Financial Statement Preparation

(1) Inter-company Transactions and Balances

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

(2) Equity Method

For investments in affiliates accounted for using the equity method, the difference between acquisition cost and net assets acquired at the acquisition date is added to or deducted from the carrying amount of investments and is being amortized in equal annual amounts for five years from the year incurred. Changes in the Bank's portion of net assets of affiliates accounted for using the equity method are added to or deducted from the carrying amount of investments.

(3) Special Reserve in Trust Accounts

A special reserve of more than 25 percent of trust management fee is provided for possible future losses on certain trust accounts under the arrangement of guaranteed fixed rate of return and/or repayment of the principal each year, until the total special reserve provided is equal to 5 percent of trust amounts. The special reserve for possible future losses is included in retained earnings in the consolidated financial statements.

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

Interest Income Recognition

The Bank applies the accrual basis in recognizing interest income related to deposits, loans, and securities, except for non-secured uncollectible receivables. Interest on loans, whose principal or interest is past due at the balance sheet date, is generally not accrued, with the exception of interest on certain loans secured by guarantee of governments or government agencies, or collateralized by bank deposits. Previously accrued interest is generally reversed to income when a loan is placed on non-accrual status and deducted from current interest income and future interest income is recognized on cash basis in accordance with accounting standards of banking industries. The unrecorded accrued interest income on such loans based on the above criteria amounted to ₩53,119 million (US\$40,057 thousand) and ₩87,282 million (US\$65,819 thousand) as of December 31, 2001 and 2000, respectively.

Valuation of Trading Securities

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

Valuation of Investment Securities

(1) Equity Securities

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

Equity securities held for investment that are in companies in which the Bank is able to exercise significant influence over the investees are accounted for using the equity method. The Bank's share in net income or net loss of investees is reflected in current operations. Changes in the retained earnings, capital surplus or other capital accounts of investees are accounted for as an adjustment to retained earnings, capital surplus or capital adjustment.

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

(2) Debt Securities

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

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

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

(3) Gain or Loss on Valuation of Investment Securities

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

(4) Recovery of Impaired Investment Securities

If the reasons for impairment losses are extinct and the value of any investment equity security or investment debt security previously recognized as impaired subsequently recovers, in the case of marketable equity securities and available-for-sale debt securities, the increase in value is recorded in current operations up to the amount of the previously recognized impairment loss and any excess is recorded as a capital adjustment. In the case of unlisted equity securities and held-to-maturity debt securities, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss.

(5) Reclassification of Securities

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

Allowance for Possible Losses on Credits

The Bank classifies corporate credits (loans, confirmed acceptances and guarantees) based on borrowers' capability to repay in consideration of borrowers' business operation, financial position and future cash flows (Forward Looking Criteria) as well as past due period and status of any bankruptcy proceedings (Historical Repayment Criteria). Credits to small companies and to households, however, are classified not by evaluating the debt repayment capability of a borrower or customer but by past due period and status of bankruptcy proceedings. The Bank generally classifies all credits to a single borrower in the same category of classification but credits guaranteed or credits collateralized by bank deposits, real estate and other assets may be classified differently based on his or her guarantor's capability to service such guarantee or based

on the value of collateral securing such credits.

Based on the Bank's corporate credit evaluation model, credits to a borrower are classified into eleven grades from one to ten (1,2,3,4,5,6,6w,7,8,9,10). Credits of grades of 1 to 6W are classified as normal, credits of grade 7 - precautionary, credits of grade 8 - substandard, credits of grade 9 - doubtful, and credits of grade 10 - estimated loss. Credits are finally classified reflecting past due period and bankruptcy considerations.

The Historical Repayment Criteria are set forth as follows:

- **Normal**

Loans in arrears for less than one month

- **Precautionary**

Loans in arrears for one month or more but less than three months

- **Substandard**

Collectible portion of loans in arrears for three months or more and/or loans extended to customers who are judged to have serious risks in collectibility due to the final default by non-payment of their promissory notes, liquidation or bankruptcy proceedings or closing of their businesses

- **Doubtful**

Amount in excess of collectible portion of loans in arrears for three months or more but less than twelve months and/or loans extended to customers who are determined by the court to begin final restructuring plan prepared through court receivership or court mediation

- **Estimated loss**

Amount in excess of collectible portion of loans in arrears for twelve months or more and/or loans extended to customers who are judged to have serious risks in collectibility due to final default by non- payment of their promissory notes, liquidation or bankruptcy proceedings or closing of their businesses

The Forward Looking Criteria based on ability to repay are set forth as follows:

- **Grade 1 (Normal)**

Credits extended to the customers which, in consideration of their business and operations, financial conditions and future cash flows, do not raise concerns regarding their capability to repay the credits notwithstanding extreme stagnancy of business activities

- **Grade 2 (Normal)**

Credits extended to the customers which, in consideration of their business and operations, financial conditions and future cash flows, do not raise concerns regarding their capability to repay the credits notwithstanding major business fluctuations

- **Grade 3 (Normal)**

Credits extended to the customers which, in consideration of their business and operations, financial conditions and future cash flows, do not raise concerns regarding their capability to repay the credits notwithstanding short-term business fluctuations

- **Grade 4 (Normal)**

Credits extended to the customers which, in consideration of their business and operations, financial conditions and future cash flows, do not raise concerns regarding their capability to repay, although they can be influenced by stagnancy of business activities

- **Grade 5 (Normal)**

Credits extended to the customers which, in consideration of their business and operations, financial conditions and future cash flows, do not raise concerns regarding their capability to repay except in stagnancy of business activities

- **Grade 6 (Normal)**

Credits extended to the customers which, in consideration of their business and operations, financial conditions and future cash flows, raise concerns regarding their capability to repay without collateral

- **Grade 6W (Normal)**

Credits extended to the customers which, in spite of similarity to grade 6, can be classified as under grade 7 without overcoming their weakness; or which cannot be classified as grade 6 due to insufficient information

- **Grade 7 (Precautionary)**

Credits extended to the customers which, in consideration of their business and operations, financial position and future cash flows, are judged to have potential risks with respect to their capability to repay the credits in the future without eliminating their potential weakness, although there have not occurred any immediate risks for default in repayment

- **Grade 8 (Substandard)**

Collectible portion of credits extended to the customers which, in consideration of their business and operations, financial position and future cash flows, are judged to have incurred considerable risks for default in repayment as the customers' capability to repay has deteriorated

- **Grade 9 (Doubtful)**

Amount in excess of collectible portion of credits extended to customers which, in consideration of their business and operations, financial conditions and future cash flows, are judged to have incurred serious risks for default in repayment due to noticeable deterioration in their capability to repay

- **Grade 10 (Estimated loss)**

Amount in excess of collectible portion of credits extended to customers which, in consideration of their business and operations, financial position and future cash flows, are judged to have to be accounted for as loss as the inability to repay became certain due to serious deterioration in their capability to repay

An allowance is then calculated on the category balances using the prescribed percentages of 0.5 - 1.9 percent for normal, 2 - 19 percent for precautionary, 20 - 49 percent for substandard, 50 - 99 percent for doubtful, and 100 percent for estimated loss. However, the Bank does not provide allowances for loans to the Korean government and local government entities, bonds bought under resale agreements, and inter-bank loans that are classified as Normal.

The Bank also provides an allowance for possible losses on confirmed acceptances and guarantees. Confirmed acceptances and guarantees are classified as of the balance sheet dates using the same loan classification criteria. An allowance is then calculated, using from 20 to 49 percent for substandard, from 50 to 99 percent for doubtful and 100 percent for estimated loss. No allowance is provided for those confirmed acceptances and guarantees classified as normal and precautionary. However, an allowance for confirmed acceptances and guarantees classified as precautionary to companies under workout is provided from 2 to 19 percent. The allowance for possible losses on confirmed acceptances and guarantees is presented in other liabilities.

Restructuring of Loans

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

Valuation of Receivables and Payables at Present Value

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

Tangible Assets and Depreciation

Tangible assets included in fixed assets are recorded at cost. Routine maintenance and repairs are expensed as incurred. Expenditures that result in the enhancement of the value or extension of the useful lives of the facilities involved are capitalized as additions to tangible assets.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows:

	Years
Buildings	50
Equipment	5
Leasehold improvements	5

Intangible Assets

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

Recognition of Assets Impairment

When the book value of assets (other than trading securities, investment securities and assets valued at present value) exceeds the recoverable

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

Amortization of Discount (Premium) on Debentures

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

Bonds under Resale or Repurchase Agreements

Bonds purchased under resale agreements are recorded as loans and bonds sold under repurchase agreements are recorded as borrowings when the Bank purchases or sells securities under resale or repurchase agreements.

Accrued Severance Benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Bank, based on their length of service and rate of pay at the time of termination. The accrued severance benefits which would be payable assuming all eligible employees and directors were to resign as of December 31, 2001 and 2000 amount to ₩48,371 million (US\$36,476 thousand) and ₩34,305 million (US\$25,869 thousand), respectively. The accrued severance benefits are included in other liabilities. Actual payment of severance indemnities amounted to ₩5,409 million (US\$4,079 thousand) in 2001 and ₩4,641 million (US\$3,500 thousand) in 2000.

The funding of the severance liability is not required. However, the Bank has insured a portion of its obligations for severance benefits in order to obtain the related tax benefits, by making deposits with life insurance companies. The Bank has purchased severance insurance, which meets the funding requirement for tax purposes, and made deposits with Samsung Life Insurance and others. The individual severance insurance deposits, amounting to ₩45,670 million (US\$34,439 thousand) and ₩31,288 million (US\$23,594 thousand) as of December 31, 2001 and 2000, respectively, are presented as a deduction from accrued severance benefits because the severance insurance's beneficiaries are the Bank employees.

Before April 1999, the Bank and its employees paid 3 percent and 6 percent, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law of Korea. The Bank paid half of the employees' 6 percent portion, which was paid as an advance for the future severance payment and deducted from the total severance indemnity payable at the termination. Such advance payment, totalling ₩2,701 million (US\$2,037 thousand) and ₩3,017 million (US\$2,275 thousand) as of December 31, 2001 and 2000, respectively, are presented as a deduction from accrued severance benefits. Since April 1999, according to a revision in the National Pension Law, the Bank and its employees each pay 4.5 percent of monthly pay to the Fund.

Accounting for Derivative Instruments

The Bank accounts for derivative instruments pursuant to the Interpretations on Financial Accounting Standards 53-70 on accounting for derivative instruments. Derivative instruments are classified as used for trading activities or for hedging activities according to their transaction purpose. All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations.

The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustment is added to or deducted from the asset or the liability.

Accounting for Stock Options

Stock options are valued at fair value pursuant to the Interpretations on Financial Accounting Standards 39-35 on accounting for stock options. The fair value of stock options is charged to operating expense in the statement of operations and credited to capital adjustments as stock option cost over the contract term of the services provided.

Income Tax Expense

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

Accounting for Foreign Currency Transactions and Translation

The Bank maintains its accounts in Korean Won. Transactions in foreign currency are recorded in Korean Won based on the prevailing rate of exchange on the transaction date. The Korean Won equivalent of assets and liabilities denominated in foreign currency are translated in these consolidated financial statements based on BOK Basic Rate (₩1,326.10 and ₩1,259.70 to US\$1.00 at December 31, 2001 and 2000, respectively) or cross rates as of the balance sheet dates. Translation gains and losses on foreign currency denominated assets and liabilities are credited or charged to operations. Financial statements of overseas branches are translated based on BOK Basic Rate as of the balance sheet date.

Accounting for Guaranteed Trust Accounts

Certain trust accounts, which the Bank guarantees a fixed rate of return and/or repayment of the principal, are summarized below.

(1) Valuation of Securities

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

Stocks are stated at acquisition cost determined by the individual moving average method plus incidental expenses. Stocks, which are traded in Korea Stock Exchange or Korea Securities Dealers Automated Quotation, are stated at market value, and unlisted stocks are stated at acquisition cost.

(2) Allowance for Possible Credit Losses

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

Reclassification

Certain accounts of the prior period were reclassified to conform with the current period's presentation for comparative purposes. However, those reclassifications had no effect on the previously reported prior period net loss or shareholders' equity of the Bank.

3. Cash and Due from Banks:

(1) Cash and due from banks in local currency and foreign currencies as of December 31, 2001 and 2000 consisted of the following:
Korean Won / US Dollars (Note 2)

	(In millions)		(In thousands)	
	2001	2000	2001	2000
Cash and checks	₩ 459,675	₩ 581,613	\$ 346,637	\$ 438,589
Foreign currencies	27,547	30,196	20,773	22,771
Due from banks in local currency	217,506	819,358	164,019	617,870
Due from banks in foreign currencies	59,328	99,686	44,739	75,172
	₩ 764,056	₩ 1,530,853	\$ 576,168	\$ 1,154,402

(2) Restricted due from banks in local currency and foreign currencies as of December 31, 2001 and 2000 consisted of the following:

	Financial institution	Korean Won / US Dollars (Note 2)		(In millions)		(In thousands)		Reason of restriction
		2001	2000	2001	2000			
Reserve deposits	BOK	₩178,025	₩560,654	\$ 134,247	\$ 422,784			BOK Act
Other deposits	Samsung life Insurance Co.	22,000	22,000	16,590	16,590			Subordinated borrowings
	Hanvit Bank	3,998	18,658	3,015	14,070			Escrow account for Daewoo Telecom
	Korea Stock Exchange	356	426	268	321			Deposits for securities transaction
	Samsung life Insurance Co. and others	1,099	2,834	829	2,137			Severance indemnities
Due from banks in foreign currencies	BOK	34,551	35,360	26,055	26,665			BOK Act
		₩240,029	₩639,932	\$ 181,004	\$ 482,567			

4. Trading Securities:

Trading securities as of December 31, 2001 and 2000 consisted of the following:

	Korean Won / US Dollars (Note 2)		(In millions)		(In thousands)	
	2001	2000	2001	2000	2001	2000
Equity securities	₩ 27,164	₩ 7,452	\$ 20,484	\$ 5,620		
Government and public bonds	370,010	859,520	279,021	648,156		
Finance debentures	161,251	83,790	121,598	63,185		
Corporate bonds	177,521	251,002	133,867	189,278		
Trading securities in foreign currencies	-	15,163	-	11,434		
Other	20,643	25,890	15,567	19,524		
	₩ 756,589	₩ 1,242,817	\$ 570,537	\$ 937,197		

5. Investment Securities:

(1) Investment securities as of December 31, 2001 and 2000 consisted of the following:

	Korean Won / US Dollars (Note 2)		(In millions)		(In thousands)	
	2001	2000	2001	2000	2001	2000
Equity securities	₩ 188,692	₩ 124,968	\$ 142,291	\$ 94,237		
Equity investments	7,953	5,148	5,997	3,882		
Government and public bonds	1,772,009	1,709,479	1,336,256	1,289,103		
Finance debentures	2,536,186	1,864,753	1,912,515	1,406,193		
Corporate bonds	2,523,330	3,556,126	1,902,820	2,681,642		
Investment securities in foreign currencies	469,028	209,341	353,690	157,862		
Others	509,292	651,690	384,053	491,434		
	₩ 8,006,490	₩ 8,121,505	\$ 6,037,622	\$ 6,124,353		

(2) Investment equity securities accounted for using the equity method as of December 31, 2001 were as follows (Unit: Won in millions):

	Book value before valuation	Book value after valuation	Gain (Loss) on valuation using equity method	Presented in retained earnings	Presented in capital adjustments
Hanmi Capital Co., Ltd.	₩ -	₩ 8,419	₩ 8,246	₩ -	₩ 173
Hanmi Technology Investment Co., Ltd.	10,507	9,666	(629)	(43)	383
SK Investment Trust Management Co., Ltd.	6,503	7,314	1,114	-	(3)
	₩ 17,010	₩ 25,399	₩ 8,731	₩ (43)	₩ 553

Dividends of ₩552 million (US\$416 thousand) and ₩300 million (US\$226 thousand) received from Hanmi Technology Investment Co., Ltd. and SK Investment Trust Management Co., Ltd. in 2001, respectively, were deducted from the book value. Goodwill and negative goodwill resulting from the equity method of accounting are amortized over five years using the straight-line method. Such amortized amounts of negative goodwill in 2001 were ₩3,849 million (US\$2,902 thousand).

(3) The Bank had investment securities issued by Daewoo Group companies of ₩29,124 million (US\$21,962 thousand), which was the net amount after deducting investment securities impairment loss of ₩8,089 million (US\$6,100 thousand) in 2001. In addition, the Bank had investment securities of workout companies (including private workout and leasing companies) other than Daewoo Group companies amounting to ₩13,927 million (US\$10,502 thousand), which was the net amount after deducting investment securities impairment loss of ₩6,619 million (US\$4,991 thousand) in 2001.

(4) The Bank had investment securities issued by Hyundai Engineering and Construction of ₩27,134 million (US\$20,462 thousand), which was the net amount after deducting investment securities impairment loss of ₩17,076 million (US\$12,877 thousand) in 2001.

6. Loans:

(1) Loans as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)

	(In millions)		(In thousands)	
	2001	2000	2001	2000
Loans in local currency	₩12,593,655	₩11,779,078	\$ 9,496,761	\$ 8,882,496
Loans in foreign currencies	669,013	1,368,703	504,497	1,032,127
Bills bought in local currency	395,886	524,213	298,534	395,304
Bills bought in foreign currencies	1,167,882	1,450,492	880,689	1,093,803
Advances for customers	42,516	331,699	32,061	250,131
Credit card accounts	1,936,849	858,993	1,460,560	647,759
Bond purchased under resale agreements	-	32,190	-	24,274
Call loans	408,656	263,371	308,164	198,606
Privately placed bonds	634,464	538,175	478,443	405,833
Loans to be converted to equity securities	121,481	89,737	91,608	67,670
Domestic import usance	238,295	250,606	179,696	188,979
	18,208,697	17,487,257	13,731,013	13,186,982
Allowance for possible loan losses	(495,983)	(1,401,562)	(374,016)	(1,056,905)
Present value discounts	(17,015)	(123,265)	(12,831)	(92,953)
	₩17,695,699	₩15,962,430	\$ 13,344,166	\$ 12,037,124

(2) Daewoo Group companies, which were placed under a workout in August 1999 due to their liquidity problems, are undergoing a workout or court receivership as of December 31, 2001. As of December 31, 2001, the Bank had loans outstanding (including confirmed acceptances and guarantees and trust accounts with guaranteed return) to Daewoo Group companies of ₩227,269 million (US\$171,381 thousand). For these credits, after deducting present value discounts of ₩3,693 million (US\$2,785 thousand), the Bank provided an allowance for possible loan losses (including allowance for possible losses on confirmed acceptances and guarantees) of ₩134,916 million (US\$101,739 thousand)

based on its loan classification. The recovery of loans outstanding to Daewoo Group companies is highly dependent on the results of the business restructuring; accordingly, the potential impact on the Bank's operations of the workout program and of the difficulties Daewoo Group companies are facing cannot presently be determined.

(3) As of December 31, 2001, amounts owed by companies under workout program excluding Daewoo Group companies amounted to ₩152,120 million (US\$114,712 thousand). After deducting the net present value discounts of ₩13,268 million (US\$10,005 thousand), the Bank provided an allowance for possible loan losses (including allowance for possible losses on confirmed acceptances and guarantees) of ₩91,766 million (US\$69,200 thousand). The collectibility of these loans may be affected by the outcome of the restructuring of these companies under workout program.

(4) As of December 31, 2001, amounts owed by Hyundai Group companies, which include Hyundai Petrochemical and Hyundai Merchant Marine amounted to ₩119,718 million (US\$90,278 thousand) including confirmed acceptances and guarantees. The Bank has provided an allowance for possible loan losses (including allowance for possible losses on confirmed acceptances and guarantees) of ₩27,070 million (US\$20,413 thousand) based on its loan classification. Hyundai Group companies are presently undergoing a liquidity problem and the potential impact on the Bank's operations of the difficulties these companies are facing cannot presently be determined.

(5) In 2001, amounts owed by Hynix Semiconductor Inc. (Hynix) amounted to ₩194,728 million (US\$146,843 thousand) of which ₩139,307 million (US\$105,050 thousand) was exempted and ₩55,421 million (US\$41,793 thousand) was swapped into convertible bonds according to the approved debt-restructuring plan for Hynix as determined by the Financial Institution Creditors' meeting held on October 31, 2001. The convertible bonds are recorded as loans for which a reserve of ₩2,771 million (US\$2,090 thousand) was provided as an allowance for possible loan losses.

7. Fixed Assets:

Fixed assets as of December 31, 2001 and 2000 consisted of the following:

	(In millions)		(In thousands)	
	2001	2000	2001	2000
Korean Won / US Dollars (Note 2)				
Tangible assets				
Land	₩ 124,966	₩ 124,928	\$ 94,236	\$ 94,207
Buildings	149,626	146,652	112,831	110,589
Equipment and furniture	182,300	148,344	137,471	111,865
Leasehold improvements	32,293	28,096	24,352	21,187
Construction in process	654	654	493	493
	489,839	448,674	369,383	338,341
Less: Accumulated depreciation	(130,463)	(99,609)	(98,381)	(75,114)
Intangible assets	224	279	169	210
	₩ 359,600	₩ 349,344	\$ 271,171	\$ 263,437

As of December 31, 2001 and 2000, the published value of land was ₩74,829 million(US\$56,428 thousand) and ₩74,717 million(US\$56,343 thousand), respectively, using the disclosed public land price announced annually by the Government pursuant to the Laws on Disclosure of Land Price and Valuation of Land.

8. Other Assets:

Other assets as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Guarantee deposits	₩ 234,500	₩ 222,706	\$ 176,834	\$ 167,941
Accounts receivable (Note 22)	564,772	308,516	425,890	232,649
Accrued income (Notes 2 and 23)	278,320	350,850	209,879	264,573
Prepaid expenses	136,321	205,342	102,798	154,847
Deferred income tax assets (Note 19)	134,452	227,369	101,389	171,457
Derivatives assets (Note 22)	69,777	77,106	52,618	58,145
Domestic exchange settlements debits	175,272	57,387	132,171	43,275
Sundry assets	9,972	6,834	7,520	5,153
	₩ 1,603,386	₩ 1,456,110	\$ 1,209,099	\$ 1,098,040

9. Collateralized Assets:

As of December 31, 2001 and 2000, collateralized assets, all of which were investment securities, consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)		Provided for
	2001	2000	2001	2000	
Provided to					
Korea Securities Depository	₩ 1,300,320	₩ 499,893	\$ 980,560	\$ 376,965	Customer RP
Bank of Korea	138,458	108,800	104,410	82,045	Inter-bank settlement
Bank of Korea	730,852	671,482	551,129	506,358	Loans with credit limit from Bank of Korea
Bank of Korea	1,398,579	988,656	1,054,656	745,537	RP of Bank of Korea
Bank of Korea	104,909	106,988	79,111	80,679	Borrowings from Bank of Korea
Korea Asset Management Corporation	13,735	13,755	10,357	10,373	Settlement of non-performing loans
Seoul Guarantee Insurance Company	88,957	-	67,082	-	Guarantee for construction execution
Samsung Futures and other	16,116	11,970	12,153	9,026	Futures
	₩ 3,791,926	₩ 2,401,544	\$ 2,859,458	\$ 1,810,983	

10. Deposits:

Deposits as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Deposits in local currency	₩ 16,703,696	₩ 15,565,578	\$ 12,596,106	\$ 11,737,862
Deposits in foreign currencies	576,354	681,952	434,623	514,254
Certificates of deposits	1,299,636	1,763,842	980,044	1,330,097
	₩ 18,579,686	₩ 18,011,372	\$ 14,010,773	\$ 13,582,213

11. Borrowings:

Borrowings as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Borrowings in local currency	₩ 1,830,724	₩ 2,083,767	\$ 1,380,532	\$ 1,571,350
Borrowings in foreign currencies	1,405,584	1,946,186	1,059,938	1,467,601
Bonds sold under repurchase agreements	883,184	542,356	666,001	408,986
Bills sold	244,839	811,298	184,631	611,793
Due to BOK in foreign currencies	32,425	150,908	24,452	113,798
Call money	1,413,868	1,557,200	1,066,185	1,174,270
	₩ 5,810,624	₩ 7,091,715	\$ 4,381,739	\$ 5,347,798

12. Debentures:

Debentures as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Debentures in local currency	₩ 1,134,390	₩ 482,609	\$ 855,433	\$ 363,931
Less: Discounts	(16,100)	(1,803)	(12,141)	(1,359)
Debentures in foreign currencies	360,460	142,132	271,820	107,180
Less: Discounts	(5,038)	(865)	(3,799)	(652)
Less: Adjustment for conversion rights	(3,610)	(8,894)	(2,722)	(6,707)
	₩ 1,470,102	₩ 613,179	\$ 1,108,591	\$ 462,393

13. Confirmed Acceptances and Guarantees and Allowance for Possible Losses:

(1) Confirmed acceptances and guarantees and allowance for possible losses as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Confirmed acceptances and guarantees in local currency				
Payment guarantee for issuance of debenture	₩ 17,507	₩ 22,836	\$ 13,202	\$ 17,220
Payment guarantee for loan	23,187	36,526	17,485	27,544
Others	187,407	191,036	141,322	144,059
	228,101	250,398	172,009	188,823
Confirmed acceptances and guarantees in foreign currencies				
Acceptances for letter of credit	352,958	638,900	266,162	481,788
Letters of guarantees for importers	28,706	55,346	21,647	41,736
Guarantees on credit derivatives	39,783	6,299	30,000	4,750
Others	188,655	293,906	142,263	221,632
	610,102	994,451	460,072	749,906
	838,203	1,244,849	632,081	938,729
Allowance for possible losses	₩ 20,923	₩ 84,628	\$ 15,778	\$ 63,817
Ratio (%)	2.50	6.80	2.50	6.80

(2) As of December 31, 2001, confirmed acceptances and guarantees to Daewoo Group companies amounted to ₩9,368 million (US\$ 7,064 thousand) for which an allowance for possible losses of ₩250 million (US\$ 189 thousand) had been provided based on the Bank's loan

classification.

(3) As of December 31, 2001, confirmed acceptances and guarantees to Hyundai Group companies amounted to ₩22,960 million (US\$ 17,314 thousand) for which no allowance for possible losses had been provided.

14. Other Liabilities:

Other liabilities as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Accrued severance benefits (Note 2)	₩ 48,371	₩ 34,305	\$ 36,476	\$ 25,869
Less: Transfer to National Pension	(2,701)	(3,017)	(2,037)	(2,275)
Less: Individual severance insurance deposits	(45,670)	(31,288)	(34,439)	(23,594)
Allowance for possible losses on confirmed acceptances and guarantees (Note 13)	20,923	84,628	15,778	63,817
Borrowings from trust accounts (Note 23)	398,236	167,228	300,306	126,105
Foreign exchange remittance pending	21,284	15,212	16,050	11,471
Accounts payable (Note 22)	592,085	313,202	446,486	236,183
Accrued expenses	389,785	472,186	293,933	356,071
Unearned revenues	47,106	61,882	35,522	46,665
Deposits for letter of guarantees and other	25,247	30,860	19,039	23,271
Derivative liabilities (Note 22)	88,464	105,702	66,710	79,709
Local exchange settlement credits	268,310	340,784	202,330	256,982
Sundry liabilities	227,025	248,336	171,197	187,268
	₩2,078,465	₩1,840,020	\$ 1,567,351	\$ 1,387,542

15. Shareholders' Equity:

(1) Common stock and preferred stock

As of December 31, 2001 and 2000, the Bank has 600 million authorized shares (₩5,000 par value) of which 163,066,765 shares (₩815,334 million) had been issued as common stock, and 51,200,000 shares (₩256,000 million) and 61,600,000 shares (₩308,000 million), respectively, had been issued as preferred stock. The Bank's major shareholders of common stock were J.P. Morgan & Carlyle Consortium (40.11 percent) and Samsung Group (16.82 percent) as of December 31, 2001.

With approval at the general shareholders' meeting, on April 16, 2001, the Bank paid ₩52,000 million (US\$ 39,213 thousand) to reduce 10,400,000 shares of preferred stock, which were issued to the Korea Deposit Insurance Corporation, in accordance with the P&A agreement for Kyunggi Bank.

(2) Capital surplus

Capital surplus amounting to ₩524 million (US\$395 thousand) resulted from the valuation of treasury stock fund.

(3) Retained earnings (deficit)

Retained earnings (deficit) as of December 31, 2001 and 2000 are summarized as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Legal reserve	₩ 19,600	₩ -	\$ 14,780	\$ -
Voluntary reserve	91,400	-	68,924	-
Reserves for overseas investment loss	-	880	-	664
Reserves for technological development	-	666	-	502
Special reserve in trust accounts	4,668	2,199	3,520	1,658
Unappropriated accumulated retained earnings (deficit)	70	(65,061)	53	(49,062)
	₩ 115,738	₩ (61,316)	\$ 87,277	\$ (46,238)

1) Legal reserve

The Korean Banking Law requires a bank to appropriate at least 10 percent of net income after income tax to legal reserve, until such reserve equals 100 percent of its paid-in capital. This reserve is not available for payment of cash dividends, however, it can be used to reduce deficit or transfer to capital.

2) Reserves for overseas investment loss and technological development

The Bank had recorded reserves for overseas investment loss and technological development based on the Regulation of Tax Reduction and Exemption Act, and had followed the related tax regulations in providing for and disposal of such reserves.

3) Retained earnings to be appropriated for accumulated deficit conservation

The Bank appropriated capital surplus, legal reserve and other reserve amounting to ₩348,363 million (US\$262,697 thousand) for accumulated deficit conservation, pursuant to the approval at the shareholders' meeting on March 9, 2001.

(4) Capital adjustment

Capital adjustments as of December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Treasury stock	₩ (2,138)	₩ (8,649)	\$ (1,612)	\$ (6,522)
Gain on valuation of investment securities-net	33,360	28,228	25,157	21,286
Stock option cost	3,853	904	2,906	682
Other	24,272	24,272	18,303	18,303
	₩ 59,347	₩ 44,755	\$ 44,754	\$ 33,749

1) Treasury stock

The Bank deposited ₩10,000 million (US\$7,541 thousand) on the treasury stock funds of Daehan Investment Trust Securities in 1998. The Bank recorded the fair value of the treasury stock included in treasury funds as of December 31, 2001 as the balance of treasury stock. The difference between the fair value and the book value was recognized as gain or loss on disposal of treasury stock in capital surplus or capital adjustment. The remainder of the treasury stock funds was recorded as investment securities.

2) Stock option cost

On March 20, 2000, the Bank granted to 460 employees and directors 1,620,500 shares as stock options (first stock option), which have rights to buy the Bank's shares at the exercise price of ₩7,190 per share. The Bank has the option to choose one of the settlement methods either through issuance of new shares or payment of the difference between the market price and the exercise price in cash or treasury stock, if the stock options are exercised. The stock options are exercisable during a three-year period beginning after three years from the grant date.

In addition, on May 17, 2001, the Bank granted to 480 employees and directors including the president 3,560,500 shares as stock options (second stock option), which have rights to buy the Bank's shares at the exercise price of ₩7,310 per share. The stock options with a graded vesting schedule are exercisable during an eight-year period, after the minimum two years from the grant date, beginning at an irrevocable

date set by the board of directors. The Bank has the option to choose one of the settlement methods either through issuance of new shares or payment of the difference between the market price and the exercise price in cash or treasury stock, if the stock options are exercised.

The Bank valued the stock options at fair value and charged to expense ₩2,949 million (US\$2,224 thousand) and ₩904 million (US\$682 thousand) in 2001 and 2000, respectively, and credited ₩3,853 million (US\$2,906 thousand) to capital adjustment as of December 31, 2001. The amount of ₩7,675 million (US\$5,788 thousand) will be expensed in the future.

16. Assets and Liabilities Denominated in Foreign Currencies:

Assets and liabilities denominated in foreign currencies as of December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In thousands)		(In millions)		(In thousands)		(In millions)	
	2001				2000			
	US Dollars equivalent	Won equivalent	US Dollars equivalent	Won equivalent	US Dollars equivalent	Won equivalent	US Dollars equivalent	Won equivalent
Assets:								
Foreign currencies	\$ 20,773	₩ 27,547	\$ 23,971	₩ 30,196				
Due from banks-foreign currencies	44,739	59,328	79,135	99,686				
Trading securities-foreign currencies	-	-	12,037	15,163				
Investment securities-foreign currencies	353,690	469,028	166,183	209,341				
Loans in foreign currencies	504,497	669,013	1,086,531	1,368,703				
Bills bought in foreign currencies	880,689	1,167,882	1,151,458	1,450,492				
Domestic import usance	179,213	237,655	198,941	250,606				
Call loans	81,936	108,656	30,000	37,791				
Other assets	236,230	313,264	197,187	248,396				
	\$ 2,301,767	₩ 3,052,373	\$ 2,945,443	₩ 3,710,374				
Liabilities:								
Deposits-foreign currencies	\$ 434,623	₩ 576,354	\$ 541,361	₩ 681,952				
Borrowings-foreign currencies	1,059,938	1,405,584	1,544,960	1,946,186				
Due to BOK	24,451	32,425	119,797	150,908				
Call money	299	396	-	-				
Debentures-foreign currencies	271,755	360,374	112,529	141,753				
Other liabilities	193,211	256,217	118,121	148,797				
	\$ 1,984,277	₩ 2,631,350	\$ 2,436,768	₩ 3,069,596				

(*) Foreign currencies other than US dollars were translated into US dollars at the appropriate exchange rates at balance sheet dates.

17. General and Administrative Expenses:

General and administrative expenses for the years ended December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Salaries	₩ 151,186	₩ 128,958	\$ 114,008	\$ 97,246
Provision for severance benefits	19,475	10,651	14,686	8,032
Other employee benefits	26,420	21,810	19,923	16,447
Rent	7,416	5,141	5,592	3,877
Entertainment	3,909	3,517	2,948	2,652
Depreciation	37,976	32,187	28,637	24,272
Amortization of intangible assets	60	41	45	31
Taxes and dues	30,790	22,173	23,219	16,720
Advertising	18,296	12,590	13,797	9,494
Other	63,212	52,022	47,668	39,229
	₩ 358,740	₩ 289,090	\$ 270,523	\$ 218,000

18. Non-Operating Income and Expenses:

Non-operating income and expenses for the years ended December 31, 2001 and 2000 consisted of the following:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Non-operating income:				
Gain on disposal of tangible assets	₩ 47	₩ 40	\$ 36	\$ 30
Rent income	2,524	2,227	1,903	1,679
Gain on valuation using the equity method (Note 5)	8,731	3,904	6,584	2,944
Gain on disposal of investment securities	112,684	68,036	84,974	51,305
Recovery of investment securities impairment loss	-	1,125	-	848
Gain on valuation of investment equity in fund	22,528	14,491	16,988	10,928
Gain on sales of loans	14,280	18,552	10,768	13,990
Other	15,887	12,046	11,980	9,084
	₩ 176,681	₩ 120,421	\$ 133,233	\$ 90,808
Non-operating expenses:				
Loss on disposal of tangible assets	₩ 728	₩ 820	\$ 549	\$ 618
Loss on disposal of investment securities	13,180	24,556	9,939	18,518
Investment securities impairment loss	32,524	115,459	24,526	87,067
Loss on valuation of investment equity in fund	-	3,313	-	2,498
Loss on sales of loans	28,290	3,618	21,333	2,728
Other	18,231	6,595	13,748	4,973
	₩ 92,953	₩ 154,361	\$ 70,095	\$ 116,402

19. Income Tax Expense:

(1) The differences between pretax accounting income for the year ended December 31, 2001 and taxable income pursuant to Korean Corporate Income Tax Law are summarized as follows (Unit: Won in millions):

	Amount
Income before income tax	₩ 293,010
Taxable and non-deductible items	
Temporary difference	423,376
Permanent difference	12,333
	435,709
Deductible and non-taxable items	
Temporary difference	(785,396)
Permanent difference	(3,402)
	(788,798)
Tax loss carry forward	(63,391)
Tax loss	(₩ 123,470)

(2) The tax effects on temporary differences and tax loss carry forward that gave rise to significant portions of the deferred income tax assets as of December 31, 2001 are summarized as follows:

Korean Won / US Dollars (Note 2)	(In millions)			(In thousands)	
	Beginning of year	Deduction	Addition	End of year	End of year
Allowance for possible loan losses	₩ 415,786	₩ 415,786	₩ 140,948	₩ 140,948	\$ 106,288
Allowance for Possible losses of confirmed acceptances and guaranties	84,628	84,628	20,923	20,923	15,778
Accrued income	(147,702)	(41,743)	(38,877)	(144,836)	(109,220)
Restructuring of loans	96,009	96,009	9,882	9,882	7,452
Valuation of securities	102,703	102,703	126,810	126,810	95,626
Valuation loss on derivatives financial instruments	28,638	28,638	18,688	18,688	14,092
Valuation loss from debt-for-equity swap	60,135	7,713	28,443	80,865	60,980
Others	25,958	11,042	61,036	75,952	57,275
	666,155	704,776	367,853	329,232	248,271
Tax loss carry forwards	63,391	-	60,079	123,470	93,107
	729,546	704,776	427,932	452,702	341,378
Statutory tax rate	30.8%	29.7%	29.7%	29.7%	29.7%
Deferred income tax assets	₩ 224,700	₩ 209,318	₩ 127,096	₩ 134,452	\$ 101,389

(3) Income tax expense for the year ended December 31, 2001 are summarized as follows (Unit: Won in millions):

	Amount
Income tax currently payable	₩ -
Additional income tax payable for prior years(*)	7,742
Changes in deferred tax assets	
Tax effect on cumulative temporary differences	107,394
Tax effect on tax loss carryforwards	(17,146)
Income tax expense	₩ 97,990

(*) representing additional income tax payment for prior years due to tax examination by tax authorities.

(4) The Bank is subject to corporate income taxes at 16 percent of the first ₩100 million of taxable income and 28 percent of the excess. Added to this is a resident surtax of 10 percent of the corporate income tax due. Due to the differences between pretax accounting income

and taxable income pursuant to Korean Corporate Income Tax Law, the effective income tax rate is approximately 33.4 percent in 2001.

20. Earnings Per Share:

(1) Ordinary income per share and net income per share

Earnings per share in 2001 and 2000 were calculated for common stock and for participating preferred stock by dividing net income available to common shareholders and participating preferred shareholders, respectively, by the weighted average number of outstanding common stock of 163,066,765 shares in 2001 (105,886,437 shares in 2000) and outstanding participating preferred stock of 20,000,000 shares in 2001.

Earnings per share for common stock and for preferred stock in 2001 were computed as follows (Korean Won in millions except per share amounts):

	Common stock	Participating preferred stock	Ordinary preferred stock	Total
Dividends (Note 21)	₩ -	₩ 7,500	₩ 1,560	₩ 9,060
Income available for additional dividends (*)	165,644	20,316	-	185,960
Net income	165,644	27,816	₩ 1,560	₩ 195,020
Number of shares outstanding	163,066,765	20,000,000		
Earnings per share (in currency unit)	₩ 1,016	₩ 1,391		

(*) Income available for additional dividends = Net income - Dividends for preferred stock
 Income available for additional dividends attributable to common stock
 = ₩185,960 million X 815,334 million ÷ (815,334 million + 100,000 million) = ₩165,644 million
 Income available for additional dividends attributable to participating preferred stock
 = ₩185,960 million X 100,000 million ÷ (815,334 million + 100,000 million) = ₩20,316 million

Participating preferred stock consisted of cumulative, participating preferred stock, which was issued in the form of public placement on June 30, 2000 (issue amount per share: ₩5,000, total issue amount: ₩100,000 million). This preferred stock can be converted to common stock after stipulated dividends (7.5% per annum) paid for three years (i.e. 7.5% X 3 years = 22.5%) with the conversion ratio of one for one, resulting in 20,000,000 common shares to be issued.

Since there is no extraordinary gain or loss in 2001, ordinary income available to common stock and preferred stock are same with the net income available to common stock and preferred stock.

(2) Diluted ordinary income per share and diluted net income per shares

Diluted ordinary income per common share and diluted net income per common share are not computed since there are no dilutive effects for all dilutive potential common shares.

(3) As of December 31, 2001, dilutive securities are summarized as follows (Unit: Won in millions, shares):

	Face value	Exercise period	Common stocks to be issued	Remark
Convertible preferred stock	₩100,000	After payment of stipulated dividends	20,000,000	Conversion rate is 1 : 1
Convertible bonds	132,610	1997. 9. 25 - 2007. 7. 26	6,775,796	
Stock option		2003. 3. 21 - 2006. 3. 20	1,620,500	See Note 15
Stock option		2003. 5. 18 - 2009. 5. 17	3,560,500	See Note 15

21. Dividends:

(1) Dividends per share in the current year are ₩750 for participating preferred stock, ₩50 for ordinary preferred stock and no dividends for common stock. Details of dividend were as follows:

Shares	No. of shares subject to receive dividend	(In millions)		(In thousands)	
		Par value	Dividend rate(%)	Dividends	Dividends
Common stock:	163,066,765	₩ 5,000	0.0	₩ -	\$ -
Preferred stock:					
Participating	20,000,000	₩ 5,000	15.0	₩ 15,000	\$ 11,311
Ordinary	31,200,000	5,000	1.0	1,560	1,177
	51,200,000			₩ 16,560	\$ 12,488

(2) Propensity to dividend and dividend yield ratio to preferred stock in current period were as follows:

Classification	Computation	Ratio (%)	Remarks
Propensity to dividend	Dividend amount / Net income	8.49	
Dividend yield ratio (*)	Dividend per share / Stock price (Closing price at balance sheet date)	7.77	Participating preferred stock

(*) Yield of ordinary preferred stock that has no closing price available is not calculated

22. Contingencies and Commitments:

In the normal course of its commercial banking business, the Bank made various commitments and incurred certain contingent liabilities, which were not recorded in the financial statements.

(1) Unconfirmed acceptances and guarantees as of December 31, 2001 and 2000 consisted of:

	(In millions)		(In thousands)	
	2001	2000	2001	2000
Customer's liability on letters of credit	₩ 544,039	₩ 634,953	\$ 410,255	\$ 478,812
Other	35,100	35,100	26,469	26,469
	₩ 579,139	₩ 670,053	\$ 436,724	\$ 505,281

(2) The Bank manages written-off loans whose time period for legal claim has not elapsed. The balance of such loans was ₩1,148,828 million (US\$866,321 thousand) as of December 31, 2001.

(3) As of December 31, 2001, the Bank has ₩1,077 million (US\$812 thousand) of endorsed notes for sales which had been purchased on discount.

(4) The Bank sold its non-performing loans of ₩306,062 million (US\$230,799 thousand) in 3 different batches to Korea Asset Management Corporation since December 1997. As of December 31, 2001, the amount of these non-performing loans unsettled was ₩90,268 million (US\$68,070 thousand).

(5) As of December 31, 2001, the Bank had receivables of unsettled spot foreign currency transactions of ₩550,718 million (US\$415,291 thousand) and payables of ₩549,210 million (US\$414,154 thousand).

(6) As of December 31, 2001, the Bank has been engaged to provide the credit line commitment with the limit of ₩1,617,160 million (US\$1,219,486 thousand), for the support of payments for bonds issued by New Millennium Special Purpose Company and others. As of

December 31, 2001, ₩378,420 million (US\$285,363 thousand) had been used.

(7) Derivative instruments outstanding as of December 31, 2001 were as follows (Unit: Won in millions):

Type	Outstanding contract amount		
	Trading	Hedging	Total
Currency:			
Currency forwards (*)	₩ 3,918,736	₩ -	₩ 3,918,736
Currency futures (*)	3,424	-	3,424
Currency swaps (*)	594,945	15,588	610,533
Currency options purchased	315,612	-	315,612
Currency options sold	294,394	-	294,394
	5,127,111	15,588	5,142,699
Interest rate:			
Interest rate swaps (*)	633,261	72,161	705,422
Interest rate futures	35,283	36,215	71,498
	668,544	108,376	776,920
	₩ 5,795,655	₩ 123,964	₩ 5,919,619

Type	Gain (loss) on valuation (P/L)			Gain (loss) on valuation (B/S)
	Trading	Hedging	Total	
Currency:				
Currency forwards (*)	₩ 45,481	₩ -	₩ 45,481	₩ 46,252
	(57,291)	-	(57,291)	(58,212)
Currency swaps (*)	12,206	-	12,206	15,551
	(7,901)	(1,571)	(9,472)	(16,076)
Currency options purchased	1,446	-	1,446	4,627
	-	-	-	-
Currency options sold	-	-	-	-
	(2,420)	-	(2,420)	(5,185)
	59,133		59,133	66,430
	(67,612)	(1,571)	(69,183)	(79,473)
Interest rate:				
Interest rate swaps (*)	2,886	430	3,316	3,347
	(2,434)	(5,201)	(7,635)	(8,991)
	₩ 62,019	₩ 430	₩ 62,449	₩ 69,777
	(70,046)	(6,772)	(76,818)	(88,464)

Derivative instruments outstanding as of December 31, 2000 were as follows (Unit: Won in millions):

Type	Outstanding contract amount		
	Trading	Hedging	Total
Currency:			
Currency forwards (*)	₩ 2,586,548	₩ -	₩ 2,586,548
Currency futures (*)	12,408	-	12,408
Currency swap (*)	125,970	22,082	148,052
	2,724,926	22,082	2,747,008
Interest rate:			
Interest rate swaps (*)	37,791	30,391	68,182
Interest rate futures	9,252	-	9,252
	47,043	30,391	77,434
	₩ 2,771,969	₩ 52,473	₩ 2,824,442

Type	Gain (loss) on valuation (P/L)			Gain (loss) on valuation (B/S)
	Trading	Hedging	Total	
Currency:				
Currency forwards (*)	₩ 72,898	₩ -	₩ 72,898	₩ 72,635
	(92,600)	-	(92,600)	(92,373)
Currency swaps (*)	6,289	-	6,289	4,046
	(6,374)	(1,603)	(7,977)	(6,044)
	79,187		79,187	76,681
	(98,974)	(1,603)	(100,577)	(98,417)
Interest rate:				
Interest rate swaps (*)	267	-	267	425
	(277)	(2,756)	(3,033)	(7,285)
	₩ 79,454	₩ -	₩ 79,454	₩ 77,106
	(99,251)	(4,359)	(103,610)	(105,702)

(*) For transaction between Korean Won to foreign currency, unsettled amount of transaction is presented using transaction basic foreign exchange rate based on the transaction amount in foreign currency. For transaction between foreign currency to foreign currency, unsettled amount is presented using transaction basic foreign exchange rate based on foreign currency purchased

Outstanding contract amount and gain or loss on valuation for hedging purpose in the table included or resulted from both derivative instruments accounted for as hedge pursuant to the Interpretations on Financial Accounting Standards 53-70 and derivative instruments used for hedging activities but not accounted for as hedge. As of December 31, 2001, the Bank did not have derivative instruments used for cash flow hedging activities or accounted for as cash flow hedge. However, it had derivative instruments accounted for as fair value hedge. Hedged items, to which fair value hedge was applied, consisted of investment securities and debentures in foreign currency and hedging derivative instruments such as currency swaps and interest rate swaps which were used to cover exposures to changes in fair value of hedged items resulting from interest rate changes. Resulting from the valuation of hedged items accounted for as fair value hedges, gain on valuation of ₩3,607 million (\$2,720 thousand) on investment securities, loss on valuation of ₩430 million (\$324 thousand) on investment securities, and gain on valuation of ₩293 million (\$221 thousand) on debenture were reflected in current operations, and opposite corresponding amounts of gain or loss from valuation of derivative instruments accounted for as fair value hedge were reflected in current operations.

(8) The Export-Import Bank of Korea (EIBK) filed a lawsuit against the Bank, demanding the issuance of the certification of payment guarantee amounting to US\$60 million in connection with the loans previously provided by EIBK to Daewoo Corporation. In addition, there are pending legal actions instituted by the Bank such as claims for auction concerning compensation of loans. The outcome of these lawsuits cannot presently be determined.

23. Transactions with Affiliated Companies:

(1) Significant transactions with the trust accounts of the Bank in 2001 and 2000, which were eliminated in the consolidation, were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Operating revenue of trust operation:				
Trust fees and commissions from trust accounts	₩ 51,629	₩ 3,805	\$ 38,933	\$ 2,869
Interest income on loans to trust accounts	2,932	3,165	2,211	2,387
	₩ 54,561	₩ 6,970	\$ 41,144	\$ 5,256
Operating expenses of trust operation:				
Payment to guaranteed trust accounts	₩ -	₩ 225,317	\$ -	\$ 169,910
Interest expense on borrowings from trust accounts	2,185	385	1,648	290
	₩ 2,185	₩ 225,702	\$ 1,648	\$ 170,200

(2) Significant balances of the Bank with the trust accounts as of December 31, 2001 and 2000, which were eliminated in the consolidation, were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Assets:				
Loans to trust accounts	₩ -	₩ 94,952	\$ -	\$ 71,603
Accrued receivable trust fees	25,758	251	19,424	189
	₩ 25,758	₩ 95,203	\$ 19,424	\$ 71,792
Liabilities:				
Borrowings from trust accounts	₩ 67,495	₩ 63,167	\$ 50,897	\$ 47,634

(3) Significant transactions with related parties accounted for using the equity method as of December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Revenues:				
Hanmi Technology Investment	₩ 4	₩ -	\$ 3	\$ -
Hanmi Capital	-	1,168	-	881
	₩ 4	₩ 1,168	\$ 3	\$ 881
Expenses:				
Hanmi Technology Investment	197	368	149	277
Hanmi Capital	654	2,659	493	2,005
SK Investment Trust Management	424	121	320	91
	₩ 1,275	₩ 3,148	\$ 962	\$ 2,373

(4) Significant balances with related parties accounted for the using equity method as of December 31, 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Assets:				
Hanmi Technology Investment	₩ 500	₩ -	\$ 377	\$ -
Hanmi Capital	9,060	11,325	6,832	8,540
	₩ 9,560	₩ 11,325	\$ 7,209	\$ 8,540
Liabilities:				
Hanmi Technology Investment	₩ 3,405	₩ 3,930	\$ 2,568	\$ 2,964
Hanmi Capital	29,764	5,954	22,445	4,490
SK Investment Trust Management	1,084	-	817	-
	₩ 34,253	₩ 9,884	\$ 25,830	\$ 7,454

24. Statement of Cash Flows:

(1) Cash flows from operating activities are presented by the indirect method. Cash item in the cash flows statements included cash and due from banks as of December 31, 2001 and 2000.

(2) Significant transactions not involving cash inflows and outflows in 2001 and 2000 were as follows:

Korean Won / US Dollars (Note 2)	(In millions)		(In thousands)	
	2001	2000	2001	2000
Write-offs of loans	₩ 1,128,800	₩ 200,433	\$ 851,218	\$ 151,145
Cumulative effects of accounting change	-	8,151	-	6,147
Increase in capital adjustments due to valuation of investment securities	5,132	36,484	3,871	27,512
Decrease in retained earnings due to valuation of equity securities using equity method	30	9,235	22	6,964
Debt to equity swap	97,532	100,635	73,548	75,888
Write-off of loan loss reserve resulting from the debt to equity swap	37,960	61,927	28,625	46,699
Increase of dividends payable	16,560	-	12,488	-

(4) Significant balances with related parties accounted for the using equity method as of December 31, 2001 and 2000 were as follows:

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	£ 34,253	£ 9,884	\$ 25,830	\$ 7,454

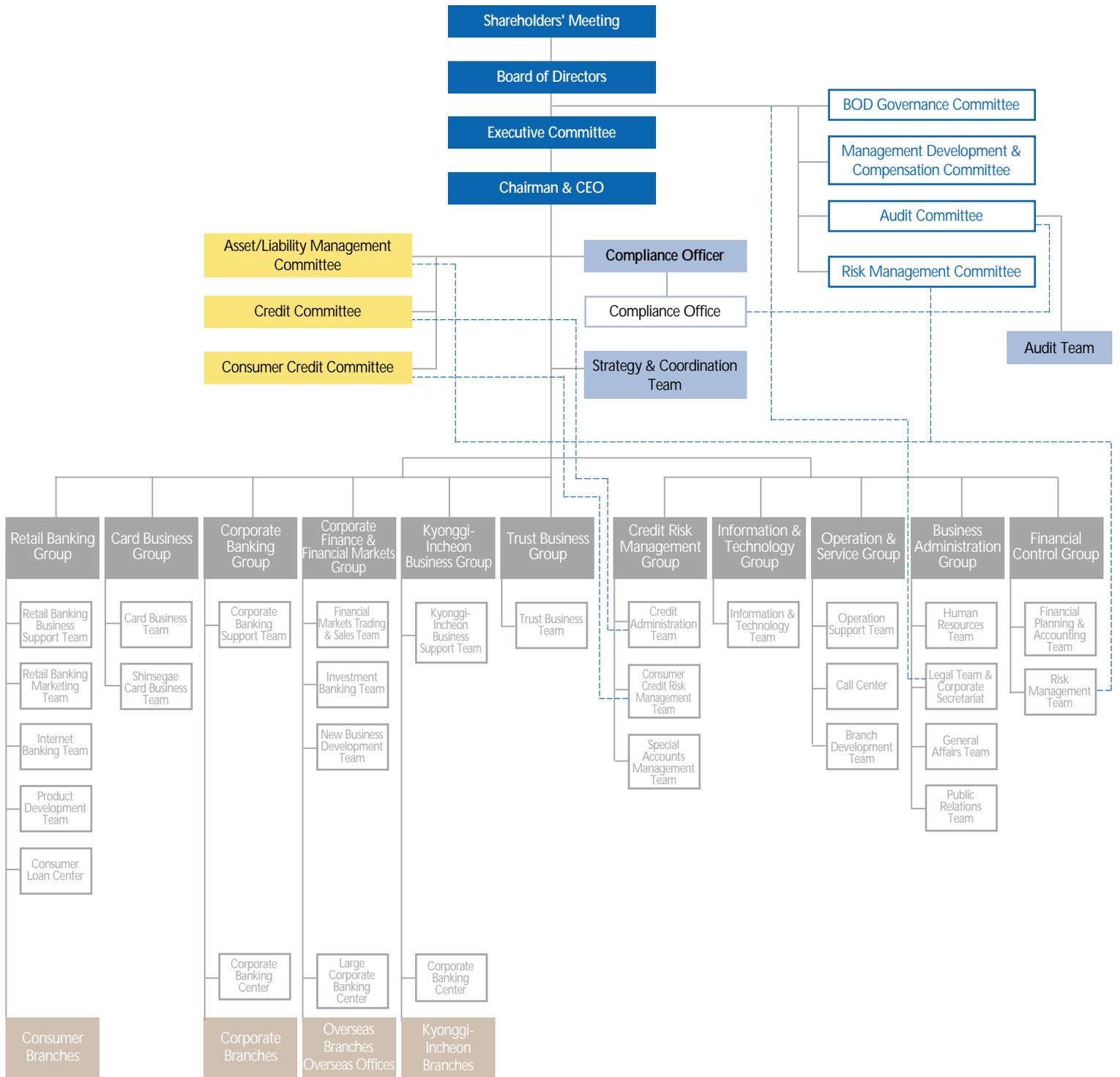
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Organization Chart

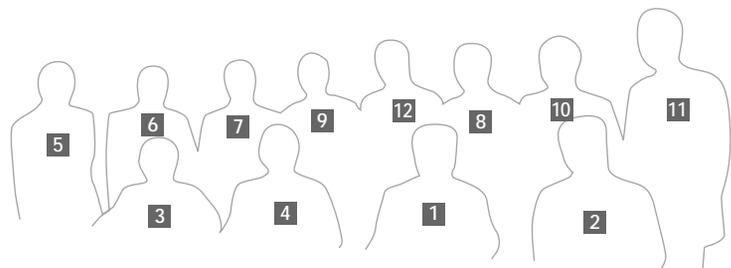




- 1** Yung Ku, Ha
Chairman & CEO
- 2** Myung Sup, Lee
*Director & Executive Vice President
Credit Risk Management Group*
- 3** Sung Hee, Lee
*Director & Standing Audit
Committee Member
Audit Team*
- 4** Jin Hei, Park
*Director & Executive Vice President
Corporate Finance & Financial Market
Group*
- 5** Ok Pyung, Kim
*Executive Vice President
Information & Technology Group*
- 6** Hwa Jeon, Jang
*Executive Vice President
Kyonggi-Inchon Business Group*

- 7** In Ho, Rhi
*Executive Vice President
Business Administration Group*
- 8** Kyung Pyo, Suh
*Executive Vice President
Financial Control Group*
- 9** Yong Soo, Ahn
*Executive Vice President
Corporate Banking Group*

- 10** Soo Hwa, Lee
*Executive Vice President
Trust Business Group*
- 11** Shin Won, Kang
*Executive Vice President
Retail Banking Group*
- 12** Hyo Sung, Won
*Executive Vice President
Card Business Group*



Corporate Data (As of December 31, 2001)

HEAD OFFICE	Address : #39, Da-Dong, Chung-gu, Seoul, Korea 100-180 TEL : 82-2-3455-2114, FAX : 82-2-3455-2966 TLX:K27814KORAMBK SWIFT : KOAMKRSE Reuter Dealing Code : KRBH http://www.goodbank.com
DATE OF ESTABLISHMENT	March 16, 1983
NETWORK	Domestic : 222 Branches Overseas : 2 Branches 2 Representative Offices
NUMBER OF EMPLOYEES	3,004
PAID-IN CAPITAL	1,071 Billion Won
NO. OF ISSUED SHARES	214,266,765 shares
MAJOR SHAREHOLDERS (COMMON SHARES)	Carlyle & J.P. Morgan consortium 40.106% Samsung Group 16.822%
AFFILIATES	Hanmi Capital Co., Ltd. 1038-1, Ingye-dong, Paldal-gu, Suwon City, Kyonggi Province, Korea TEL : 82-331-220-8000, FAX : 82-331-220-8188 Hanmi Technology Investment Co., Ltd. 837-12, Yeoksam-dong, Kangnam-gu, Seoul, Korea TEL : 82-2-569-3900, FAX : 82-2-569-2028 SK Investment Trust Management Co., Ltd. 23-10, Yoido-dong, Yongdeungpo-gu, Seoul, Korea TEL : 82-2-767-9900, FAX : 82-2-783-6882
INTERNATIONAL DIRECTORY	Head Office <Correspondent Banking> TEL : 822-3455-2534, FAX : 822-3455-2966 Jai Yi Kim (Head of International Banking Department) <Foreign Exchange Operation> TEL : 822-3455-2580, FAX : 822-3455-2957 Do Soo Kim (Head of Operation Support Team) Overseas Network <Hong Kong Branch> Suite 1002-3, 10th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong TEL : 852-2801-5000, FAX : 852-2522-4826 TLX : 70628, SWIFT/BIC : KOAMHKHH Branch Manager : Jung Hee Kim <London Branch> 2nd Floor, 30-40 Eastcheap, London, EC3M 1HD, U.K. TEL : 44-207-283-0833, FAX : 44-207-626-8828 TLX : 922678, SWIFT/BIC : KOAMGB2L Branch Manager : Jong Bum Lee <New York Representative Office> Suite 7D, 140 West 57th St., New York, NY 10954, U.S.A. TEL : 1-212-397-3228, FAX : 1-212-397-6342 Chief Representative : Jong Tae Kim <Singapore Representative Office> 50 Raffles Place, #38-02, Singapore Land Tower, Singapore 048623 TEL : 65-6536-4100, FAX : 65-6536-4900 Chief Representative : Seok Min Kim

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This is how we're **building** the best **quality bank** in Korea.



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TEL:82-2-3455-2114 FAX:82-2-3455-2966
TLX:K27814KORAMBK
SWIFT:KOAMKRSE
Reuter Dealing Code:KRBH
<http://www.goodbank.com>