

# Annual Report

>

2002

*Creating and distributing maximum value to*

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*customers, shareholders and employees alike*



**LG Card**

## BUSINESS AREAS :

CREDIT CARD, INSTALLMENT FINANCE, CONSUMER LOAN, LEASING

## Profile

Since the company's inception in 1988, all operations of LG Card have been predicated on a fundamental and uncompromising management mandate: "Create value for the customers." The Company believes success is defined as offering products and services that directly address client needs. This philosophy has allowed LG Card to become the leader in the Korean credit card market.

The Company's mission is to make LG Card a preeminent consumer finance provider by delivering the highest level of service and satisfaction to its customers. Today, the Company continues to move inexorably and determinedly toward the manifestation of this vision.

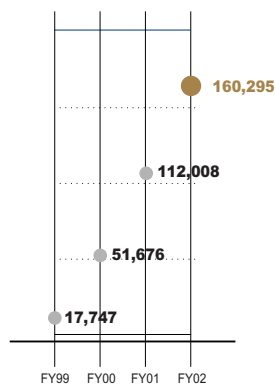
Backed by core competencies and a strong and vibrant organization, LG Card has 11.9 million effective card members culminating in ₩160 trillion in annual aggregate transaction volume and a net income of ₩350.4 billion as of the end of December 2002.

LG Card enjoys the industry's highest competitiveness and follows strategies for ongoing profit generation and long-term growth. The ultimate goal has always been, and remains, unvarying: offer maximum value to customers, shareholders and employees alike.

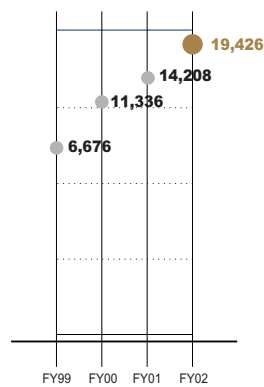
## FINANCIAL HIGHLIGHTS

(KRW Billions)

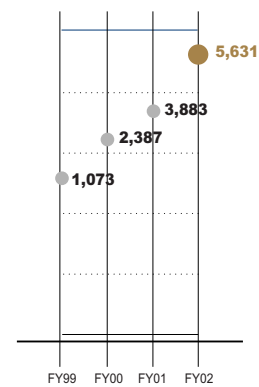
	1999	2000	2001	2002
Total Assets (Managed)	6,807	15,448	27,371	33,784
Total Assets (Reported)	6,676	11,336	14,208	19,426
Total Shareholders' Equity	438	804	1,346	1,775
Net Income	102	395	653	350
Operating Revenue (Reported)	1,073	2,387	3,883	5,631
ROA (Managed)	1.90%	3.50%	3.10%	1.10%
ROA (Reported)	1.92%	4.40%	5.10%	2.10%
ROE	27.96%	63.6%	60.8%	22.5%
EPS (KRW)	2,193	6,126	9,332	4,805
BPS (KRW)	7,292	11,492	19,222	23,983
Total Transaction Volume	17,747	51,676	112,008	160,295



Total Transaction Volume  
(KRW Billions)

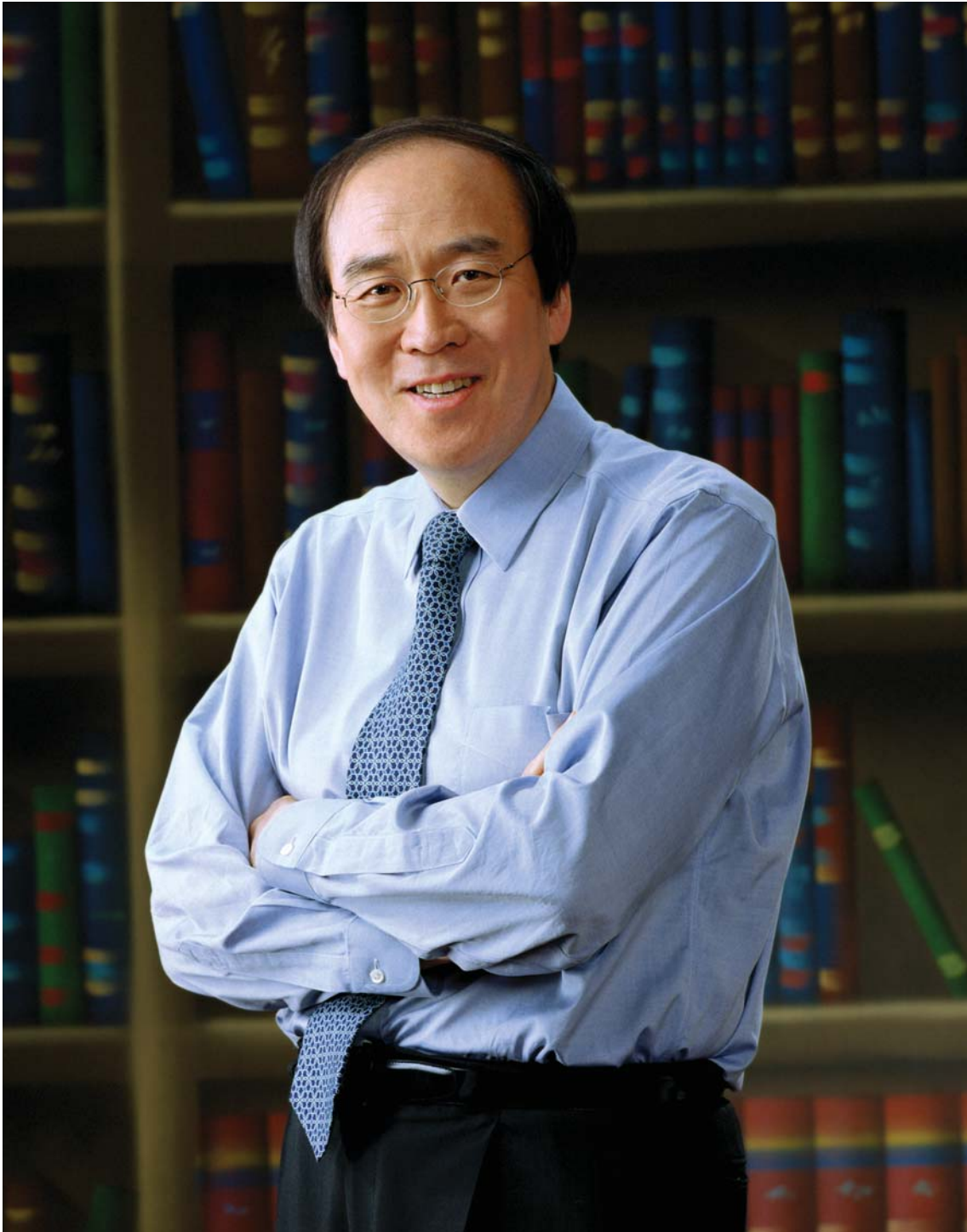


Total Assets  
(Reported)  
(KRW Billions)



Operating Revenue  
(Reported)  
(KRW Billions)

## Message from the Management



**DEAR SHAREHOLDERS,**

This report presents LG Card's full-year results for 2002 – our 15th year in business and the first year as a public company.

The year 2002 was a very difficult year for the Korean credit card industry. Unfavorable market conditions and the collective squeeze in credit limits across consumer finance institutions led to the downturn of the industry's asset quality. Nonetheless LG Card managed to post 350 billion won in net income, a commendable achievement relative to the industry's performance.

A challenging business environment is expected to continue in 2003. But we will work to overcome this by focusing on strengthening our internal competencies and improving our profitability and stability.

Specifically, we will first refine our credit risk management infrastructure. Preemptive measures will be installed in the application process to prevent the inflow of risky customers while our existing customer base is realigned to center around quality customers. More resources and personnel will be allocated to improve collections.

Second, we will carry out quality marketing which focus on reaping concrete returns. Furthermore, we will continue to strengthen our relationship with existing customers through full-force Customer Relationship Management.

Lastly, for a leaner and more efficient business operation, we will execute strong business rationalization measures. We will continue our efforts to reshape and improve our operation processes to reduce costs while maintaining our market competitiveness.

With these plans and the commitment of our employees, I believe LG Card will soon overcome current difficulties in the months to come. After this phase of rationalization, we will become more competitive and resilient to changes in the business landscape. These will in turn translate into better performance and value creation for our shareholders. We firmly believe in our long-term prospects and we sincerely hope you can share this vision with us.

Thank you for your support in LG Card, and I hope you find this report enjoyable and informative.

Sincerely,



**Chong S. Lee, Ph.D.**

*President & CEO*

# Credit Card

## LG CARDS - AS FITTING AS HANDMADE CLOTHING

LG Card's credit card operations consist of two types of businesses: One a credit purchase business in which it pays for the merchandise or services that individuals or corporations purchase through the use of authorized cards; and the other a cash advance business, which advances cash to requesting card members on credit.

The credit purchase business involves two types of payment: lump sum and installment. The cash advance business uses diverse distribution means, including cash dispensers, ARS, and the Internet. Through continued upgrading of products and customer service, LG Card has solidified its market position and brand value as the most popular credit card in Korea.



**LG Lady Card** has set new standards for gender-specific marketing



**LG 2030 Card** meets the lifestyle needs of men in their 20s and 30s.

### CUSTOMIZED PRODUCTS

LG Card offers a variety of credit card products, often in cooperation with its affinity partners, to suit the lifestyles and needs of customers. LG Oil Bonus Card offers casualty insurance and gasoline discount services and LG Travel Card offers the industry's first double-mileage program and is ideal for those who enjoy traveling and leisure activities. Also available are affinity cards that offer special benefits. The Company continues to add various discount services onto LG Lady Card and LG 2030 Card, its two core products.



**LG ACE Card** helps the middle-aged and elderly improve their lifestyles.

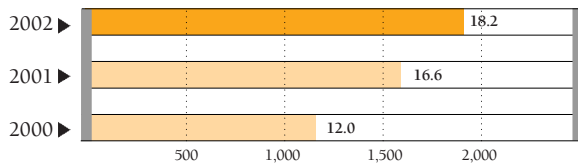
**UNIQUE SERVICES**

LG Card prides itself on offering services uniquely different from those of its peers. LG Plus Coupon has introduced to Korea a whole new way of using credit cards. Through the internet, card members sign up for discount coupons which will be applied to the respective purchases automatically, eliminating the need to carry physical coupon leaflets. Other services designed to enrich people's lives include a no-interest installment service, a discount service for various cultural events, and the like. In addition, the Company publishes a membership magazine called Bonne Amie, operates an electronic billing system, and offers various convenient services aimed at increasing customer satisfaction.

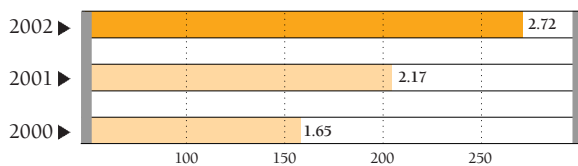
**CONVENIENT E-BUSINESS**

LG Card has established a highly sophisticated e-business system that reaches out to its customers through ARS, the Internet, mobile phone, SMS, and WAP/ME. Through these media, the Company offers various card-related services and benefits, including real-time consultation.

Cardholders (in Millions)



Merchants (in Millions)



LG Sky Pass Card offers the best mileage program in the industry.



LG Oil Bonus-Card is found in every driver's wallet.



LG Daewoo Auto Pass caters toward those who demand only the best.

# Installment Financing

**DON'T PUT OFF YOUR DREAM ANYMORE.  
PURSUE IT NOW, WITH LG CARD.**

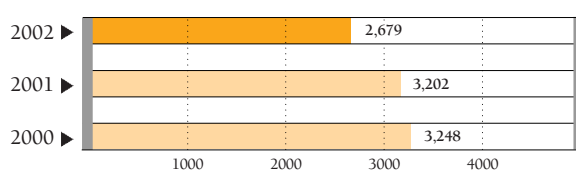
Through installment financing, LG Card helps its cardholders buy big ticket items and services based on their credit level and pay back sensibly in monthly payments. The Company's various installment services are available at 10,000 plus merchants nationwide. Special benefits such as preferential rates for the Company's other loan products are offered to valuable customers.

## NEW PRODUCTS AND UNIQUE SERVICES

LG Card stays a step ahead of customer needs by developing various innovative products and services in conjunction with its credit card products or in cooperation with its affinity partners. To help more customers take advantage of its installment financing services, the Company continues to expand its merchant network and increase logistic support for the network.



**Installment Financing  
transaction volume** (KRW Billions)



# Consumer Loan

ENJOY A BETTER FUTURE WITH LG CARD.

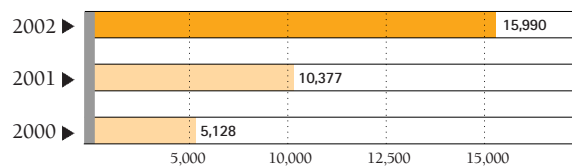


## DIVERSE PRODUCT LINEUP

LG Card offers a variety of loan products for card members as well as non-card members.

The Company cultivates niche markets by developing diverse financial products to meet specific customer needs. The lineup includes loans specifically designed for taxpayers, office workers, students, housewives, newlyweds and mobile phone users. Moreover, the LG Speed Loan is unique financial service that allows users to be quickly and conveniently arranged their loans and check their repayment schedules by phone or online.

**Consumer Loan  
transaction volume** (KRW Billions)



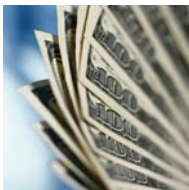
# Leasing

## LG CARD, YOUR BUSINESS PARTNER DEDICATED TO YOUR SUCCESS

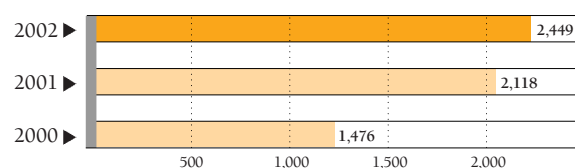
Since the launch of its leasing business in 1998, LG Card has been making impressive progress not only through lease financing but also through purchases of quality lease assets from merchant banks and lease companies. In particular, the Company switched from the industry-standard collateral-backed financing to credit-based financing by developing an advanced credit evaluation system. To better meet diverse client needs, the Company has developed a wide range of products including post-sale lease, vendor lease, short- and long-term capital loans, factoring, and note discount.

### SECURING NEW CLIENTS

While securing new clients through the development of innovative products and continued purchase of quality lease assets, LG Card creates repeat business by enhancing customer service and drawing closer to preferred clients.



**Leasing  
transaction volume** (KRW Billions)



# Financial Section

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## MANAGEMENT'S DISCUSSION & ANALYSIS

### INTRODUCTION

LG Card ("the Company") is a financial services provider engaged in credit card, installment finance, consumer loan and leasing businesses. As of December 31, 2002, the Company had 11.8 million card members and ₩33,543Billion in managed earning assets.

The Company derives the bulk of its revenues from its credit card operations. As with most credit cards issued in Korea, those issued by the Company do not offer a revolving line of credit. Rather, the Company's credit cards are essentially a charge card whereby its cardholders decide at the time of purchase whether they will pay the full purchase in a lump sum by the due date of the monthly statement on which the purchase appears, or pay for the purchase in equal monthly installments over a period of two to 36 months as decided by the cardholder. In the case of cash advances, cardholders are required to repay the full amount of any cash advance obtained by the due date of the monthly statement on which the cash advance appears.

Revenues from the Company's credit card operations consist mainly of the following:

- Merchant fees, which are paid by retail and service establishments to the Company for processing and making payments on behalf of card members purchases,
- Installment purchase interest, which constitute the interest charged by the Company on the outstanding balance of the installment purchase transaction,
- Cash advance interest, which constitute the interest charged by the Company on the outstanding balance of cash advances (interest is accrued on a daily basis during the billing period),
- Late payment fees, which are charged to card members if the Company does not receive the required payment by the due date shown on the monthly billing statement, and,
- Annual membership fees charged to card members.

Revenues from the Company's non-credit card operations consist of interest and fee income on consumer loan products, (including card loans), installment finance and lease assets.

The Company's main expense items are interest expense, loan loss provision expense, marketing expense, and other selling & administrative expenses. Marketing costs included various promotional expenditures aimed at customer retention and increasing customer loyalty.

## MANAGEMENT'S DISCUSSION & ANALYSIS

### EARNINGS SUMMARY

The following discussion provides a summarized comparison of the Company's 2002 and 2001 results on a managed basis. The Company analyzes its financial performance on the basis of managed earning assets. Managed earning assets data adds back the effect of off-balance sheet assets. Figures on a managed basis are unaudited and are only presented to give investors a better understanding of the Company's business performance. The components presented here are discussed in further detail in subsequent sections.

Operating revenue grew 33% over the previous year to record ₩6.5 trillion won. Although product yield decreased due to the cuts in cash-advance interest rates during the year, the growth in earning assets balance helped to fuel this growth in operating revenue.

On the funding side, amid a continuing favorable funding climate and the Company's utilization of various cost-efficient funding instruments, funding cost fell 1.2 percentage points from 7.7% to 6.5% year-on-year, helping to enhance the net interest spread.

Selling, general & administrative expenses, excluding loan loss provision expenses increased in absolute terms year on year, but its percentage against average managed earning assets decreased from 5.5% to 5.0%, alongside the growth in earning assets balance.

Due to these factors, pre-provision income increased by 63% over the previous year to record ₩3.2 trillion. However, the increase in loan loss provision expense prompted by higher delinquencies led to a contraction of net income by 36% to 350 billion.

### SUMMARIZED INCOME STATEMENT

(KRW Billions, Managed)

	2002	as a % of Average Earning Assets	2001	as a % of Average Earning Assets	YOY % Change
Operating Revenue	6,488	20.7%	4,886	23.4%	32.8%
Operating Expenses	3,296	10.5%	2,931	14.0%	12.5%
(SG&A expenses)	(1,573)	5.0%	(1,141)	5.4%	37.9%
Pre-provision income	3,191	10.2%	1,955	9.4%	63.2%
Loan loss provisions	2,697	8.6%	984	4.7%	174.1%
Ordinary income	501	1.6%	950	4.6%	-47.3%
Net income	350	1.1%	653	3.1%	-46.4%

### CARD MEMBERSHIP & MERCHANT BASE

The Company's net card membership growth in 2002 was limited to 186 thousand to reach a total of 11,846 thousand effective card members due to the change in the Company's application underwriting criteria, and the saturation of the market. But active card members who used LG card at least once in the last six months, increased 10.9% (858 thousand) to 8,826 thousand. Holders of Lady Card and 2030 Card, the Company's flagship card products, rose 11.7% (623 thousand) and 15.2% (625 thousand), respectively, to 5,954 thousand and 4,730 thousand. Meanwhile, the merchant base increased 25.5% (553 thousand) to 2,724 thousand.

## MANAGEMENT'S DISCUSSION & ANALYSIS

### CARD MEMBERS/MERCHANTS

	(thousand customers)		
	2002	2001	% Change
Effective Card Members	11,846	11,660	1.6%
Active Card members <sup>1)</sup>	8,826	7,958	10.9%
Merchants	2,724	2,171	25.5%
<i>Lady Card</i> holders	5,954	5,331	11.7%
<i>2030 Card</i> holders	4,730	4,105	15.2%

1) Members who used LG Card at least once in the last 6 months

### TRANSACTION VOLUME

Total transaction volume rose 43% to surpass 160 trillion won. The growth was due to the increase in usage rates and usage amount per member propelled by our CRM programs. This allowed us to sustain our no. 1 market share in terms of transaction volume throughout 2002.

### TRANSACTION VOLUME

	(KRW billion)		
	2002	2001	% Change
Card Transaction Volume	141,071	98,050	44%
Lump sum purchase	40,872	24,127	69%
Installment purchase	14,985	10,460	43%
Cash advance	85,214	63,463	34%
Installment Finance	2,679	3,202	(16%)
Consumer Loans	15,989	10,116	58%
Card Loan	14,602	9,958	47%
Lease	555	642	(13%)
<b>Total</b>	<b>160,294</b>	<b>112,010</b>	<b>43%</b>

### MANAGED EARNING ASSETS

The growth in transaction volume translated into the growth in earning assets. As of end of 2002, managed earning assets increased 24.9% (up ₩6,696 billion) to ₩33,543 billion, as shown in the table below. Of this total, assets of the Company's core credit card business rose 13.5% (₩2,153 billion) to ₩18,158 billion. Further breaking down credit card assets, lump sum purchase and installment purchase assets increased 50% and 17%, respectively over the previous year, while cash advance assets grew 6% to ₩10.6 trillion.

Installment finance assets, which are mostly auto loans, rose 3.6% during the year, up ₩12.6 billion to ₩364.4 billion. This category represented 11% of the Company's total assets at the end of 2002. Consumer loan assets accounted for 33% of the total, and includes long-term loans such as card loans extended to the Company's credit card members, and other consumer loans to non-card members.

## MANAGEMENT'S DISCUSSION & ANALYSIS

### MANAGED EARNING ASSETS

(KRW billion)

	2002		2001	
	Reported	Managed	Reported	Managed
Earning assets	14,681	33,543	10,326	26,847
Credit card	7,168	18,158	7,311	16,005
Lump sum purchase	2,069	2,623	1,409	1,756
Installment purchase	2,465	4,898	2,399	4,191
Cash advance	2,633	10,637	3,503	10,057
Installment finance	1,219	3,644	524	3,518
Consumer loans	5,841	10,998	2,233	6,528
Card Loans	3,735	8,306	1,910	5,793
Other Loans	2,106	2,692	323	736
Lease & other assets	453	743	258	796
Loan loss provisions	(2,278)	(2,278)	(792)	(792)
Other assets	7,023	2,519	4,674	1,315
<b>Total assets</b>	<b>19,426</b>	<b>33,784</b>	<b>14,208</b>	<b>27,371</b>

### OPERATING REVENUE

Operating revenue reached ₩6.5 trillion, up 33% from the previous year. This strong performance, which came in spite of a reduced product yield stemming from the cut in cash advance interest rates, resulted from a steady expansion in total assets generated by the Company's strong customer base.

All income areas exhibited balanced growth over the previous year. Credit card income grew 29.3% (up ₩87.6 billion) to ₩386.4 billion and income from installment finance and consumer loans increased 10% and 55%, respectively. However, from the third quarter of 2002, more conservative credit management policies aimed at improving delinquencies led to a moderate decline in income contribution from cash advance services.

An overall movement towards lower rates including the lowering of cash advance interest rates and interest-free installment purchase promotions resulted in a decline of the product yield to 20.7% from 23.3% the year before. In particular, two successive reductions in cash advance interest rates in 2002 led to a decline in the credit card asset yield from 25.5% to 21.3%. However, with the one-percentage-point increase in interest rates across all interest earning products from February 2003, the credit card asset yield is expect to remain stable going forward.

### OPERATING INCOME (MANAGED)

(KRW billion)

	2002		2001	
	Amount	% of Total Operating Revenue	Amount	% of Total Operating Revenue
Credit card income	3,864	59.6%	2,988	61.2%
Lump sum purchases	459	7.1%	342	7.0%
Installment purchases	977	15.1%	657	13.4%
Cash advances	2,428	37.4%	1,989	40.7%
Installment Financing	684	10.5%	624	12.8%
Consumer Loans	1,773	27.3%	1,143	23.4%
Card Loan	1,545	87.3%	1,029	90.1%
Leasing	117	1.8%	97	2.0%
Others	50	0.8%	34	0.7%
<b>Total</b>	<b>6,488</b>	<b>100.0%</b>	<b>4,886</b>	<b>100.0%</b>

## MANAGEMENT'S DISCUSSION & ANALYSIS

### SG&A EXPENSES

The absolute amount of selling, general & administrative expenses before interest expenses and loan loss provisions rose 37.9% year-on-year. But the same amount while declining as a portion of average managed earning assets declined from 5.5% to 5.0% thanks to greater economies of scale.

Of the total, marketing expense rose 44.2% (up ₩15.2 billion) to ₩49.6 billion, accounting for 32% of total sales & administrative costs. The portion of such expenses used for new membership acquisition declined as the number of overall card members decreased, a trend that is expected to continue. Owing to the expansion in total assets and higher delinquency rates, collection fee expense rose 50.7% (up ₩6.7 billion) to ₩19.8 billion, while employee salary and wages remained largely unchanged from the previous year.

### SG&A BREAKDOWN(EXCLUDING NET PROVISIONS)

	<i>(KRW billion)</i>	
	2002	2001
Marketing expenses	496	344
Advertising	49	35
Service Commissions	79	38
Acquisition Fee	124	147
Other	244	124
Collection Fee	199	132
Salaries and Wages	123	122
Other	755	543
Total SA&A Expense	1,573	1,141
(SG&A / Average Earning Assets)	(5.0%)	(5.5%)

### ASSET QUALITY

#### 30+ DAYS OVERDUE RATIO

In line with stricter government regulations from the second half of 2002 to discourage growth in household borrowing, financial institutions curtailed loan growth and reinforced management of loan clients, weakening the ability of some borrowers to repay their loans. As of the end of 2002, the ratio of receivables overdue 30 days or more to total receivables stood at 6.3%, up 3.7 percentage points over a year earlier. Credit card receivables overdue 30 days or more amounted to ₩748 billion, accounting for 4.1% of total credit card receivables. This figure is 2.3 percentage points above that of the previous year, reflecting the industry-wide rising in delinquencies.

In order to ensure sound delinquency management, the Company has strengthened its membership application criteria to allow only customers with high creditworthiness to enter the Company's customer base. As for the management of existing accounts, the Company continuously monitors delinquency and behavior patterns for signs of potential delinquency and implements appropriate preventive countermeasures in advance to minimize future occurrences.

## MANAGEMENT'S DISCUSSION & ANALYSIS

### CREDIT CARD RECEIVABLES (MANAGED, INCLUDING UNBILLED INSTALLMENT PAYMENTS)

(KRW Billions)

	2002		2001	
	Amount	Rate	Amount	Rate
Total Receivables	18,158	100.0%	16,005	100.0%
Overdue 30 days or less	1,443	7.9%	1,430	8.9%
Overdue 1 to 3 months	402	2.2%	239	1.5%
Overdue 3 to 6 months	315	1.7%	35	0.2%
Overdue 6 months and over	30	0.2%	6	0.0%
<b>Total overdue (30 days and over)</b>	<b>748</b>	<b>4.1%</b>	<b>281</b>	<b>1.8%</b>

### TOTAL EARNING ASSETS (MANAGED, INCLUDING UNBILLED INSTALLMENT PAYMENTS)

(KRW Billions)

	2002		2001	
	Amount	Rate	Amount	Rate
Total Receivables	33,543	100.0%	26,847	100.0%
Overdue 30 days or less	3,195	9.5%	2,276	8.5%
Overdue 1 to 3 months	1,159	3.5%	524	2.0%
Overdue 3 to 6 months	863	2.6%	138	0.5%
Overdue 6 months and over	99	0.3%	25	0.1%
<b>Total overdue (30 days and over)</b>	<b>2,121</b>	<b>6.3%</b>	<b>687</b>	<b>2.6%</b>

### FSC ASSET CLASSIFICATION

As of the end of 2002, receivables classified as Substandard & below (NPLs) as defined by the Financial Supervisory Commission came to ₩870 billion, ₩798 billion more than the previous year. Accordingly, the NPL ratio rose 2.37 percentage points over the previous year to 2.63%. This is attributable to both the increase in the Company's non-performing assets as well as the change in the FSS's asset classification guidelines in 2002.

### FSC ASSET CLASSIFICATION (MANAGED)

(KRW Billions)

	2002	2001
Total receivables	33,137	27,525
Normal	29,063	27,479
Precautionary	4,074	46
Substandard	-	-
Doubtful	796	11
Estimated loss	74	61
NPLs (Substandard & Below)	870	72
<b>NPL ratio</b>	<b>2.63%</b>	<b>0.26%</b>

## MANAGEMENT'S DISCUSSION & ANALYSIS

### LOAN LOSS RESERVE BALANCE & PROVISION EXPENSES

The net receivables written off in 2002 amounted to ₩121.1 billion, while net provisions made in 2002 reached ₩2,697 billion, which accounted for 8.6% of average managed earning assets. As a result, the loan loss reserve balance at the end of 2002 stood at ₩2,278 billion, ₩1,486 billion more than the year before. The expanded reserve balance reflects expected future increases in write-offs in line with rising delinquencies. This loan loss reserve balance is 6.8% as a percentage of total managed earning assets, considerably higher than the Company's competitors and the provision requirement set by the FSC.

#### LOAN LOSS RESERVE

	(KRW Billions)	
	2002	2001
Reserve Balance at beginning of year	792	353
Net write-offs	1,211	545
Net provisions	2,697	984
Reserve Balance at end of year	2,278	792
Receivables overdue 30 days or more	2,121	687
LLR as a % of Total Managed Earning Assets	6.8%	2.95%
LLR Coverage Ratio against 30+ days overdue receivables	107.4%	115.3%

### FUNDING & INTEREST EXPENSES

The Company relies mainly on two methods to raise funds, borrowings and asset securitization. The management recognizes the important of diversification in its funding sources. As such the Company seeks to maintain a balance between several funding methods and continuously looks for attractive funding opportunities in various capital markets. In December 2001 and February 2003, the Company issued cross-border ABS notes of USD 500 million and USD 300 million respectively, and in December 2002, it raised USD100 million through a syndicated loan and FRN issuance.

The total funding balance raised in 2002 amounted to ₩3,045.8 billion, of which short-term funds and long-term funds took up 34% and 17%, respectively. Funds raised through ABS accounted for the largest 49.3%, albeit 10.4% points lower than the year before. The Company exercises flexibility in setting allocations among different funding sources but the securitization portion is anticipated to remain around 50% of total funding in the future.

Funding cost decreased 1.2% points from the previous year to record 6.5% in 2002. This was the result of favorable conditions prevailing in the funding market throughout 2002, and the Company's use of cost efficient instruments such as structured bonds.

Looking at costs by funding type, borrowings and securitization were 6.4% and 6.6%, respectively. When comparing borrowings and securitization amongst similar maturities, the cost of funding through securitization is actually somewhat lower than that through borrowings.

## MANAGEMENT'S DISCUSSION & ANALYSIS

### FUNDING

(KRW Billions)

	2002		2001	
	Amount	% of Total	Amount	% of Total
Short-term borrowings	10,345	34.0%	6,965	28.5%
Long-term borrowings	5,092	16.7%	2,877	11.8%
Total borrowings	15,437	50.7%	9,842	40.3%
Securitization	15,021	49.3%	14,594	59.7%
<b>Total Funding</b>	<b>30,458</b>	<b>100.0%</b>	<b>24,436</b>	<b>100.0%</b>

### CAPITAL ADEQUACY

At the end of 2002, the Company's capital adequacy ratio improved by 3.3 percentage points to reach 15.7%. Adjusted assets expanded by 5,491 billion to ₩19,379 billion while adjusted capital increased 131.1 billion to ₩303.9 billion as a result of the expansion in shareholders' equity and loan loss provisions reserved for Normal assets as classified under the FSC regulation. This adjusted capital ratio exceeds the regulatory required ratio of 8% by a comfortable margin.

### ADJUSTED CAPITAL RATIO

(KRW Billions)

	2002	2001
Adjusted Assets	19,379	13,888
Adjusted Equity	3,039	1,728
Tier 1 capital	1,775	1,346
Tier 2 capital	1,264	382
<b>Adjusted Capital Ratio</b>	<b>15.7%</b>	<b>12.4%</b>

## INDEPENDENT AUDITORS' REPORT

### TO THE STOCKHOLDERS AND BOARD OF DIRECTORS OF LG CARD CO., LTD.

We have audited the accompanying balance sheets of LG CARD CO., LTD. (the "Company") (formerly LG Capital Services Corp.) as of December 31, 2002 and 2001, and the related statements of income, appropriations of retained earnings and cash flows for the years then ended (all expressed in Korean won). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2002 and 2001, and the results of

its operations, the appropriations of its retained earnings and its cash flows for the years then ended in conformity with financial accounting standards generally accepted in Korea.

Without qualifying our opinion, we draw attention to the following:

As explained in Note 26 to the accompanying financial statements, the Company sold with recourse receivables to be used in asset securitization. Such receivables, for which the Company is contingently liable, amounted to ₩18,862 billion as of December 31, 2002

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

*Ahn Kwon & Co.*

January 29, 2003

#### NOTICE TO READERS

This report is effective as of January 29, 2003, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

## BALANCE SHEET

AS OF DECEMBER 31, 2002 AND 2001

(KRW Thousands)

	2002	2001
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Notes 3, 15, 22, 23 and 24)	₩425,459,006	₩383,744,169
Short-term financial instruments	13,881,494	30,340,942
Marketable securities (Notes 2, 4 and 23)	488,587,981	141,040
Short-term loans - net of allowance for doubtful accounts of ₩2,030,020 thousand in 2002 and ₩2,537,659 thousand in 2001 (Notes 2 and 10)	317,508,792	504,994,065
Other receivables - net of allowance for doubtful accounts of ₩231,539 thousand in 2002 and ₩152,783 thousand in 2001 (Note 2)	46,076,276	22,346,910
Accrued income - net of allowance for doubtful accounts of ₩3,727,464 thousand in 2002 and ₩955,562 thousand in 2001 (Note 2)	741,765,256	385,480,078
Advance payments - net of allowance for doubtful accounts of ₩54,486 thousand in 2002 and ₩599,949 thousand in 2001 (Note 2)	10,842,688	119,389,767
Prepaid expenses	141,341,159	49,525,594
Total current assets	2,185,462,652	1,495,962,563
<b>CREDIT CARD ASSETS</b>		
Credit card receivables - net of allowance for doubtful accounts of ₩763,150,880 thousand in 2002 and ₩437,337,533 thousand in 2001 (Notes 2, 5 and 26)	6,404,941,799	6,873,438,325
<b>INSTALLMENT FINANCING ASSETS</b>		
Installment receivables - net of allowance for doubtful accounts of ₩191,883,262 thousand in 2002 and ₩97,466,056 thousand in 2001 (Notes 2, 6 and 26)	1,027,160,780	426,407,628
<b>CREDIT FINANCING ASSETS (Note 16)</b>		
Credit financing receivables - net of allowance for doubtful accounts of ₩1,313,407,922 thousand in 2002 and ₩248,902,050 thousand in 2001 (Notes 2, 7 and 8)	4,527,229,939	1,984,511,678
<b>LEASE ASSETS - net of accumulated depreciation of ₩79,544,888 thousand in 2002 and ₩20,372,624 thousand in 2001 and allowance for doubtful accounts of ₩3,711,517 thousand in 2002 and ₩3,938,846 thousand in 2001 (Notes 2, 9 and 25)</b>	444,361,597	245,874,987
<b>NEW TECHNOLOGY INVESTMENTS (Note 11)</b>	4,800,000	8,056,816
<b>INVESTMENTS</b>		
Long-term financial instruments (Note 3)	92,273,860	93,191,137
Investment securities (Notes 2, 11, 15 and 23)	4,312,618,324	2,843,731,852
Derivatives (Notes 2 and 26)	36,891,775	6,851,078
Long-term loans (Note 10)	86,465,212	4,599,674
Investment real estate (Note 12)	-	124,119
Guarantee deposits	105,985,098	92,367,196
Other	215,804	115,959
Deferred tax assets (Note 19)	41,858,843	-
Total investments and other assets	4,676,308,916	3,040,981,016
<b>PROPERTY AND EQUIPMENT (Notes 2 and 23)</b>		
Land (Note 12)	54,091,863	54,277,589
Buildings - net of accumulated depreciation of ₩1,657,816 thousand in 2002 and ₩1,450,080 thousand in 2001	8,114,382	8,447,001
Vehicles - net of accumulated depreciation of ₩1,277,128 thousand in 2002 and ₩1,161,227 thousand in 2001	180,239	383,730
Furniture and fixtures - net of accumulated depreciation of ₩39,145,188 thousand in 2002 and ₩30,965,621 thousand in 2001	10,273,264	11,355,683
Computer information technology related assets - net of accumulated depreciation of ₩140,510,124 thousand in 2002 and ₩101,772,080 thousand in 2001	78,616,218	51,853,463
Construction in progress	619,184	619,184
Property and equipment, net	151,895,151	126,936,650
<b>INTANGIBLE ASSETS (Notes 2 and 13)</b>	3,548,608	5,713,405
<b>TOTAL ASSETS</b>	<b>₩19,425,709,443</b>	<b>₩14,207,883,067</b>

# BALANCE SHEET

AS OF DECEMBER 31, 2002 AND 2001

(KRW Thousands)

	2002	2001
<b>LIABILITIES AND STOCKHOLDERS' EQUITIES</b>		
<b>CURRENT LIABILITIES</b>		
Short-term borrowings	₩7,710,209,792	₩4,286,694,946
Short-term debentures - net of discounts of ₩383,463 thousand in 2002 (Notes 2 and 14)	584,616,537	763,000,000
Current portion of long-term debt - net of discounts of ₩250,858 thousand in 2002 and discounts of ₩345,764 thousand in 2001 (Notes 2 and 14)	2,049,749,142	1,914,654,236
Other accounts payable (Notes 15 and 16)	293,463,700	260,602,007
Advance from customers	37,774,369	25,944,952
Withholdings (Note 15)	1,024,880,834	1,841,678,389
Accrued expenses	488,990,800	428,628,393
Dividends payable (Note 21)	129,500,000	138,250,000
Unearned income	80,536,122	58,270,800
Guarantee deposits withheld (Notes 2 and 6)	11,940,426	8,388,161
Value added taxes payable	195,925	10,401
Income taxes payable	62,394,589	202,160,462
Withholdings in advanced card for customers	1,486,172	449,831
Total current liabilities	12,475,738,409	9,928,732,578
<b>LONG-TERM LIABILITIES</b>		
Long-term debentures - net of discounts of ₩4,584,104 thousand in 2002 and ₩950,388 thousand in 2001 (Notes 2 and 14)	4,817,515,895	2,526,049,612
Long-term borrowings - net of discounts of ₩372,678 thousand in 2002 (Notes 2 and 14)	269,497,322	349,600,000
Derivatives (Notes 2 and 26)	57,792,975	18,911,437
Long-term advance from customers	4,104,389	2,102,724
Guarantee deposits for leases	7,728,852	2,913,534
Accrued severance benefits - net (Notes 2 and 3)	18,621,970	13,458,170
Deferred income tax liabilities (Notes 2 and 19)	-	20,606,795
Total long-term liabilities	5,175,261,404	2,933,642,272
<b>TOTAL LIABILITIES</b>	17,650,999,813	12,862,374,850
<b>COMMON STOCK (Note 17)</b>	370,000,000	350,000,000
<b>CAPITAL SURPLUS (Note 17)</b>	260,152,645	54,198,452
<b>RETAINED EARNINGS (Note 18)</b>		
Legal reserve	41,358,000	28,408,000
Reserve for business rationalization	989,180	989,180
Reserve for research and development	140,000,000	152,666,667
Reserve for business development	385,000,000	385,000,000
Reserve for investment loss	1,099,998	1,099,997
Unappropriated retained earnings	595,165,802	374,554,763
Total retained earnings	1,793,765,624	1,346,917,058
<b>CAPITAL ADJUSTMENTS (Notes 2,11 and 26)</b>	(19,055,994)	(1,408,841)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	1,774,709,630	1,345,508,217
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	₩19,425,709,443	₩14,207,883,067

See accompanying notes to financial statements.

## STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

(KRW Thousands)

	2002	2001
<b>OPERATING REVENUE</b> (Notes 2 and 16)		
Credit card income	₩1,789,608,150	₩1,937,565,760
Installment financing income (Note 6)	141,155,886	185,003,648
Credit financing income	946,627,650	578,963,832
Lease income	79,978,597	30,736,661
Interest income	417,313,034	211,897,539
Asset securitization income	2,230,522,648	926,554,275
Other income (Note 4)	25,903,697	12,180,021
Total operating revenues	5,631,109,662	3,882,901,736
<b>OPERATING EXPENSES</b> (Note 17)		
Interest expense	(866,915,562)	(787,336,865)
Selling, general and administrative expenses (Notes 28 and 32)	(4,270,160,544)	(2,124,493,298)
	(5,137,076,106)	(2,911,830,163)
<b>OPERATING INCOME</b>	494,033,556	971,071,573
<b>NON-OPERATING INCOME</b>		
Interest income	1,351,298	152,608
Gain on foreign currency transactions	4,905,275	3,929,161
Gain on foreign exchange translation (Note 2)	2,500,000	2,808,878
Gain on disposition of marketable securities	-	1,370,196
Dividend income	1,252,101	2,079,008
Gain on disposition of investment securities	-	482,000
Gain on valuation using the equity method of accounting	30,624	173,058
Gain on disposition of property and equipment	188,508	140,165
Gain on disposition of lease assets	44,075	-
Refund of income taxes	6,890,533	2,654,079
Gain on valuation of derivatives	14,392,876	6,901,325
Gain on derivative transactions	3,781,183	4,182,536
Other	10,020,540	1,884,479
Total non-operating income	45,357,013	26,757,493
<b>NON-OPERATING EXPENSES</b>		
Loss on foreign currency transactions	(1,564,550)	(769,289)
Loss on foreign exchange translation (Note 2)	(4,062,552)	(357)
Loss on disposition of marketable securities	-	(10,300)
Loss on disposition of investment securities	(105)	(14,496,635)
Loss on disposition of investments	(6,324)	(453,681)
Loss on disposition of property and equipment	(18,520)	(240,344)
Loss on disposition of lease assets	-	(510,997)
Additional income taxes paid	(1,562,986)	(7,173,920)
Donations	(6,765,114)	(8,076,275)
Loss on valuation using the equity method of accounting	(5,788,263)	(4,253,903)
Loss on derivative transactions	(11,597,662)	(9,743,390)
Loss on valuation of derivatives	(6,638,057)	-
Other	(354,870)	(1,868,770)
Total non-operating expenses	(38,359,004)	(47,597,864)
<b>ORDINARY INCOME</b>	501,031,565	950,231,202
<b>INCOME BEFORE INCOME TAXES</b>	501,031,565	950,231,202
<b>INCOME TAX EXPENSE</b> (Note 19)	(150,637,191)	(296,957,536)
<b>NET INCOME</b>	₩350,394,373	₩653,273,666
<b>ORDINARY INCOME AND NET INCOME PER SHARE</b> (in Korean won) (Note 20)	₩4,805	₩9,332

## STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

FOR YEARS ENDED DECEMBER 31, 2002 AND 2001

(KRW Thousands)

	2002	2001
<b>RETAINED EARNINGS BEFORE APPROPRIATIONS</b>		
Unappropriated retained earnings carried over from prior years	₩374,554,763	238,920,318
Net income for the year	350,394,373	653,273,666
Total Retained Earnings	724,949,136	892,193,984
<b>TRANSFER FROM VOLUNTARY RESERVES</b>		
Reserve for research and development	12,666,667	14,666,667
<b>APPROPRIATIONS OF RETAINED EARNINGS</b>		
Legal reserve	(12,950,000)	(13,825,000)
Reserve for research and development (Note 19)	-	(60,000,000)
Reserve for business rationalization (Note 19)	-	(230,889)
Reserve for business development (Note 19)	-	(320,000,000)
Cash dividends (Note 22)	(129,500,000)	(138,250,000)
Total Appropriations of Retained Earnings	(142,450,000)	(532,305,889)
<b>UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED OVER TO SUBSEQUENT YEAR</b>	<b>₩595,165,802</b>	<b>₩374,554,762</b>

See accompanying notes to financial statements.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

(KRW Thousands)

	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	₩350,394,373	₩653,273,666
<b>Addition of expenses not involving cash outflows :</b>		
Depreciation	112,306,498	74,539,298
Provision for severance benefits	19,390,472	10,363,054
Loss on disposition of property and equipment	18,520	240,344
Loss on disposition of marketable securities	-	10,300
Loss on disposition of investment securities	105	14,496,635
Loss on disposition of investment assets	6,324	453,681
Amortization of intangible assets	2,164,797	2,171,120
Loss on valuation using the equity method of accounting	5,788,263	4,253,903
Amortization of discounts on debentures issued	1,665,839	1,080,430
Loss on disposition of lease assets	-	510,997
Loss on derivative transactions	11,597,662	9,743,390
Loss on valuation of derivatives	6,638,057	-
Loss on foreign currency translation	41,619	-
	159,618,157	117,863,153
<b>Deduction of revenues not involving cash inflows :</b>		
Gain on disposition of marketable securities	-	(1,370,197)
Gain on disposition of investment securities	-	(482,000)
Gain on valuation using the equity method of accounting	(30,624)	(173,058)
Gain on disposition of lease assets	(44,075)	(246,661)
Gain on disposition of property and equipment	(188,508)	(140,165)
Gain on disposition of other investments	-	(1,294)
Gain on derivatives valuation and transactions	(18,174,058)	(11,083,861)
Gain on valuation of foreign exchange translation	(2,500,000)	(2,086)
Other	-	(29)
Sub-total	(20,937,265)	(13,499,352)
<b>Changes in assets and liabilities resulting form operations :</b>		
Increase in other receivables	(23,808,123)	(15,878,500)
Increase in accrued income	(359,057,079)	(268,836,712)
Decrease (increase) in advance payments	109,091,841	(93,885,852)
Decrease (increase) in prepaid expenses	(91,815,565)	18,291,783
Decrease in credit card receivables	142,683,179	465,177,090
Increase in credit financing receivables	(3,607,224,133)	(539,242,522)
Decrease (increase) in installment receivables	(695,170,358)	394,709,353
Decrease (increase) in short-term loans	187,992,911	(487,031,723)
Decrease in short-term financial instruments	17,032,220	22,502,821
Decrease in new technology investments	87,440	-
Increase in financing lease receivables	(208,433,974)	(19,224,291)
Decrease (increase) in prepaid lease receivables	22,933,653	(43,850,257)
Increase in lease receivables	(133,927)	(3,305)
Increase in deferred income tax assets	(41,858,843)	-
Increase in other accounts payable	32,861,693	123,260,772
Increase in advanced receipts	11,829,418	1,585,560
Increase (decrease) in withholdings	(816,797,555)	1,580,560,788
Increase in accrued expenses	60,362,407	73,426,038
Increase in unearned income	22,265,322	14,849,550
Increase (decrease) in value added taxes payable	185,524	(4,180)
Increase (decrease) in income taxes payable	(139,765,873)	39,869,877
Increase in withholdings in advanced cards for customers	1,036,341	150,417
Increase in lease deposits	4,815,318	2,549,156
Transfer of accrued severance benefits	295,278	164,558
Payment of severance benefits	(4,367,145)	(3,379,944)
Decrease in transfers of the National Pension Fund	208,986	158,553
Increase of accrued severance liabilities	(10,363,792)	(4,003,752)
Increase in allowance for doubtful accounts	1,486,306,652	439,230,462
Increase in long-term advances from customers	2,001,665	397,894
Increase (decrease) in deferred income tax liabilities	(20,606,795)	8,725,377
Sub-total	(3,917,413,313)	1,710,269,013
Net cash provided by (used in) operating activities	(3,428,338,048)	2,467,906,481

# STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

(KRW Thousands)

	2002	2001
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash inflows from investing activities :		
Disposal of marketable securities	-	₩6,636,528
Disposal of lease assets	₩44,075	10,545,576
Return of investments	3,200,000	-
Decrease in long-term financial instruments	10,000,000	2,700
Disposal of investment securities	95	10,782,005
Decrease in long-term loans	10,136,962	7,671,748
Disposal of investment real estate	-	565,882
Decrease in guarantee deposits	7,695,781	6,422,335
Disposal of other investments	20,000	-
Disposal of property and equipment	875,999	433,477
Increase in guarantee deposits withheld	7,001,047	2,930,796
Sub-total	38,973,958	45,991,048
Cash outflows for investing activities :		
Acquisition of marketable securities	(488,446,941)	(153,740)
Acquisition of lease assets	(72,297,193)	(90,460,787)
Increase in long-term financial instruments	(9,655,495)	(9,386,477)
Acquisition of investment securities	(1,483,542,907)	(2,568,123,001)
Increase in long-term loans	(92,002,500)	-
Increase in guarantee deposits	(21,313,683)	(17,849,005)
Increase in guarantee deposits withheld	(3,448,783)	(2,288,219)
Increase in investment assets	(1,350)	(5,752)
Increase in intangible assets	-	(5,497,529)
Acquisition of property and equipment	(78,298,849)	(64,837,661)
Increase in construction-in progress	-	(77,550)
Sub-total	(2,249,007,701)	(2,758,679,721)
Net cash used in investing activities	(2,210,033,743)	(2,712,688,673)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash inflows from financing activities :		
Increase in short-term borrowings	86,225,988,591	84,358,174,759
Issuance of short-term debentures	744,331,380	250,000,000
Issuance of long-term debentures	4,032,071,626	2,288,861,041
Increase in long-term borrowings	230,464,584	263,000,000
Issuance of common stock	225,954,193	-
Sub-total	91,458,810,374	87,160,035,800
Cash outflows for financing activities		
Repayment of short-term borrowings	(82,802,473,746)	(83,616,177,141)
Repayment of short-term debentures	(923,000,000)	(796,000,000)
Repayment of current portion of long-term debentures	(1,915,000,000)	(1,320,000,000)
Repayment of long-term debentures	-	(873,000,000)
Repayment of long-term borrowings	-	(93,400,000)
Cash dividends	(138,250,000)	(99,750,000)
Sub-total	(85,778,723,746)	(86,798,327,141)
Net cash provided by financing activities	5,680,086,629	361,708,659
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>41,714,838</b>	<b>116,926,467</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>383,744,169</b>	<b>266,817,701</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>₩425,459,006</b>	<b>₩383,744,168</b>

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

## 1. GENERAL

LG CARD CO., LTD. (the "Company") was incorporated on December 17, 1985 as a credit card services company under the name of Express Credit Card Corporation, and changed its name to LG Credit Card Co. Ltd. in February 1988, LG Capital Service Corp. on January 1, 1999 and LG CARD CO., LTD. on September 1, 2001. The Company merged with GoldStar Factoring Corporation and LG Financing Corporation on June 1, 1988 and January 1, 1998, respectively. With 43 branch offices nationwide, the Company primarily operates financial services in the areas of credit card, factoring, financing and leasing services with 18 million credit cardholders and 2 million participating businesses as of December 31, 2002. The Company's stock has been listed on the Korea Stock Exchange since April 22, 2002.

The Company began with common stock of ₩50 million at the business commencement date and recorded common stock of ₩370,000 million as of December 31, 2002. Major shareholders are as follows:

Major shareholders	Equity ratio
Acorn Investment Holdings	9.46 %
Pecan Investment Holdings	9.46 %
Cherry Stone Investment Holdings	8.98 %
Mars Ltd	2.36 %
Mantua Street Acquisitions Ltd	2.36 %
LG Investment & Securities Co., Ltd and affiliates of the LG Group	8.75 %
Others	58.63 %
<b>Total</b>	<b>100.00 %</b>

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea ("Korean GAAP"), and the Decrees for the Financial Companies Specializing in Loan Businesses. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been restructured and translated into English from the Korean language financial statements. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operation or cash flows, is not presented in the accompanying financial statements.

The significant accounting policies the Company complied with are as follows:

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

### (1) RECOGNITION OF SERVICE CHARGES AND INTEREST INCOME

The revenue from service charges imposed on participating businesses is recognized at the time when the service is rendered. The entire service charges on installment financing are recognized at the time when the contract is entered into. Service charges on cash advances, interest income, and factoring discounts are recorded over the outstanding period of the credit on accrual basis. However, interest income from delinquent credits and annual membership fees are recorded on cash basis.

### (2) ALLOWANCE FOR DOUBAL ACCOUNTS

The Company provides an allowance for doubtful accounts to cover estimated losses on uncollectible receivables, based on collection experience and analysis of the collectibility of individual outstanding receivables.

(in billions of Korean won)

Classification	Credit Cards	Installment Financings	Credit Financings	Lease	Other	Total
On - balance sheets	7,168	1,219	5,840	448	1,213	15,889
Off - balance sheets	10,990	2,425	5,158	289	-	18,862
Total	18,158	3,644	10,998	737	1,213	34,751
Allowance for doubtful accounts	763	192	1,313	4	6	2,278
Ratios	4.20 %	5.27%	11.94%	0.5%	0.5%	6.56.%

The calculation of the Company's provision for future bad debts is adopted an appropriated estimation. This resultant increase and decrease in bad debt expenses and net income, respectively, are as follows:

(in millions of Korean won)

Increase of bad debt expense	Decrease of net income ※
631,720	444,099

※ Net of income tax effect.

### (3) MARKETABLE SECURITIES AND INVESTMENT SECURITIES

Marketable securities and investment securities are initially carried at cost, using the weighted average method. The following paragraphs describe the subsequent accounting for securities by the type of security.

Marketable securities are reported at fair value, and valuation gains or losses are reported in current operations. (See Note 4)

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

Investments in equity securities with readily determinable fair values and available-for-sale debt securities are reported at fair value with unrealized gains or losses reported as a capital adjustment in stockholders' equity until realized. Declines in the fair value that are anticipated to be not recoverable are recorded as impairment losses in current operations after eliminating any previously recorded capital adjustment for temporary changes. Subsequent recoveries or other future changes in fair value are recorded as a capital adjustment in stockholders' equity.

Investments in equity securities of non-controlled investees that do not have readily determinable fair values are reported at cost, except for declines in the Company's proportionate equity of the underlying book value of the investees which are anticipated to be not recoverable, which are recorded as impairment losses in current operations. Subsequent recoveries are also recorded in current operations up to the original cost of the investment.

Investments in equity securities of companies over which the Company exercises significant influence are reported using the equity method of accounting. Differences between the purchase cost and net asset value of the investee are amortized over five years using the straight-line method. Unrealized profits arising from sales by the Company to equity-method investees are fully eliminated. The Company's proportionate unrealized profit arising from sales by equity-method investees to the Company or sales between equity-method investees is also eliminated. Under the equity method, the Company records changes in its proportionate equity of the book value of the investee as current operations, capital adjustments or adjustments to retained earnings, depending on the nature of the underlying change in book value of the investee.

In applying the equity method of accounting, financial statements of overseas operations prepared in foreign currency are translated into Korean won. Asset and liability items are translated using the current rate at the balance sheet date and revenue and expense items are translated using the weighted average exchange rate for the period. Translation gains or losses are reported as a capital adjustment.

Premiums and discounts on debt securities held to maturity are amortized over the life of the debt using the effective interest method. Investments in debt securities that the Company has the intent and ability to hold to maturity are generally carried at cost, adjusted for the amortization of discounts or premiums. Declines in the fair value of debt securities that are anticipated to be not recoverable are recorded as impairment losses in current operations. Subsequent recoveries are also recorded in current operations up to the amortized cost of the investment.

#### (4) PROPERTY AND EQUIPMENT

Property and equipment are stated at acquisition cost.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

Major renewals and betterments are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. In addition, interest expense associated with borrowings for the construction of fixed assets during the time of construction is included in the cost basis of the related fixed assets.

Depreciation for buildings and structures is computed using the straight-line method over the useful lives of related assets, while other depreciation is computed using the declining balance method. Property and equipment's useful lives are as follows:

Account	Useful life (Years)
Buildings	40
Vehicles and Other	4

### (5) VALUATION AND AMORTIZATION OF INTANGIBLE ASSETS

Intangible assets are stated at cost, less amortization computed using the straight-line method over their lives. Development cost is amortized over 4 years from the usable date, and trademarks are amortized over 5 years. (See Note 14)

### (6) DISCOUNTS ON DEBENTURES

Discounts on debentures issued are amortized over the maturity using the effective interest rate method. Such amortization is charged to operations as interest expense.

### (7) TRANSLATION OF FOREIGN CURRENCY ASSETS AND LIABILITIES

Monetary assets and liabilities denominated in foreign currencies are translated in the accompanying financial statements at the Base Rate announced by the Korean government, which was US\$1: ₩1,200.40 at December 31, 2002 and US\$1: ₩1,326.70 at December 31, 2001, and the resulting translation gains or losses are credited or charged to current operations.

### (8) ACCRUED SEVERANCE BENEFITS

In accordance with the Company's policy, all employees with more than one year of service are entitled to receive severance payments, based on their length of service and rate of salary, upon termination of their employment. The accrual for severance benefits is determined based on the amount which would be payable assuming all employees were to terminate at the balance sheet date.

The Company has deposits for severance benefits that are required to be paid directly to its employees upon termination of their employment. Such deposits are insured by Kyobo Life Insurance Co., Ltd. and Lucky Life Insurance Co., Ltd., and deducted from accrued severance benefits. In addition, the Company has deposits for severance benefits with Lucky Life Insurance Co., Ltd., which are presented in other assets section of the balance sheets. The beneficiaries of the insurance are employees of the Company.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

Actual payments for severance benefits amounted to ₩4,367 million and ₩3,380 million for the years ended December 31, 2002 and 2001, respectively.

### (9) DERIVATIVES

The Company records rights and obligations arising from derivative contracts as assets and liabilities, which are stated at fair value. The gains and losses that result from the change in the fair value of derivative instruments are reported in current earnings. However, for derivative instruments designated as hedging the change in the fair value associated with certain foreign currency denominated equity securities and the exposure of variable cash flows, the effective portions of the gains or losses on the hedging instruments are recorded as a separate component of stockholders' equity and credited/charged to operations at the time the hedged transactions affect earnings, and the ineffective portions of the gains or losses are credited/charged immediately to operations.

### (10) ACCOUNTING FOR LEASES

#### A. Classification of Leases

The Company accounts for non-cancelable leases that meet one or more of the following criteria, as financing leases:

- a) The ownership of the leased property transfers to the lessee at the end of the lease term.
- b) The lease has a bargain purchase option.
- c) The lease term is equal to 75% or more than the estimated useful life of the leased property.
- d) The present value of the lease receivable which is computed using an implicit interest rate equals or exceeds 90% of the fair value of the leased property.

Another leases are operating leases (See Note 10):

#### B. Revenue Recognition

For financing leases, the principal portion is accounted for as return of outstanding financing lease receivable and the interest portion is accounted for as revenue in the current period. Revenue from operating leases is recognized on a straight-line basis over the lease term.

#### C. Capitalization of Financing Costs

Financing costs and fee charges associated with lease assets incurred prior to the commencement of the lease contract are included as part of the acquisition costs of lease assets.

#### D. Depreciation of Operating Lease Assets

The Company depreciates operating lease assets using the declining balance method.

#### E. Advance Lease Payments

The Company records the payments made to purchase lease assets during the period from the date of contract to the execution of contract as advance payments.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

### F. Adjustment to Rents

Except for changes in the interest rate and foreign exchange rate factors, the adjustments in rents due to other factors arising subsequent to the commencement of leases are reflected in current operations.

### 3. RESTRICTED DEPOSITS

Restricted deposits as of December 31, 2002 and 2001 are as follows:

*(in millions of Korean won)*

Accounts	2002	2001	Remarks
Cash and cash equivalents	810	7,009	Borrowings (Note 25)
Short term financial instruments	6,409	5,087	Borrowings (Note 25)
Long term financial instruments	47	47	Guarantee for overdraft
Deposits for severance benefits	29,373	19,009	Deposits for severance benefits
<b>Total</b>	<b>36,639</b>	<b>31,152</b>	

### 4. MARKETABLE SECURITIES

Details of marketable securities as of December 31, 2002 and 2001 are as follows:

*(in millions of Korean won)*

Classification	Acquisition cost		Fair value (book value)		Gain (loss) on valuation	
	2002	2001	2002	2001	2002	2001
Treasury bonds	487,580	141	488,588	141	1,008	-

### 5. CREDIT CARD RECEIVABLES

Credit card receivables as of December 31, 2002 and 2001 consist of the following:

*(in millions of Korean won)*

Description	2002	2001
Lump sum payments	2,069,224	1,409,367
Installments	2,465,462	2,398,922
Cash in advance	2,633,407	3,502,486
<b>Total</b>	<b>7,168,093</b>	<b>7,310,775</b>

Credit card holders are required to make lump-sum payments to the Company on the contracted payment dates. The Company imposes fixed percentage service charges for rendering credit card services at the time of payment by the Company to participating businesses on behalf of the cardholders.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

The Company receives installment payments over the contracted period of installment plans ranging from 2 to 18 months, starting from the date when the Company makes payments to participating businesses. The Company charges interest ranging from between 11 and 17 percent per annum for the year ended December 31, 2002, (from 11.5 to 16.7 percent for the year ended December 31, 2001) on the outstanding installment balances and imposes service charges for rendering card services to participating businesses.

In addition, the limited to £6 million per month, the card members are provided with cash advances and charged a service fee at certain percentages of the total advanced cash balance, ranging from 0.03 to 3.75 percent in 2002 (from 0.03 to 3.75 percent in 2001) over the respective service terms (from 1 to 45 days). The service fees on cash advances are required to be repaid at lump-sum at 13.8 to 23.8 percent per annum on the cash advanced depending on the respective cardmember's credit rating.

### 6. INSTALLMENT FINANCING

In accordance with laws and decrees for financial companies specializing in the loan business, the Company offers installment financing on purchases of products for those credit card holders with good credit ratings. As of December 31, 2002, such service covers the purchases of durable goods, automobiles and houses. Annual interest rates of 13 to 25 percent over a 3 to 36 month period, 5 to 24 percent over a 12 to 60 month period and 7 to 9 percent over a 1 to 20 year period are charged. The Company charges service fees as high as 3 percent to businesses, which are accounted for as installment financing income. The interest from delinquent receivables is accounted for as interest income on installment financing.

Certain amounts are deposited as collateral to ensure repayment for installment financing transactions. Such deposits are accounted for as guarantee deposits withheld. The Company requires third party guarantees or collateral for installment financing services, depending on the card members' credit rating.

The collection schedule for installment financing as of December 31, 2002 is as follows:

*(in millions of Korean won)*

Year	Amount
2003	506,931
2004	301,927
2005	341,318
2006	45,511
2007 and thereafter	23,357
<b>Total</b>	<b>1,219,044</b>

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

### 7. CARD LOANS

Card loan services are rendered to those card holders with prior agreements up to a credit limit of ₩30 million at an annual interest rate of 9.0 to 19.0 percent as of December 31, 2002 and 2001. The card loans are offered with the contracted term of one, two or three years. The card loans with one year term can be repaid with a lump sum payment while the card loans with two or three year term are required to be made through the installment payment plan.

### 8. FACTORING

In accordance with laws and decrees for financial companies specializing in the lending business, the Company renders factoring services with annual interest rates of 6.4 to 10 percent in 2002 and 2001. Such interest is recorded as a factoring discount income.

### 9. LEASE ASSETS

(1) DETAILS OF OPERATING LEASES BASED ON ACQUISITION COSTS AS OF DECEMBER 31, 2002 AND 2001 ARE AS FOLLOWS:

*(in millions of Korean won)*

Sectors	2002	2001
Manufacturing	92,276	75,554
Information technologies	4,510	-
Public and private services	53,085	2,519
Total	149,871	78,073
Accumulated depreciation	(79,545)	(20,372)
Book value	70,326	57,701

(2) THE COLLECTION SCHEDULE FOR LEASE RECEIVABLES AS OF DECEMBER 31, 2002 IS AS FOLLOWS:

*(in millions of Korean won)*

Year	Operating Lease	Financing Lease	Total
2003	47,603	87,628	135,231
2004	36,352	91,628	127,980
2005	14,640	71,843	86,483
2006	879	34,287	35,166
2007 and thereafter	-	38,990	38,990
Total	99,474	324,376	424,210

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

### (3) COLLECTION SCHEDULE FOR FINANCING LEASE RECEIVABLES

(in millions of Korean won and thousands of US\$)

Year	Total lease payables	Interest	Principal
2003	106,969 (US\$13,481)	19,341 (US\$1,613)	87,628 (US\$11,868)
2004	105,613 (US\$13,220)	13,985 (US\$1,065)	91,628 (US\$12,155)
2005	80,230 (US\$8,161)	8,387 (US\$258)	71,843 (US\$7,904)
2006	39,002 -	4,715 -	34,287 -
2007 and thereafter	48,036 -	9,047 -	38,989 -
Total	379,851 (US\$34,861)	55,475 (US\$2,935)	324,376 (US\$31,926)
Less: current portion of long-term	106,969 (US\$13,481)	19,341 (US\$1,613)	87,628 (US\$11,868)
Financing lease receivables	272,882 (US\$21,380)	36,134 (US\$1,322)	236,748 (US\$20,058)

### (4) DETAILS OF FOREIGN CURRENCY LEASED ASSETS ARE AS FOLLOWS:

(in millions of Korean won and thousands of US\$)

Accounts	2002		2001	
	Foreign currency	Equivalent Korean won	Foreign currency	Equivalent Korean won
Financing lease receivables	32,009	38,425	44,062	58,432

### 10. SHORT-TERM AND LONG-TERM LOANS

Details of short-term and long-term loans as of December 31, 2002 and 2001 are as follows:

(in millions of Korean won)

Classification	Description	2002	2001
Short-term	ABS loans	319,539	507,532
Long-term	Treasury stock association loans	86,465	4,599
Total		406,004	512,131

# NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

## 11. INVESTMENT SECURITIES

Details of investment securities as of December 31, 2002 and 2001 are as follows:

< 2002 >

(in millions of Korean won)

Description	Number of shares	Ownership percentage	Acquisition cost	Fair value or net asset value	Book value
(Securities accounted for using the equity method of accounting)					
Off-shore funds (HTVI)		28.6%	11,410	5,514	5,514
Off-shore funds (GTI)		16.7%	5,774	2,949	2,949
Sub-Total			17,184	8,463	8,463
(Listed equity securities)					
LG CI Ltd.	2,673,362	3.1%	23,369	19,729	19,729
LG Life Sciences Co., Ltd.	297,040	3.1%	2,596	5,065	5,065
LG International Corp.	600,000	0.9%	3,000	2,820	2,820
KMCC Corp.	60,000	1.3%	360	540	540
Korea Information Service Corp.	47,603	1.0%	498	678	678
Sub-Total			29,823	28,832	28,832
(Non-listed equity securities)					
Kihyup Technology Banking Corp.	200,000	3.4%	1,000	1,000	1,000
Korea Credit-card	163,805	11.4%	819	819	819
Korea Cyber Payment Inc.	92,000	6.5%	510	510	510
Epion Technologies Corp.	214,220	3.3%	500	500	500
Mondex Korea Co., Ltd.	20,000	0.7%	150	150	150
V - Cash Co., Ltd.	84,000	2.6%	420	420	420
A - Cash Co., Ltd.	395,250	19.7%	1,976	1,976	1,976
EVALI Corp.	60,000	8.9%	300	300	300
Dizzo. com	40,000	1.9%	800	800	800
One M Power Korea Co., Ltd.	40,000	10.0%	20	20	20
LG Sports Ltd.	58,800	4.9%	254	254	254
Mirae Credit Information Services Corp.	114,000	19.0%	570	570	570
Global Credit Center Inc.	60,000	10.0%	400	400	400
Maybe Co., Ltd.	20,000	1.4%	300	300	300
Smartro Co.	20,000	2.7%	900	900	900
Credipia 1st (SPC)	190	19.0%	1.9	1.9	1.9
Credipia 2nd ~ 36th (SPC)	Each 20	Each 2.0%	6.8	6.8	6.8
Credipia 2001	20	2.0%	0.2	0.2	0.2
Hanse TeleCom Co., Ltd.	5,000	2.5%	275	-	-
Sub-Total			9,203	8,928	8,928
(Investment in bonds)					
Credipia 1st~ 36th (SPC)			3,256,357	3,256,357	3,256,368
Credipia 2001			1,010,027	1,010,027	1,010,027
Sub-Total			4,266,384	4,266,384	4,266,395
Investment securities - total			4,322,594	4,312,618	4,312,618
(Capital contribution)					
New Tech. Investment Association - total			4,800	4,800	4,800

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

## &lt; 2001 &gt;

(in millions of Korean won)

Description	Number of shares	Ownership percentage	Acquisition cost	Fair value or net asset value	Book value
(Securities accounted for using the equity method of accounting)					
Off-shore funds (HTVI)		28.6%	11,410	8,670	8,670
Off-shore funds (GTI)		16.7%	5,774	7,211	7,211
Sub-Total			17,184	15,881	15,881
(Listed equity securities)					
LG CI Ltd.	2,970,403	3.14%	25,966	24,357	24,357
LG International Corp.	600,000	0.9%	3,000	2,358	2,358
Sub-Total			28,966	26,715	26,715
(Non-listed equity securities)					
Kihyup Technology Banking Corp.	200,000	3.4%	1,000	1,040	1,000
Korea Credit-card	163,805	11.4%	819	723	819
Korea Cyber Payment Inc.	92,000	7.1%	510	540	510
Epion Technologies Corp.	214,220	3.3%	500	257	500
Mondex Korea Co., Ltd.	20,000	0.7%	150	84	150
V - Cash Co., Ltd.	84,000	3.2%	420	2,501	420
A - Cash Co., Ltd.	395,250	19.7%	1,976	171	1,976
EVALI Corp.	60,000	9.7%	300	303	300
Dizzo. com	40,000	1.9%	800	719	800
One Loyalty Korea Co., Ltd.	40,000	10.0%	20	11	20
LG Sports Ltd.	58,800	4.9%	254	390	254
KMCC Corp.	30,000	1.8%	360	651	360
Mirae Credit Information Services Corp.	114,000	19.0%	570	911	570
Global Credit Center Inc.	60,000	10.0%	400	400	400
Mybe Co.Ltd	300	1.4%	300	300	300
Credipia 1st (SPC)	190	19.0%	1.9	1.9	1.9
Credipia 2nd ~ 26th (SPC)	Each 20	Each 2.0%	5	5	5
Credipia 2001 (SPC)	20	2.0%	0.2	0.2	0.2
Hanse TeleCom Co., Ltd.	5,000	2.5%	275	-	-
Sub-Total			8,661	9,008	8,386
(Investment in bonds)					
Credipia 1th ~ 26th (SPC)			2,281,044	2,281,044	2,281,044
Credipia 2001 (SPC)			511,705	511,705	511,705
Sub-Total			2,792,749	2,792,749	2,792,749
Investment securities - total					
			2,847,571	2,844,430	2,843,731
(Capital contribution)					
New Technology Investment Association		10%	8,000	8,057	8,057

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

### 12. LAND

The Company's standard land values officially announced by the Korean government for tax calculation purposes as of December 31, 2002 and 2001 are as follows:

(in millions of Korean won)

Description	Book value		Standard Value	
	2002	2001	2002	2001
Investment real estate	-	124	-	106
Property and equipment	54,092	54,278	21,329	20,867

### 13. CAPITALIZED DEVELOPMENT COSTS

Changes in capitalized development costs for the years ended December 31, 2002 and 2001 are as follows:

(in millions of Korean won)

Description	2002	2001	Remarks
Balance at beginning of the year	5,704	2,371	Amortization method:
Increase	-	5,498	Straight-line method
Amortization	(2,165)	(2,165)	Amortization period:
Balance at end of year	3,539	5,704	4 years

### 14. LONG-TERM BORROWINGS AND DEBENTURES

Details of long-term borrowings and debentures as of December 31, 2002 and 2001 and the repayment schedule are as follows:

#### (1) LONG-TERM BORROWINGS

(in millions of Korean won)

Lender	Maturity	2002	2001
Samsung Life Insurance Co., Ltd.	2004/09/21 ~ 2004/12/28	150,000	285,000
Kookmin Bank	2004/12/10 ~ 2005/12/10	110,020	50,000
Tong Yang Investment Bank	2004/12/25	9,850	14,600
<b>Total</b>		<b>269,870</b>	<b>349,600</b>

Certain cash and cash equivalents are pledged as collateral in relation to above long-term borrowings. (Note 4)

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

## (2) DEBENTURES

(in millions of Korean won)

Description	Interest rate	2002	2001
Debentures	4.9%-11.04%	6,847,000	5,025,000
Foreign debentures	Libor + 0.8%	240,080	-
Foreign FRN	Libor + 0.5 (0.6)%	60,020	-
Deduction:			(763,000)
Short-term debentures		(585,000)	(1,735,000)
Current portion of long-term debentures		(1,740,000)	(950)
Discounts on debentures		(4,584)	2,526,050
Net		4,817,516	

According to Article 48 of the Decrees for the Financial Companies Specializing in Loan Businesses, the Company is allowed to issue debentures not exceeding 10 times capital. The debentures as of December 31, 2002 are all composed of unguaranteed debentures. During the year end December 31, 2002, the Company issued foreign debenture of US\$ 2 billion and foreign FRN of US\$ 50 million dollars for the working capital purpose.

## (3) THE REPAYMENT SCHEDULE OF OUTSTANDING LONG-TERM BORROWINGS AND DEBENTURES IS AS FOLLOWS:

(in millions of Korean won)

Account	December 31, 2002	Repayment amount			
		2003	2004	2005	2006 and thereafter
Long-term borrowings	579,870	310,000	195,862	74,008	-
Debentures	6,562,100	1,740,000	2,101,008	2,371,092	350,000
Total	7,141,970	2,050,000	2,296,870	2,445,100	350,000

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

### 15. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES

Foreign currency denominated assets and liabilities as of December 31, 2002 and 2001 are as follows:

(in millions of Korean won and in thousands of US dollars)

Account	Foreign currency		Equivalent Korean won	
	2002	2001	2002	2001
Cash and cash equivalents	US\$ 218	US\$ 442	262	586
Investment securities	US\$ 7,051	US\$ 11,976	8,725	15,881
Assets total	US\$ 7,269	US\$ 12,418	8,987	16,467
Withholdings	-	US\$ 328	-	435
Other accounts payable	US\$ 10	US\$ 251	12	332
Long-term borrowings	US\$ 50,000	-	60,020	-
Debentures	US\$ 250,000	-	300,100	-
Liabilities total	US\$ 300,010	US\$ 579	360,132	767

### 16. TRANSACTIONS WITH RELATED PARTIES

Major transactions and related account balances with related parties as of and for the years ended December 31, 2002 and 2001 are as follows:

#### (1) TRANSACTIONS

(in millions of Korean won)

Affiliates	Operating and other revenue		Operating and other expenses	
	2002	2001	2002	2001
LG CNS Inc.	484	731	108,661	59,425
LG Electronics Inc.	1,137	6,453	2,114	15,236
LG Home Shopping Co., Ltd	8,455	6,925	80	230
LG-Caltex Oil Corp.	7,745	7,402	72	59
LG Ad Inc.	121	106	5,759	4,553
LG Investment & Securities Co., Ltd.	74	660	1,128	991
LG Department Store Co., Ltd.	2,954	5,383	2,421	3,156
Other	14,310	23,603	27,146	13,368
Total	35,280	51,268	147,381	97,018

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

## (2) ACCOUNT BALANCES

(in millions of Korean won)

Affiliates	Receivables and other		Payables and other	
	2002	2001	2002	2001
LG Electronics Inc.	21,088	10,568	593	128
LG Chem Ltd.	2,509	2,192	3	7
LG-Caltex Oil Corp.	982	814	3	20
LG Philips LCD Co., Ltd.	747	567	6	10
LG Engineering & Construction Corp.	3,901	2,386	22	29
LG Investment & Securities Co., Ltd.	13,401	30,233	3	-
LG CNS Inc.	5,595	2,130	14,976	501
Other	54,450	60,602	3,912	4,637
<b>Total</b>	<b>102,672</b>	<b>109,492</b>	<b>19,518</b>	<b>5,332</b>

## 17. COMMON STOCK

Common stock as of December 31, 2002 and 2001 is as follows:

Description	2002	2001
Number of shares authorized	200,000,000 shares	200,000,000 shares
Par value	₩5,000	₩5,000
Number of shares issued and outstanding	74,000,000 shares	70,000,000 shares

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

The Company listed its stock on the Korea Stock Exchange on April 22, 2002 and issued additional 4 million shares of common stock as follows:

Description	Paid-in capital
Resolution date of the board of directors	March 5, 2002
Number of new shares	4,000,000
Issue price per new shares	₩ 58,000
Increase in common stock	₩ 20,000,000,000
Paid-in capital in excess of par value	₩ 205,954,000,000
Payment date of new shares	April 9, 2002

### 18. RETAINED EARNINGS

#### (1) RESERVE FOR BUSINESS RATIONALIZATION

Pursuant to the Tax Reduction and Exemption Control Law of Korea, the Company is required to appropriate, as a reserve for business rationalization, the income tax credits utilized by the Company. This reserve may be used only for offset against future deficits or transfer to capital stock.

#### (2) RESERVE FOR RESEARCH AND DEVELOPMENT

Pursuant to the Tax Reduction and Exemption Control Law of Korea, the Company appropriates a reserve for research and development as a result of certain tax deductions. The reserve may not be utilized for cash dividends, but may be used for future research and development activities. After certain periods, such reserve must be included in taxable income and can be used for cash dividends after transfer to unappropriated retained earnings in accordance with the above law.

#### (3) RESERVE FOR BUSINESS DEVELOPMENT

The Company appropriates a reserve for business development. This reserve may be used only for offset against future deficits or transfer to capital stock.

#### (4) RESERVE FOR INVESTMENT LOSS

Pursuant to the Tax Reduction and Exemption Control Law of Korea, the Company appropriates a reserve for investment loss as a result of certain tax deductions. The reserve may not be utilized for cash dividends, but may be used for future loss on investments. After certain periods, such reserve must be included in taxable income and can be used for cash dividends after transfer to unappropriated retained earnings in accordance with the above law.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

## 19. DEFERRED INCOME TAXES

## (1) RECONCILIATION BETWEEN ACCOUNTING INCOME AND TAXABLE INCOME

Reconciling items between accounting income and taxable income for the years December 31, 2002 and 2001 are as follows:

*(in millions of Korean won)*

Description	Temporary Differences		Permanent Differences	
	2002	2001	2002	2001
<Additions>				
Entertainment in excess of limit	-	-	2,365	2,536
Taxes and dues	-	-	7,526	1,060
Donations	3,176	1,074	1,697	310
Reserve for research and development	12,667	14,667	-	-
Allowance for doubtful accounts in excess of limit	475,950	181,489	-	-
Loss on valuation of derivatives	57,793	-	-	-
Gain on valuation of derivatives	6,851	-	-	-
Loss on devaluation of investment assets	-	60	-	-
Additional income taxes for prior period	1,563	-	-	7,174
Subordinated bonds interest expense	137,436	11,896	-	-
Loss on valuation using the equity method of accounting	5,788	4,676	-	-
Depreciation	15,547	-	-	-
Accrued point expenses	63,321	23,573	-	-
<b>Total</b>	<b>780,092</b>	<b>237,435</b>	<b>11,588</b>	<b>11,079</b>
<Deductions>				
Refund of income tax	-	-	6,891	2,654
Reserve for research and development	-	60,000	-	-
Donation	1,074	517	-	-
Gain on valuation of derivatives	36,892	6,901	-	-
Loss on valuation of derivatives	18,911	-	-	-
Subordinated bonds interest expense	308,312	137,436	-	-
Withholding (point)	23,573	-	-	-
Dividends	-	-	55	46
Allowance for doubtful accounts in excess of limit	188,559	59,686	-	-
Loss on valuation of marketable securities	-	8,813	-	-
Depreciation	153	281	-	-
Gain on valuation using the equity method of accounting	31	747	-	-
<b>Total</b>	<b>577,505</b>	<b>274,381</b>	<b>6,946</b>	<b>2,701</b>

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

### (2) DETAILS OF MAJOR CUMULATIVE TEMPORARY DIFFERENCES AS OF DECEMBER 31, 2002 AND 2001 ARE AS FOLLOWS:

< 2002 >

(in millions of Korean won)

Description	Beginning 2002 (*)	Increase	Decrease	December 31, 2002
<Deductible temporary differences>				
Depreciation	264	15,546	153	15,657
Loss on devaluation of investment securities	335	-	-	335
Donation	1,074	3,176	1,074	3,176
Loss on valuation of marketable securities	1,128	-	-	1,128
Loss on valuation using the equity method of accounting	4,391	5,788	-	10,179
Accrued point expenses	23,573	63,321	23,573	63,321
Loss on valuation of derivatives	18,911	57,793	18,911	57,793
Allowance for doubtful accounts in excess of limit	188,559	475,950	188,559	475,950
<b>Total</b>	<b>238,235</b>	<b>621,574</b>	<b>232,270</b>	<b>627,539</b>
<Taxable temporary differences>				
Reserve for research and development	(152,666)	-	(12,666)	(140,000)
Subordinated bonds interest expense	(137,436)	(308,313)	(137,436)	(308,313)
Gain on valuation of derivatives	(6,851)	(36,892)	(6,851)	(36,892)
Gain on valuation using the equity method of accounting	(266)	(31)	-	(296)
Reserve for investment loss	(1,100)	-	-	(1,100)
<b>Total</b>	<b>(298,319)</b>	<b>(345,236)</b>	<b>(156,953)</b>	<b>(486,601)</b>
Deferred tax assets	70,756			186,379
Deferred tax liabilities	(88,600)			(144,520)
Deferred tax liabilities (net)	(17,844)			41,859

(\*) The amount reflects the adjustments based on actual prior year tax returns.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

## &lt; 2001 &gt;

(in millions of Korean won)

Description	January 1, 2002 (*)	Increase	Decrease	December 31, 2002
<Deductible temporary differences>				
Depreciation	545	-	281	264
Loss on valuation of investment securities	275	60	-	335
Donation	517	1,074	517	1,074
Loss on valuation of marketable securities	9,941	-	8,813	1,128
Loss on valuation using the equity method of accounting	195	4,081	151	4,125
Accrued point expenses	-	23,573	-	23,573
Loss on valuation of derivatives	26,196	-	-	26,196
Allowance for doubtful accounts in excess of limit	59,686	181,489	59,686	181,489
<b>Total</b>	<b>97,355</b>	<b>210,277</b>	<b>69,448</b>	<b>238,184</b>
<Taxable temporary differences>				
Reserve for research and development	(107,333)	(60,000)	(14,667)	(152,666)
Subordinated bonds interest expense	(11,896)	(137,436)	(11,896)	(137,436)
Gain on valuation of derivatives	(6,986)	(6,901)	-	(13,887)
Reserve for investment loss	(1,100)	-	-	(1,100)
<b>Total</b>	<b>(127,315)</b>	<b>(204,337)</b>	<b>(26,563)</b>	<b>(305,089)</b>
Deferred tax assets	29,985			73,360
Deferred tax liabilities	(39,213)			(93,968)
Deferred tax liabilities (net)	(9,228)			(20,608)

(\*) The amount reflects the adjustments based on actual prior year tax returns.

## (3) INCOME TAX EXPENSE FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001 ARE AS FOLLOWS:

(in millions of Korean won)

Description	2002	2001
Current period income tax payable	210,341	285,578
Changes in deferred income taxes (Note *)	(59,704)	11,380
<b>Income tax expense</b>	<b>150,637</b>	<b>296,958</b>

(Note *)	2002	2001
Deferred income taxes liabilities at end of period	41,859	(20,607)
Deferred income taxes liabilities at beginning of period	(17,845)	(9,227)
<b>Changes in deferred income taxes</b>	<b>59,704</b>	<b>(11,380)</b>

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

### (4) EFFECTIVE TAX RATE FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001 ARE AS FOLLOWS:

(in millions of Korean won)

Description	2002	2001
Income before income taxes (A)	501,032	950,231
Income tax expense (B)	150,637	296,958
Effective tax rate (B) / (A)	30.07%	31.25%

### 20. INCOME PER SHARE

The Company's income per shares amounts for the years ended December 31, 2002 and 2001 are as follows:

#### (1) INCOME PER SHARE

(in Korean won)

Description	2002	2001
Net income	350,394,373,089	653,273,662,218
Extraordinary gains	-	-
Extraordinary losses	-	-
Tax effect on extraordinary gains	-	-
Ordinary income	350,394,373,089	653,273,662,218
Weighted average number of shares outstanding(shares)	72,926,027	70,000,000
Ordinary income per share	4,805	9,332
Net income per share	4,805	9,332

#### (2) WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING

##### < 2002 >

Description	Number of shares	Days	Weighted number of shares
Beginning of the period	70,000,000	98	6,860,000,000
Stock issuance (April 9, 2002)	74,000,000	267	19,758,000,000
		365	
Weighted average number of shares outstanding	26,618,000,000	÷ 365	72,926,027

##### < 2001 >

Description	Number of shares	Days	Weighted number of shares
Beginning of the period	70,000,000	365	25,550,000,000
Weighted average number of shares outstanding	25,550,000,000	÷ 365	70,000,000

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

### 21. DIVIDENDS

(1) THE CASH DIVIDENDS DECLARED FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001 ARE AS FOLLOWS:

*(in Korean won)*

Classifications	2002	2001
Dividends per share (Dividend ratio)	1,750 (35%)	1,975 (39.5%)
Number of shares outstanding	74,000,000	70,000,000
Dividends	129,500,000,000	138,250,000,000

(2) PAYOUT RATIO FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001 ARE AS FOLLOWS:

*(in Korean won)*

Classifications	2002	2001
Dividends	129,500,000,000	138,250,000,000
Net income	350,394,373,090	653,273,662,218
Payout ratio	36.96%	21.16%

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

### 22. STATEMENTS OF CASH FLOWS

(1) CASH FLOWS FROM OPERATING ACTIVITIES IN THE STATEMENTS OF CASH FLOWS WERE PRESENTED USING THE INDIRECT METHOD.

(2) NON-CASH TRANSACTIONS ARE FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001 ARE AS FOLLOWS:

Description	<i>(in millions of Korean won)</i>	
	2002	2001
Loss on valuation of investment securities	798	24,953
Gain on valuation of investment securities	2,344	1,077
Transfers of debentures and long-term borrowings		
to current liabilities	2,050,000	1,915,000
Dividends declared, not paid	129,500	138,250
Gain on valuation of interest swap	14,697	-
Loss on valuation of interest swap	33,890	-
Transfers of group-term retirement insurance to		
retirement insurance	-	10,861
Transfers to reserve for retirement allowance	-	10,854
Non-cash subscription of investment securities	-	10,377
Transfers of long-term financial instrument to current		
financial instrument	573	13,274
Valuation of derivatives	-	6,744

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

### 23. INSURED ASSETS

Details of insured assets as of December 31, 2002 are as follows:

(in millions of Korean won)

Insurance	Insured Assets	Coverage	Insurer
Fire insurance	Buildings	372,585	LG Fire & Insurance
Theft insurance	Cash and securities	8,213	LG Fire & Insurance
<b>Total</b>		<b>380,798</b>	

In addition, the Company's vehicles are also insured by comprehensive and liability insurance.

### 24. ASSETS PLEDGED

Details of assets pledge as of December 31, 2002 are as follows

(in millions of Korean won)

Banks	Secured Assets	Amount pledged for	Remarks
CitiBank	Certificate of deposit	810	Recourse provision for sale of assets
Korea First Bank and Nonghyup	Long-term financial instruments	3,100	Borrowings
Other	Long-term financial instruments & certificate of insurance	3,394	Relating to sale of assets
<b>Total</b>		<b>7,304</b>	

### 25. GUARANTEE PROVIDED BY OTHERS

The guarantees provided by others as of December 31, 2002 are as follows:

(in millions of Korean won)

Guarantor	Guarantee date	Guarantee amounts	Description
Koram Bank and others	2002/06/07	4,235	Lease assets

### 26. CONTINGENT LIABILITIES AND CONTRACTS

#### (1) BLANK NOTES

As of December 31, 2002, the Company issued 50 blank promissory notes and other promissory notes to financial institutions as collateral for financial transactions.

#### (2) LICENSES

In accordance with the agreements for issuance of credit cards with Master Card Co., JCB Card Co. and VISA International Co., the Company has provided local customers in Korea with card services under LG Master Card, LG JCB Card, and LG Visa Card since 1997.

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

### (3) COOPERATION CONTRACTS FOR INSTALLMENT FINANCING

With respect to installment financing, the Company has maintained relationships with a number of manufacturers, including Trigem Computer Co., Ltd. and their respective distributors.

### (4) SERVICE AGREEMENTS

The Company entered into agreements with a number of local banks, Korea Computer Inc. and the Ministry of Information and Telecommunication in which the Company will provide them with credit card services.

### (5) SALE OF RECEIVABLES WITH RECOURSE

The Company sold receivables to Special Purpose Companies (SPC) (as prescribed in the Law for Asset Based Securities), Korea First Bank and other financial institutions with recourse. The loans out of these transferred loans, which have not matured, amounted to ₩14,331 billion for SPC and ₩4,532 billion for financial institutions as of December 31, 2002.

### (6) LITIGATION

The Company filed a number of lawsuits for the collection of delinquent card loans and installment financing receivables. The ultimate result of the lawsuits is not presently predictable.

The details of lawsuits with the Company being a plaintiff are as follow:

(in millions of Korean won)

Classification	Amount	Number	Remarks
Card loans	12,417	1,293	Pusan and other local courts
Installment financing	727	117	Seoul and other local courts
	13,144	1,410	

### (7) DERIVATIVE INSTRUMENTS

Details of derivative instruments contracted by the Company are as follows.

- 1) The Company has 16 currency swap contracts with financial institutions for the purpose of hedging foreign currency risk. The details of currency swap contracts outstanding as of December 31, 2002 are as follows:

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

*(in millions of Korean won)*

Contractors	Buying	Selling	Contract date	Maturity	Contract rate (won : US\$)
Korea Development Bank	-	68,026	2000.3.28	2006.4.17	1,108.7 ~1,288.50
LG Investment & Securities Co., Ltd.	-	16,640	1999.6.29	2006.6.25	1,160
Korea Development Bank	59,187	-	2000.12.4	2006.6.26	1,210.9
Kookmin Bank	-	7,072	2000.2.25	2003.8.25	1,109.15 ~1,136.1
Korea Development Bank	177,750	-	2002.8.2	2005.8.12	1,185
Hana Bank	59,365	-	2002.08.2	2005.08.12	1,187.3
Korea Development Bank	48,652	-	2002.12.4	2004.12.10	1,216.30
Korea Development Bank	48,652	-	2002.12.4	2005.12.12	1,216.30
Credit Lyonnais	12,163	-	2002.12.4	2004.12.10	1,216.30
Credit Lyonnais	12,163	-	2002.12.4	2005.12.10	1,216.30
<b>Total</b>	<b>417,932</b>	<b>91,738</b>			

2) THE COMPANY HAS INTEREST RATE SWAP CONTRACTS WITH FINANCIAL INSTITUTIONS FOR THE PURPOSE OF HEDGING THE CHANGES IN FUTURE CASH FLOWS. THE DETAILS OF INTEREST RATE SWAP CONTRACTS OUTSTANDING AS OF DECEMBER 31, 2002 ARE AS FOLLOWS:

*(in millions of Korean won)*

Contractors	Swap amount	Types of swap
Kookmin Bank	30,000	Interest rate swap
Industrial Bank of Korea	880,000	Interest rate swap, Constant maturity treasury swap
Korea Development Bank	200,000	Interest rate swap
Shinhan Bank	30,000	Interest rate swap
Koram Bank	415,000	Interest rate swap, Constant maturity treasury swap
Woori Bank	140,000	Interest rate swap, Constant maturity treasury swap
Korea Exchange Bank	40,000	Interest rate swap, Ranged swap
Citi Bank	250,000	Call option swap
Credit Suisse First Boston	240,000	Constant maturity treasury swap, Digital swap
Standard Chartered Bank	160,000	Constant maturity treasury swap
Barclays	30,000	Interest rate swap, Ranged swap
<b>Total</b>	<b>2,415,000</b>	<b>Interest rate swap</b>

3) THE COMPANY HAS CURRENCY SWAP CONTRACTS WITH FINANCIAL INSTITUTIONS FOR THE HEDGING FOREIGN CURRENCY RISK IN OFF-SHORE FUNDS. THE DETAILS OF CURRENCY SWAP CONTRACTS OUTSTANDING AS OF DECEMBER 31, 2002 ARE AS FOLLOWS:

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

(in millions of Korean won)

Contractors	Buying	Selling	Contract date	Maturity	Contract rate (won : US\$)
Hana Bank	12,910	-	2002.5.17	2003.2.28	1,291
Hana Bank	-	8,692	2002.10.31	2003.6.2	1,241.7
Hana Bank	-	13,549	2002.2.28	2003.2.28	1354.9
<b>Total</b>	<b>12,910</b>	<b>22,241</b>			

#### 4) DETAILS OF VALUATION OF DERIVATIVE INSTRUMENTS AT DECEMBER 31, 2002 ARE AS FOLLOWS :

(in millions of Korean won)

Type	Valuation gain (loss)	Credited (charged) to current operations	Capital adjustment
Currency swaps (asset)	1,882	1,882	-
Currency swaps (liability)	(6,552)	(6,552)	-
Currency forward contracts (asset)	2,419	1,915	504
Currency forward contracts (liability)	(835)	(835)	-
Interest rate swaps (asset)	32,590	17,893	14,697
Interest rate swaps (liability)	(50,405)	(16,516)	(33,890)
<b>Total</b>	<b>(20,901)</b>	<b>(2,213)</b>	<b>(18,689)</b>

### 27. VALUE ADDED INFORMATION

Value added information for the years ended December 31, 2002 and 2001 consists of the following:

(in millions of Korean won)

Description	2002	2001
Salaries and wages	55,528	44,758
Bonus	48,082	67,183
Provision for severance benefits	19,390	10,363
Welfare	24,862	21,725
Rent	23,509	18,898
Depreciation and amortization	112,306	74,539
Taxes and dues	18,778	8,479
<b>Total</b>	<b>302,455</b>	<b>245,945</b>

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2002 AND 2001

### 28. FRINGE BENEFITS AND DONATIONS

Details of fringe benefits for employees and donations for the years ended December 31, 2002 and 2001 are as follow:

*(in millions of Korean won)*

Description	2002	2001
Training expenses	3,492	2,654
Donations for public facilities	1,590	305
Scholarships	311	242
Welfare	-	5,000
<b>Total</b>	<b>5,393</b>	<b>8,201</b>

### 29. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended December 31, 2002 and 2001 consist of the following:

*(in millions of Korean won)*

Description	2002	2001
Salaries and wages	103,610	111,941
Provision for severance benefits	19,390	10,363
Welfare	24,862	21,725
Travel	1,227	1,229
Communications	66,176	59,616
Utilities	18,455	14,707
Taxes and dues	18,778	8,479
Rent	23,509	18,898
Depreciation	112,306	74,539
Amortization	2,165	2,171
Insurance	2,416	911
Collection fees	3,988	4,113
Advertising	217,987	103,886
Entertainment	3,656	3,164
Supplies	48,387	36,432
Transportation	1,097	1,013

## NOTES TO FINANCIAL STATEMENTS

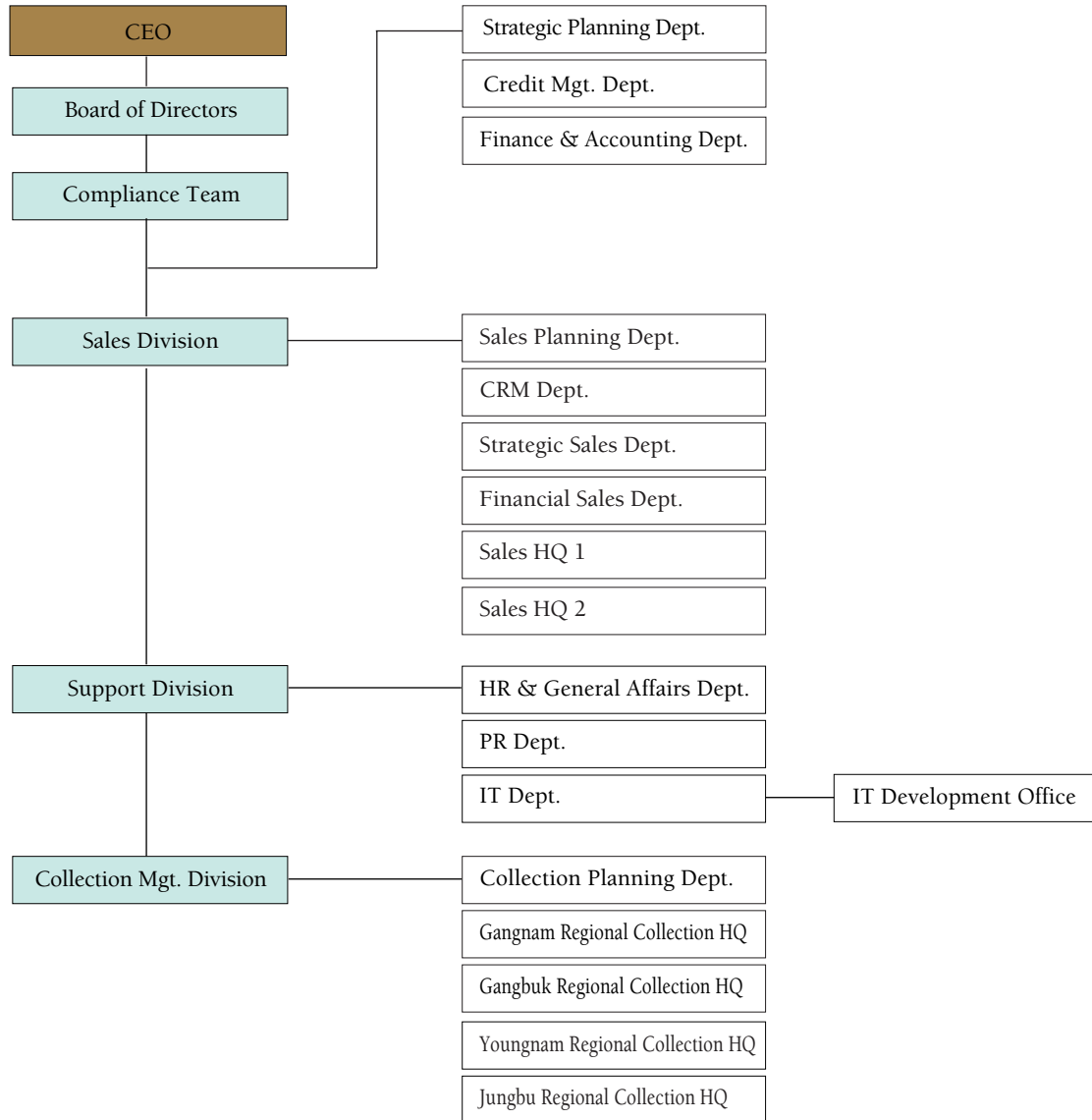
YEARS ENDED DECEMBER 31, 2002 AND 2001

Description	<i>(in millions of Korean won)</i>	
	2002	2001
Vehicle	3,812	3,240
Repairs and maintenance	161	143
Publications	534	434
Service outsourcing	692,354	520,844
Training	4,114	3,441
Bad debts	2,697,457	983,974
Compensation for losses	4,878	3,221
Credit rating service	198,841	131,967
Loss from settlement of finance leases	-	2,528
Other lease	-	1,513
<b>Total</b>	<b>4,270,160</b>	<b>2,124,493</b>

### 30. UNCERTAINTIES IN BUSINESS ENVIRONMENT

In response to general unstable economic conditions, the Korean government and the private sector have been implementing structural reforms to historical business practices. Implementation of these reforms is progressing slowly, 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 Company may be either directly or indirectly affected by these general unstable economic conditions and the reform program described above. The accompanying financial statements reflect management's assessment of the impact to date of the economic situation on the financial position of the Company. Actual results may differ materially from management's current assessment.

# ORGANIZATION CHART & BOARD OF DIRECTORS



## BOARD OF DIRECTORS

**CHONG-SUK LEE**  
 Director, President & C.E.O. of LG Card

**TAE-O KIM**  
 Director, Executive Vice President of  
 LG Economic Research Institute

**MAN-WOO LEE**  
 Director,  
 Professor of Korea University

**KYUNG-SUK SUH**  
 Director, President & C.E.O. of LG  
 Investment & Securities

**IL-SUP KIM**  
 Director, Vice President for Planning &  
 Finance in Ehwa Women's University

**SUNG-JIN HWANG**  
 Director, Vice President of Warburg Pincus

## HISTORY

1987	Nov 20	Entered credit card business with acquisition of Korea Express Co., Ltd.	May 18	Entered foreign exchange business	
1988	Mar 9	Renamed LG Credit Card Co., Ltd.	Jun 21	Launched first domestic business-to-business e-commerce system	
	Apr 1	Launched cash advance service	Jul 17	Signed affiliate agreement with GE Capital of the U.S.	
	Jun 1	Merged with Goldstar Factoring Co., Ltd.	Sep 1	Launched new LG Lady Card exclusively for women	
1989	Sep 16	Signed issuer agreement with MasterCard of the U.S.	Sep 15	Launched LG 2030 Card exclusively for men	
	Mar 2	Entered credit card loan business	2000	Feb 16	Launched platinum card products
	Apr 1	Entered international card and consumer finance businesses		Mar 24	Entered venture capital financing business
Jun 1	Launched electronic fund transfer service	Apr 19		Pax Cargo Card, Korea's first shipping insurance card, launched.	
1990	Nov 1	Entered payment guarantee business	Jun 28	Hello Kitty Card, the sector's first character card, launched	
1991	Mar 15	Entered special-purpose loan business	Jun 29	Investment contract for electronic A-cash development signed.	
	Mar 4	Launched 24-hour phone service for credit limit increases and lost/stolen card reporting	Jul 21	Paid-in-capital increased to ₩350 billion.	
1992	Sep 1	Launched LG Green Card to benefit environmental organizations	Ocr 5	Strategic alliance with Asiana Airlines established.	
	Apr 22	Launched LG Lady Card exclusively for women	Nov 01	LG-Card, new-concept and airtight-security virtual card, launched.	
1993	Dec 15	Launched Daehyun Fashion Club Card, the first domestic co-branded card	2001	Feb. 1	MyLGPoint system introduced.
	Mar 22	Launched LG Artist Card to benefit artist organizations		Feb. 1	LG Pre <sup>Ⓢ</sup> Card, a reloadable prepaid card for online users, launched.
1994	Apr 1	Launched LG-Caltex Oil-LG Card	Mar. 14	The New Corporate Card launched.	
	May 1	Introduced integrated credit limit management system	Apr. 24	The LG All Japan Card, for Japanese visitors to Korea, launched.	
1995	May 17	Introduced interactive voice response (IVR) service	Jul. 2	Alliance formed with SK Telecom to enter mobile commerce market.	
	Apr 17	Launched LG-Skypass Card in affiliation with Korean Air	Jul. 23	LG ACE Card, for middle-aged and elderly users, launched.	
1996	Apr 12	Signed affiliation agreement with China Trust Commercial Bank of Taiwan, making us the first Korean credit card accepted overseas	Sept. 1	Renamed LG Card Co., Ltd.	
	Oct 1	Launched KT/Skypass LG Card, Korea's first three-company co-branded card	Nov. 20	Korea's first ABS backed by both card loan receivables and leasing receivables issued	
1997	Jan 3	Introduced industry's first relational database system	Nov. 21	LG Leisure/Sports Card issued.	
	Apr 1	Introduced ARS-based cash advance service	Dec. 20	Global ATM service launched.	
	Jul 3	Signed issuer agreement with JCB of Japan	2002	Jan. 29	LG Culture Card, aimed at movie and theater enthusiasts, launched.
	Sep 29	Signed issuer agreement with Visa of the U.S.		Feb. 18	LG MyPass Card, a transportation debit card, issued.
1998	Jan 1	Merged with LG Installment Finance Co., Ltd.	Apr. 1	Launched LG Environment Card.	
	Feb 18	Entered leasing business	Apr. 22	Listed shares on Korean Stock Exchange.	
	Oct 1	Introduced asset and liability management system	Jul. 3	Launched LG Travel Card.	
1999	Oct 16	Introduced data warehousing system	Aug.14	Introduced LG Plus Coupon Service.	
	Jan 1	Renamed LG Capital Services Corp.	Oct. 10	Entered Auto Leasing business.	
	May 12	Entered beneficiary certificate-secured loan business	Nov. 1	Duty Free Shop Card issued.	
			Nov.12	Signed affiliation agreement with KT to development Smart Card.	
			Nov.28	Issued Industry's first cross-border FRN.	

## CORPORATE DATA

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Investor Relations Team  
82-2-2005-8285  
[ir@card.lg.co.kr](mailto:ir@card.lg.co.kr)

### DATE OF ESTABLISHMENT

March 27, 1988

### NUMBER OF EMPLOYEES

3,400

### PAID-IN CAPITAL

370 billion won

### TOTAL SHAREHOLDERS' EQUITY

1,774.7 billion

### NUMBER OF SHARES

74 million common shares

### INDEPENDENT ACCOUNTANTS

Ahn Kwon & Co



**LG Card**

**[www.lgcard.com](http://www.lgcard.com)**

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