

**CITIBANK, N.A.,  
KOREA BRANCHES**

Financial Statements

December 31, 2002 and 2001

(With Independent Auditors' Report Thereon)

## **Independent Auditors' Report**

Based on a report originally issued in Korean

Country General Manager  
Citibank, N.A., Korea Branches:

We have audited the accompanying balance sheets of Citibank, N.A., Korea Branches (the "Branches") as of December 31, 2002 and 2001 and the related statements of earnings and appropriation of retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Branches' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Auditing Standards, as established by the Financial Supervisory Commission (the "FSC") of 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of the Branches as of 31 December 2002 and 2001, and of the result of their operations, the changes in their retained earnings and their cash flows for the years then ended in accordance with the Financial Accounting Standards, as established by the FSC of the Republic of Korea.

Our audits for the years ended December 31, 2002 and 2001 were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information included in Schedules 1 through 3 and notes thereon as of and for the years ended December 31, 2002 and 2001, is presented for purposes of additional analysis and is not a required part of basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in accordance with the provision of the Banking Law and the Accounting and Reporting Guideline approved by the FSC of the Republic of Korea, including the requirement of the Trust Act and Trust Business Act, under which the Trust Accounts were established.

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

As discussed in note 15 to the financial statements, the Branches will remit their retained earnings amounting to ₩93,259 million to Head Office, which was recorded as other liabilities in the financial statements as of December 31, 2002.

As discussed in notes 6, 7 and 25 to the financial statements, the Branches converted convertible bonds of ₩90,368 million issued by Hynix Semiconductor Inc. ("Hynix") to investment securities and recorded unrealized losses of ₩52,332 million as loss on impairment of investment securities since the fair value of the investment securities declined significantly and was assessed to be other than temporary. Also, according to the resolution by the Committee of Creditor Financial Institutions on December 30, 2002, the Branches agreed for a debt-to-equity swap for 50% of their unsecured loans which is ₩11,350 million. The terms and conditions for the residual unsecured loans of ₩11,350 million and new loans of ₩18,580 million are restructured including the extension of maturity date to December 31, 2006 and lowering of interest rates.

As discussed in note 2(f) to the financial statements, the Branches increased the reserve percentages for loans to individuals and credit card receivables. The reserve percentages for loans to individuals are increased to 0.75%, 8%, 20%, 55% and 100% for loans classified as normal, precautionary, substandard, doubtful and estimated loss, respectively. The reserve percentages for credit card receivables are increased to 1%, 12%, 20%, 60% and 100% for credit card receivables classified as normal, precautionary, substandard, doubtful and estimated loss, respectively. The amount of loan loss reserve increased by ₩8,194 million due to the increase in the reserve percentages for loans.

As discussed in note 26 to the financial statements, the Branches sold its head office building and land for sale price of ₩54,100 million and recognized gain on sale of fixed assets of ₩42,469 million in current earnings.

As discussed in note 2(a) to the financial statements, the accompanying financial statements are not intended to present the Branches' financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions 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 procedures and auditing standards and their application in practice.

January 24, 2003

CITIBANK, N.A.,  
KOREA BRANCHES

**Balance Sheets**

December 31, 2002 and 2001

(In thousands of Won)

	2002	2001
<u>Assets</u>		
Cash and due from banks (notes 3, 4 and 18)	₩ 444,095,194	341,426,839
Trading securities (note 5)	368,370,663	189,096,082
Investment securities (notes 6 and 18)	2,608,199,769	2,303,009,267
Loans (notes 7 and 18)	4,491,477,806	5,474,413,034
Fixed assets (note 8)	21,428,514	33,139,219
Other assets (notes 9 and 18)	3,950,437,989	3,286,936,960
	₩ 11,884,009,935	11,628,021,401
 <u>Liabilities and Head Office's Equity</u>		
Liabilities:		
Deposits (notes 10 and 18)	₩ 6,437,992,917	6,763,452,120
Borrowings (notes 11 and 18)	771,598,054	612,972,087
Other liabilities (notes 12 and 18)	3,977,217,178	3,564,524,457
Total liabilities	11,186,808,149	10,940,948,664
Head Office's equity:		
Capital provided by Head Office (note 13)	38,000,000	38,000,000
Legal reserve	108,984,000	108,984,000
Special reserve	21,482,005	21,482,005
Retained earnings (notes 14 and 15)	522,146,499	518,725,365
Capital adjustment (note 16)	6,589,282	(118,633)
Total Head Office's equity	697,201,786	687,072,737
Commitments and contingencies (note 17)		
	₩ 11,884,009,935	11,628,021,401

See accompanying notes to financial statements

CITIBANK, N.A.,  
KOREA BRANCHES

**Statements of Earnings**

Years ended December 31, 2002 and 2001

(In thousands of Won)

	<u>2002</u>	<u>2001</u>
Interest income:		
Interest on due from banks	₩ 18,394,010	11,449,357
Interest on trading securities	21,087,285	9,991,391
Interest on investment securities	130,666,125	132,087,452
Interest on loans	314,752,748	406,049,241
Others	<u>23,691,681</u>	<u>55,604,443</u>
	<u>508,591,849</u>	<u>615,181,884</u>
Interest expenses:		
Interest on deposits	265,816,878	308,110,299
Interest on borrowings	30,009,482	41,406,812
Others	<u>44,866,202</u>	<u>76,099,926</u>
	<u>340,692,562</u>	<u>425,617,037</u>
Net interest income	167,899,287	189,564,847
Provision for possible loan losses	<u>7,148,000</u>	<u>70,332,000</u>
Net interest income after provision for loan losses	160,751,287	119,232,847
Non-interest income:		
Fees and commissions (note 19)	170,969,957	126,408,224
Gain on sale of trading securities	9,059,048	19,180,142
Gain on valuation of trading securities	1,368,248	80,521
Gain on foreign currency trading	30,073,922	77,684,968
Fees and commissions from trust accounts	2,497,156	10,695,089
Gain on valuation of derivatives	690,023,939	375,119,833
Gain on trading of derivatives	1,369,299,634	1,040,444,869
Gain on fair value of hedged item	769,287	-
Others (note 20)	<u>55,788,935</u>	<u>24,656,326</u>
	<u>2,329,850,126</u>	<u>1,674,269,972</u>
Non-interest expenses:		
Commissions paid (note 21)	39,107,772	32,108,104
General and administrative expenses (note 22)	182,259,049	166,800,088
Loss on sale of trading securities	5,471,526	11,992,726
Loss on valuation of trading securities	7,338	50,786
Loss on valuation of derivatives	736,801,498	397,496,166
Loss on trading of derivatives	1,334,386,010	1,031,372,219
Others (note 23)	<u>65,588,189</u>	<u>24,884,319</u>
	<u>2,363,621,382</u>	<u>1,664,704,408</u>
Earnings before income taxes	126,980,031	128,798,411
Income taxes (note 24)	<u>30,300,074</u>	<u>35,539,588</u>
Net earnings	<u>₩ 96,679,957</u>	<u>93,258,823</u>

See accompanying notes to financial statements.

CITIBANK, N.A.,  
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**Statements of Appropriation of Retained Earnings**

Years ended December 31, 2002 and 2001

Date of Appropriation for 2002: March 30, 2003

Date of Appropriation for 2001: March 30, 2002

(In thousands of Won)

	<u>2002</u>	<u>2001</u>
Retained earnings before appropriation:		
Balances at beginning of year	₩ 518,725,365	572,579,246
Net earnings	<u>96,679,957</u>	<u>93,258,823</u>
Balances at end of year	<u>615,405,322</u>	<u>665,838,069</u>
Appropriation:		
Remittance to Head Office (note 15)	<u>93,258,823</u>	<u>147,112,704</u>
Retained earnings to be carried forward	₩ <u>522,146,499</u>	<u>518,725,365</u>

*See accompanying notes to financial statements.*

CITIBANK, N.A.,  
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**Statements of Cash Flows**

Years ended December 31, 2002 and 2001

(In thousands of Won)

	2002	2001
Cash flows from operating activities:		
Net earnings	₩ 96,679,957	93,258,823
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,496,342	8,810,758
Provision for possible loan losses	7,148,000	70,332,000
Provision for retirement and severance benefits	12,910,116	8,192,679
Gain on disposition of fixed assets, net	(42,970,994)	(466,710)
Gain on sale of trading securities, net	(3,587,522)	(7,187,415)
Gain on sale of investment securities, net	(9,497,879)	(18,956,679)
Gain on valuation of trading securities, net	(1,360,910)	(29,735)
Loss on valuation of derivatives, net	46,777,559	22,376,334
Payment of retirement and severance benefits	(6,200,943)	(4,394,571)
Increase in prepaid expenses	(1,550,582)	(2,721,000)
Decrease (increase) in accrued incomes	(754,109)	4,109,572
Decrease (increase) in account receivables	341,667,774	(501,617,073)
Increase (decrease) in accounts payable	(351,839,224)	513,523,471
Decrease in accrued expenses	(7,352,896)	(42,534,750)
Other, net	4,318,836	(145,196,661)
Net cash provided by (used in) operating activities	<u>93,883,525</u>	<u>(2,500,957)</u>
Cash flows from investing activities:		
Decrease (increase) in loans	887,716,719	(475,146,909)
Proceeds on sales of fixed assets	55,013,295	1,591,540
Purchases of fixed assets	(9,827,938)	(15,930,382)
Decrease (increase) in trading securities	(174,326,149)	120,628,800
Increase in investment securities	(253,245,951)	(502,200,997)
Decrease (increase) in due from head office and branches	(724,963,651)	256,766,125
Other, net	-	(270,000)
Net cash used in investing activities	<u>(219,633,675)</u>	<u>(614,561,823)</u>
Cash flows from financing activities:		
Increase (decrease) in deposits	(325,459,203)	755,932,319
Increase in borrowings, net	158,625,967	240,606,512
Increase (decrease) in due to head office and branches	545,399,151	(405,017,514)
Remittance to head office	(147,112,704)	-
Other, net	(3,034,706)	(22,567,348)
Net cash provided by financing activities	<u>228,418,505</u>	<u>568,953,969</u>
Net increase (decrease) in cash and due from banks	102,668,355	(48,108,811)
Cash and due from banks at beginning of year	<u>341,426,839</u>	<u>389,535,650</u>
Cash and due from banks at end of year	<u>₩ 444,095,194</u>	<u>341,426,839</u>

See accompanying notes to financial statements.

CITIBANK, N.A.,  
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**Notes to Financial Statements**

December 31, 2002 and 2001

(1) The Branch

Citibank, N.A., Korea Branches (the "Branches") were established on June 6, 1967 and are engaged in corporate banking and consumer banking under the Korean Banking Act. The Branches consist of Seoul Branch, Pusan Branch, Myungdong Branch, Apkoojung Branch, Bangbae Branch, Daechi Branch, Kangnam Branch, Yoido Branch, Olympic Branch, Boondang Branch, Namcheon Branch and Banpo Branch.

(2) Summary of Significant Accounting Policies

(a) Basis of Presenting Financial Statements

The accompanying financial statements have been extracted from the Branches' Korean language financial statements that were prepared using accounting principles, procedures, and reporting practices generally accepted in the Republic of Korea. These standards may vary from International Accounting Standards or the accounting principles generally accepted in the country of the reader. The financial statements have been translated from those issued in the Republic of Korea, from the Korean language into the English language, and have been modified to allow for formatting of financial statements in a manner different from the presentation under Korean financial statements practices. Certain modifications have been made in the accompanying financial statements to bring the formal presentation into conformity with practices outside of the Republic of Korea, and certain information included in the Korean language statutory financial statements is not required for a fair presentation of the Branches' financial position or results of operations, is not presented in the accompanying financial statements. Accordingly, the accompanying financial statements and their utilization are not designed for those who are not informed about Korean accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea.

Under the Trust Business Law and Accounting and Reporting Guidelines of the Financial Supervisory Commission of the Republic of Korea (the "FSC"), the assets, liabilities and operation of trust accounts are not included in the Branches' financial statements. The income and expenses related to the trust accounts are essentially passed through to the individual trust account holders. The Branches guarantee a fixed rate of return and a return of principal of certain trust accounts. Any payments made in respect of these guaranteed return trust accounts are recorded as non-interest expense in the accounts of the Branches.

(b) Valuation of Foreign Currency Items

Monetary assets and liabilities denominated in a foreign currency are translated into Korean Won at ₩1,200.40 to US\$1 and ₩1,326.10 to US\$1, the basic rate of exchange and the cross rate of exchange announced by the Korea Financial Telecommunication and Clearing Institute as of December 31, 2002 and 2001, respectively. Gains or losses resulting from such transaction are recognized as current income or loss.

(c) Trading Securities

Trading securities purchased for short-term investment purposes are stated at fair value. The valuation gain or loss is recorded in current operations.



CITIBANK, N.A.,  
KOREA BRANCHES**Notes to Financial Statements, Continued**(2) Summary of Significant Accounting Policies, Continued(d) Investment Securities

Marketable investment equity securities (except for investments in subsidiaries) are recorded at fair value with the difference between the acquisition cost and market value included in head office equity as a capital adjustment. If the fair value of marketable investment equity securities declines significantly compared to the carrying value and is assessed to be other than temporary, the carrying value of the investment equity securities is written down and charged to current operations.

Unmarketable investments in equity securities are stated at acquisition cost. If the net assets of an investee company declines significantly compared to the carrying value and is assessed to be other than temporary, the carrying value is written down to the Branches' share of the net assets of the investee company with the amount of write-down charged to current operations.

Investments in debt securities are classified as either held-to-maturity or available-for-sale at the time of purchase. Held-to-maturity investments in debt securities are stated at amortized cost and available-for-sale investments in debt securities are stated at fair value, with unrealized holding gains or losses recorded as a capital adjustment. If the fair value of held-to-maturity or available-for-sale investments in debt securities declines significantly compared to the carrying value and is assessed to be other than temporary, the carrying value of the investment debt security is written down with the amount of write-down charged to current operations.

(e) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Maintenance and repairs are charged to expense when incurred. Expenditures that result in enhancement of the value or expansion of the useful lives of the facilities involved are capitalized as additions to fixed assets. Depreciation for buildings, furniture and equipment is computed using a declining balance method over the estimated useful lives of the respective assets as stipulated in the Korean Tax Law.

(f) Allowances for Possible Loan Losses

According to the Accounting Standards for the Banking Industry, the Branches classify corporate loans into five categories according to (1) past repayment history including overdue period and bankruptcy status of the borrower, and (2) future loan repayment capacity based on the borrower's business performance, financial status, cash flows, collateral, industry characteristics and evaluation of the management. The allowance for possible loan losses is then calculated at 0.5%, 2%, 20%, 50% and 100% of the loan balances classified as normal, precautionary, substandard, doubtful and estimated loss, respectively. Loans to individuals including credit card receivables are also classified into five categories based only on past repayment history. The allowance for possible loan losses for loans to individuals is then calculated at 0.75%, 8%, 20%, 55% and 100% of loan balances classified as normal, precautionary, substandard, doubtful and estimated loss, respectively as compared with 0.5%, 2%, 20%, 50% and 100% of the prior year. The allowance for possible loan losses for credit card receivables are calculated at 1%, 12%, 20%, 60% and 100% for credit card receivables classified as normal, precautionary, substandard, doubtful and estimated loss as compared with 0.5%, 2%, 20%, 50% and 100% of the prior year. However, the Branches do not provide, and the Accounting Standards for the Banking Industry does not require, allowances for loans to the Korean government and local government entities, and call loans, bonds bought under resale agreements, inter-bank loans, and inter-bank loans in foreign currencies, which are classified as normal.

CITIBANK, N.A.,  
KOREA BRANCHES**Notes to Financial Statements, Continued**(2) Summary of Significant Accounting Policies, Continued(f) Allowances for Possible Loan Losses, Continued

The Branches provide allowances for confirmed guarantees and acceptances, which were not subrogated by the Branches. The Branches classifies guarantees and acceptances according to the loan classifications described above and provides allowances in the amount of 20%, 50%, and 100% of those classified as substandard, doubtful and estimated loss, respectively. Such allowances for confirmed guarantees and acceptances are included in allowances for others of other liabilities amounted to ₩1,975 million.

(g) Present Value Discounts

The difference between the nominal value and the present value of installment accounts receivable or payable arising from installment sales or purchases of foreclosed assets is amortized using the effective interest method and such amortization is included in other income or other expense.

(h) Retirement and Severance Benefits

The Branches' employees, directors and statutory auditors with more than one year of service are entitled to receive lump-sum payments upon termination of their service, based on length of service and rates of pay at the time of termination. The Branches accrue severance benefits at the amount which would be payable if all employees left at the balance sheet date.

Under the preexisting National Pension Scheme of Korea, the Branches were required to transfer a certain portion of retirement allowances of employees to the National Pension Fund. The amount transferred will reduce the retirement and severance benefit amount payable to the employees when they leave the Branches and is accordingly reflected as a reduction of other liabilities in the accompanying financial statements.

(i) Recognition of Interest Income

The Branches recognize interest income earned on loans, call loans, long term deposits with other banks and securities on an accrual basis, except for interest income on loans having overdue interest, dishonored bills bought in foreign currencies, and all credits to customers which are bankrupt, given a grace period or a reduction and exemption of interest payments, or listed as Yellow and Red clients by the Korean Banking Authorities, for whom interest income is recognized when collected.

(j) Deferred Income Taxes

The Branches account for income taxes under the provision of the Financial Accounting Standards, which requires the recognition of deferred tax assets and liabilities created by temporary differences between the financial statement and tax bases of assets and liabilities. Deferred tax assets and liabilities are calculated based on expected enacted tax rates applicable to taxable income in the years in which those temporary differences are expected to be recovered or settled. Such deferred tax assets and liabilities are included in other assets and liabilities, respectively, in the accompanying financial statements.

(k) Intangible Assets

Intangible assets included in fixed assets are stated at acquisition cost, plus development costs and additional costs less accumulated amortization. Intangible assets are amortized using the straight-line method over a reasonable period based on the nature of the asset.

CITIBANK, N.A.,  
KOREA BRANCHES**Notes to Financial Statements, Continued**(2) Summary of Significant Accounting Policies, Continued(l) Accounting for Derivatives

Contract amounts of derivative financial instruments are disclosed in the accompanying note to the financial statements by financial instruments, and in case where contract amount is denominated in a foreign currency, it is translated by the basic rate of exchange as of the balance sheet date.

Derivative financial instruments used for trading purposes are valued at estimated current market prices with resulting unrealized holding gains or losses are recognized in current operations.

Accounting for derivative financial instruments used for hedging purposes are based on the type of risk being hedged. Hedging gains or losses resulting from instruments used to hedge against market risk are recognized in the same accounting period as the valuation gain or losses of the transactions being hedged. For instruments used to hedge against cash flow risk, the portion of the hedging gains or losses that was not effective for hedging purposes is recognized in current operations and the portion that was effective for hedging purposes is recognized as an adjustment of equity.

(m) Payments to the Guaranteed Return Trust Accounts

In respect of certain trust account products, the Branches guarantee the principal of the trust accounts and, in certain cases, a fixed rate of return. If income from such trust accounts is insufficient to pay the guaranteed amount, such deficiency must be satisfied from either reserves maintained in the trust accounts or funds transferred from the Branches' accounts. There can be no assurance that the Branches will not be required to make such transfers in the future or that the amounts of such transfers may not be significantly greater in the future.

(n) Contingent Liabilities

Contingent liabilities are generally recognized when incurred and reasonably estimable.

(o) Unsettled Spot Exchange

Transaction of unsettled spot exchange sold and bought are translated at the basic exchange rate or the cross exchange rate as of the balance sheet date and recognized in accounts receivable included in other assets or accounts payable included in other liabilities amounting to ₩1,088,851 million and ₩1,085,375 million, respectively. Unrealized holding gains or losses resulting from the difference in the contractual exchange rate and the translation exchange rate are recognized in current operations.

CITIBANK, N.A.,  
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**Notes to Financial Statements, Continued**

(In thousands of Won)

(3) Cash and Due from Banks

Cash and due from banks as of December 31, 2002 and 2001 are summarized as follows:

	<u>2002</u>	<u>2001</u>
Cash and checks	₩ 8,639,505	25,066,058
Foreign currencies	2,859,613	3,008,943
Due from banks in Won	355,421,661	284,601,469
Due from banks in foreign currencies	<u>77,174,415</u>	<u>28,750,369</u>
	<u>₩ 444,095,194</u>	<u>341,426,839</u>

(4) Restricted Due from Banks

The Branches have certain due from banks restricted in use under the banking regulations in the Republic of Korea. Restricted due from banks as of December 31, 2002 and 2001 are summarized as follows:

	<u>2002</u>	<u>2001</u>	<u>Reference</u>
Due from banks in Won	₩ 67,630,966	58,406,402	Reserve deposits with the Bank of Korea required under the Banking Law
Due from banks in foreign currencies	<u>33,191,060</u>	<u>22,169,879</u>	
	<u>₩ 100,822,026</u>	<u>80,576,281</u>	

(5) Trading Securities

Trading securities as of December 31, 2002 and 2001 are summarized as follows:

	<u>2002</u>	<u>2001</u>
Government bonds	₩ 128,419,253	80,294,128
Finance debentures	<u>239,951,410</u>	<u>108,801,954</u>
	<u>₩ 368,370,663</u>	<u>189,096,082</u>

CITIBANK, N.A.,  
KOREA BRANCHES

**Notes to Financial Statements, Continued**

(In thousands of Won)

(6) Investment Securities

Investment securities as of December 31, 2002 and 2001 are summarized as follows:

	<u>2002</u>	<u>2001</u>
Equity securities	35,738,757	-
Equity investment	34,200	34,200
Government bonds	149,316,374	170,925,851
Finance debentures	1,716,747,968	1,238,151,146
Corporate bonds	461,949,229	501,108,108
Investment securities in foreign currencies	<u>244,413,241</u>	<u>392,789,962</u>
	<u>₩ 2,608,199,769</u>	<u>2,303,009,267</u>

The equity securities are common stocks of Hynix Semiconductor Inc. The number of shares held by the Branches is 127,638,418 with percent of shareholding of 2.44% at December 31, 2002. The Branches decided to write-down its carrying value to its fair value at December 31, 2002 because the fair value of the equity securities declined significantly and was assessed to be other than temporary. The amount of write-down was ₩ 52,332 million and was recorded as loss on impairment of investment securities.

(7) Loans and Allowance for Possible Loan Losses

(a) Loans as of December 31, 2002 and 2001 are summarized as follows:

	<u>2002</u>	<u>2001</u>
Loans in Won	₩ 2,849,661,944	3,497,117,308
Loans in foreign currencies	434,999,159	288,615,721
Bills purchased in foreign currencies	459,799,826	882,950,675
Factoring receivables	3,179,656	5,720,915
Credit card accounts	629,811,575	472,671,142
Call loans	35,000,000	75,304,400
Domestic import usance bill	28,170,088	170,085,029
Interbank Loans in foreign currencies	122,769,238	92,836,775
Privately placed bonds	100,000	-
Loans to be swapped into equities	<u>11,350,000</u>	<u>90,368,000</u>
	4,574,841,486	5,575,669,965
Allowance for possible loan losses	<u>(83,363,680)</u>	<u>(101,256,931)</u>
	<u>₩ 4,491,477,806</u>	<u>5,474,413,034</u>

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**Notes to Financial Statements, Continued**

(In thousands of Won)

(7) Loans and Allowance for Possible Loan Losses, Continued

(b) Allowance for possible loan losses as of December 31, 2002 and 2001 are summarized as follows:

	<u>2002</u>	<u>2001</u>
Loans in Won	₩ 45,184,680	35,142,931
Loans in foreign currencies	5,177,000	5,566,000
Bills purchased in foreign currencies	3,536,000	5,469,000
Loans to be swapped into equities	9,183,000	45,184,000
Others	<u>20,283,000</u>	<u>9,895,000</u>
	<u>₩ 83,363,680</u>	<u>101,256,931</u>

(8) Fixed Assets

Fixed assets as of December 31, 2002 and 2001 are summarized as follows:

	<u>2002</u>	<u>2001</u>
Land	₩ 27,189	5,123,370
Buildings	4,397,924	21,960,470
Leasehold improvements	7,449,389	8,795,099
Furniture and equipment	44,412,226	40,523,186
Construction in progress	<u>7,318,635</u>	<u>5,016,909</u>
	63,605,363	81,419,034
Accumulated depreciation	<u>(45,096,536)</u>	<u>(51,565,613)</u>
Net tangible assets	18,508,827	29,853,421
Intangible assets	2,461,834	3,119,833
Non-business use property	457,853	167,422
Valuation allowances	<u>-</u>	<u>(1,457)</u>
	<u>₩ 21,428,514</u>	<u>33,139,219</u>

(9) Other assets

Other assets as of December 31, 2002 and 2001 are summarized as follows:

	<u>2002</u>	<u>2001</u>
Guarantee deposits	₩ 35,028,405	33,805,844
Account receivables	1,088,851,441	1,430,519,215
Accrued incomes	75,183,436	74,429,327
Prepaid expenses	11,011,954	9,461,372
Domestic exchange settlement account – debt	366,734,408	270,759,741
Derivatives investment assets	732,228,349	544,815,490
Due from Head office and branches (see note 12(c))	1,614,827,252	889,863,601
Loans to trust account	10,832,521	29,756,837
Deposited money	1,046,645	947,035
Others	<u>14,693,578</u>	<u>2,578,498</u>
	<u>₩ 3,950,437,989</u>	<u>3,286,936,960</u>

CITIBANK, N.A.,  
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**Notes to Financial Statements, Continued**

(In thousands of Won)

(10) Deposits

Deposits as of December 31, 2002 and 2001 are summarized as follows:

	<u>2002</u>	<u>2001</u>
Deposits in Won	₩ 4,796,045,671	4,719,663,750
Deposits in foreign currencies	1,173,752,223	749,632,011
Negotiable certificates of deposit	<u>468,195,023</u>	<u>1,294,156,359</u>
	<u>₩ 6,437,992,917</u>	<u>6,763,452,120</u>

(11) Borrowings

Borrowings as of December 31, 2002 and 2001 are summarized as follows:

	<u>2002</u>	<u>2001</u>
Call money	₩ 771,598,054	609,480,729
Borrowings in Won	-	41,403
Borrowings in foreign currencies	<u>-</u>	<u>3,449,955</u>
	<u>₩ 771,598,054</u>	<u>612,972,087</u>

(12) Other liabilities

(a) Other liabilities as of December 31, 2002 and 2001 are summarized as follows:

	<u>2002</u>	<u>2001</u>
Retirement and severance benefits (see note 12(b))	₩ 33,800,419	27,146,533
Transfer to National Pension Fund	(827,308)	(980,762)
Due from insurer for severance benefits	(22,185,225)	(18,439,776)
Borrowings from trust accounts	8,879,730	11,914,437
Foreign exchange settlement credits	36,214,766	3,241,313
Accounts payable	1,178,486,854	1,584,179,959
Accrued expenses	109,606,283	116,959,179
Unearned revenues	6,954,277	11,210,513
Deposit for letter of guarantees and others	130,155	174,846
Domestic exchange settlement account – credit	184,045,352	158,399,411
Deferred income tax liabilities (see note 24)	-	11,906,793
Derivatives investments liabilities	740,737,463	530,981,308
Due to Head office and branches (see note 12(c))	1,644,170,696	1,098,771,545
Income taxes payable	24,130,675	6,873,157
Withholding taxes	9,587,889	10,383,333
Allowance for confirmed guarantees and acceptances	1,975,000	1,797,800
Allowances for others	13,823,338	8,456,909
Other	<u>7,686,814</u>	<u>1,547,959</u>
	<u>₩ 3,977,217,178</u>	<u>3,564,524,457</u>

CITIBANK, N.A.,  
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**Notes to Financial Statements, Continued**

(In thousands of Won)

(12) Other liabilities, Continued

The Branches recorded unrecoverable guarantee deposit amounting to ₩7,589 million and reserve for credit card amounting to ₩6,234 million as allowance for others in other liabilities.

(b) Retirement and Severance Benefits

The changes in the retirement and severance benefits for the years ended December 31, 2002 and 2001 are summarized as follows:

	<u>2002</u>	<u>2001</u>
Beginning balance	₩ 27,146,533	23,148,275
Provision	12,910,116	8,192,679
Payment	(6,200,943)	(4,394,571)
Transfer from (to) related companies	<u>(55,287)</u>	<u>200,150</u>
Ending balance	₩ <u>33,800,419</u>	<u>27,146,533</u>

(c) Due to Head Office and Branches

Net amounts recorded as due to Head Office and branches (including offshore due to Head Office and branches) as of December 31, 2002 and 2001 consist of following:

	<u>2002</u>		<u>2001</u>	
	<u>Thousands of Won</u>	<u>Thousands of U.S. dollars</u>	<u>Thousands of Won</u>	<u>Thousands of U.S. dollars</u>
Fund for foreign currency loans	29,343,444	24,445	208,907,944	157,536

(13) Operating Funds

Under the Foreign Exchange Management Act and related regulations, the operating capital of the Branches is classified into Class "A" capital and Class "B" capital. Class "A" capital (statutory paid-in capital) amounted to ₩38,000,000 as of December 31, 2002 and December 31, 2001. Class "B" capital, which is due to head office and other branches to be repaid after 1 year from the borrowing date, amounted to none as of December 31, 2002.

(14) Appropriated Retained Earnings

(a) Legal reserve

Banking regulations in the Republic of Korea require the Branches to appropriate as legal reserve an amount equal to at least 10% of net earnings for each accounting period until such reserve equals 100% of the total of the class "A" and "B" capital. This reserve is not available for remittance to the Head office. As of December 31, 2002, the Branches did not appropriate additional legal reserve because the legal reserve as of December 31, 2001 exceeds 100% of the total of the class "A" and "B" capital.



CITIBANK, N.A.,  
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**Notes to Financial Statements, Continued**

(In thousands of Won)

(14) Appropriated Retained Earnings, Continued

(b) Financial Structure Improvement Reserve

The Financial Supervisory Service of the Republic of Korea recommends the Branches to appropriate as Financial Structure Improvement Reserve an amount equal to at least 10% of net earnings less accumulated deficits each fiscal year until the Branches' equity reaches 5.5% of total assets. The Branches did not appropriate Financial Structure Improvement Reserve because the Branches' equity exceeds 5.5% of total assets as of December 31, 2002.

(15) Remittance to Head Office

The Branches will remit their retained earnings in the amount of ₩93,259 million to the Head Office which were recorded as other liabilities in the financial statements as of December 31, 2002.

(16) Capital adjustment

Capital adjustment as of December 31, 2002 and 2001 is consisted of unrealized holding gains or losses on investment securities.

(17) Commitments and Contingencies

In the normal course of its commercial banking business, the Branches make various commitments and incur certain contingent liabilities, which are not recorded in the financial statements.

(a) Guarantees and acceptances provided by the Branches as of December 31, 2002 and 2001 are summarized as follows:

	<u>2002</u>	<u>2001</u>
Confirmed:		
Local currency:		
Debentures	₩ -	10,200,000
Financing	5,410,356	9,609,323
Other	343,448,573	254,419,592
Foreign currencies:		
Acceptance	2,174,175	5,988,524
Advance of import freight	2,029,146	3,651,851
Other	<u>249,444,629</u>	<u>157,296,308</u>
	<u>₩ 602,506,879</u>	<u>441,165,598</u>
Unconfirmed:		
L/C open	<u>₩ 73,605,391</u>	<u>159,387,354</u>

CITIBANK, N.A.,  
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**Notes to Financial Statements, Continued**

(In thousands of Won)

(17) Commitments and Contingencies, Continued

(b) The amounts of derivative contracts as of December 31, 2002 and 2001 are summarized as follows:

Derivatives		Billions of Korean Won					
		2002			2001		
		Total	Trading	Hedging	Total	Trading	Hedging
Currency	Forward	₩ 14,648.9	14,648.9	-	16,487.3	16,487.3	-
	Swap	4,410.9	4,410.9	-	4,178.6	4,178.6	-
	Option	2,390.5	2,390.5	-	1,328.9	1,328.9	-
		<u>21,450.3</u>	<u>21,450.3</u>	<u>-</u>	<u>21,994.8</u>	<u>21,994.8</u>	<u>-</u>
Interest	Swap	27,905.2	27,805.2	100.0	9,772.4	9,772.4	-
	Futures	40.0	40.0	-	150.0	150.0	-
	Option	670.0	670.0	-	-	-	-
		<u>28,615.2</u>	<u>28,515.2</u>	<u>100.0</u>	<u>9,922.4</u>	<u>9,922.4</u>	<u>-</u>
Stocks	Option	341.0	341.0	-	-	-	-
Precious metals	Forward	9.2	9.2	-	-	-	-
		<u>₩ 50,415.7</u>	<u>50,315.7</u>	<u>100.0</u>	<u>31,917.2</u>	<u>31,917.2</u>	<u>-</u>

(c) Other commitments as of December 31, 2002 and 2001 are summarized as follows:

	2002	2001
Checks issued by other banks	₩ 219,079	526,025
Loan charge – offs	43,188,742	19,750,253
Loan agreement in Won	67,800,723	142,539,826
Loan agreement in foreign currencies	45,519,168	15,029,133

CITIBANK, N.A.,  
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**Notes to Financial Statements, Continued**

(In thousands of Won)

(18) Assets and Liabilities Denominated in Foreign Currencies

Assets and liabilities denominated in foreign currencies as of December 31, 2002 and 2001 are summarized as follows:

	<u>2002</u>		<u>2001</u>	
	<u>Thousands of Korean Won</u>	<u>Thousands of U.S. dollars</u>	<u>Thousands of Korean Won</u>	<u>Thousands of U.S. dollars</u>
<b>Assets:</b>				
Cash and due from banks	₩ 80,034,028	\$ 66,673	₩ 31,759,313	\$ 23,949
Investment securities	244,413,241	203,610	392,789,962	296,199
Loans	1,045,738,311	871,158	1,439,792,600	1,085,735
Other assets	<u>1,614,827,252</u>	<u>1,345,241</u>	<u>889,863,601</u>	<u>671,038</u>
	<u>₩ 2,985,012,832</u>	<u>\$ 2,486,682</u>	<u>\$ 2,754,205,476</u>	<u>\$ 2,076,921</u>
<b>Liabilities:</b>				
Deposits	₩ 1,173,752,224	\$ 977,801	\$ 749,632,011	\$ 565,291
Borrowings	37,659,899	31,373	88,184,712	66,499
Other liabilities	<u>1,644,170,696</u>	<u>1,369,685</u>	<u>1,098,771,545</u>	<u>828,574</u>
	<u>₩ 2,855,582,819</u>	<u>\$ 2,378,859</u>	<u>\$ 1,936,588,268</u>	<u>\$ 1,460,364</u>

(19) Fees and Commissions

Fees and commissions for the years ended December 31, 2002 and 2001 are as follows:

	<u>2002</u>	<u>2001</u>
Commissions received	₩ 167,199,238	123,917,991
Guarantee fees	<u>3,770,719</u>	<u>2,490,233</u>
	<u>₩ 170,969,957</u>	<u>126,408,224</u>

(20) Other Non-Interest Income

Other non-interest income for the years ended December 31, 2002 and 2001 are as follows:

	<u>2002</u>	<u>2001</u>
Gain on disposition of fixed assets	₩ 43,011,785	481,344
Rental income	248,184	356,909
Gain on sales of investment securities	10,125,330	20,333,572
Other	<u>2,403,636</u>	<u>3,484,501</u>
	<u>₩ 55,788,935</u>	<u>24,656,326</u>

CITIBANK, N.A.,  
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**Notes to Financial Statements, Continued**

(In thousands of Won)

(21) Commissions Paid

Commissions for the years ended December 31, 2002 and 2001 are as follows:

	<u>2002</u>	<u>2001</u>
Commission expense	₩ 25,827,754	23,096,593
Commission on credit cards	<u>13,280,018</u>	<u>9,011,511</u>
	<u>₩ 39,107,772</u>	<u>32,108,104</u>

(22) General and Administrative Expenses

General and administrative expenses for the years ended December 31, 2002 and 2001 are as follows:

	<u>2002</u>	<u>2001</u>
Salaries	₩ 65,377,059	59,089,579
Provision for retirement and severance benefits	12,910,116	8,192,679
Other employee benefits	7,060,648	6,542,079
Rent	4,073,502	3,018,707
Depreciation	8,838,342	8,157,258
Amortization of intangible asset	658,000	653,500
Taxes and dues	5,582,070	5,412,114
Advertising	16,331,501	19,454,913
Repairs and maintenance	5,179,756	4,509,703
Information technology charges	16,667,580	14,759,663
Service charges	19,792,036	16,061,060
Tele-communication	6,309,570	5,733,102
Other	<u>13,478,869</u>	<u>15,215,731</u>
	<u>₩ 182,259,049</u>	<u>166,800,088</u>

(23) Other Non-Interest Expenses

Other non-interest expenses for the years ended December 31, 2002 and 2001 are as follows:

	<u>2002</u>	<u>2001</u>
Loss on disposition of fixed assets	₩ 40,791	14,634
Expenses on other real estate owned	3,963	45,918
Contribution to credit guarantee fund	3,709,900	4,283,617
Loss on sales of investment securities	627,451	1,376,893
Loss on impairment of investment securities	52,331,752	-
Others	<u>8,874,332</u>	<u>19,163,255</u>
	<u>₩ 65,588,189</u>	<u>24,884,319</u>

CITIBANK, N.A.,  
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**Notes to Financial Statements, Continued**

(In thousands of Won)

(24) Income Taxes

The Branches are subject to a number of taxes based upon earnings which result in the normal tax rates of 29.7% and 30.8% for 2002 and 2001, respectively.

The Branches have provided for income taxes for the years ended December 31, 2002 and 2001 as follows:

	2002	2001
Current	₩ 54,693,883	36,949,102
Deferred(*)	(24,393,809)	(1,409,514)
	₩ 30,300,074	35,539,588
Ending balance of deferred income tax assets (liabilities)**	₩ 12,776,534	(11,906,793)
Beginning balance of deferred income tax liabilities (**)	(11,617,275)	(13,316,307)
 (* ) Valuation of deferred income taxes caused by temporary differences	 ₩ 24,393,809	 1,409,514

(\*\*) The difference between the ending balance of the year 2001 and the beginning balance of the year 2002 of the Branches' deferred income tax assets or liabilities is due to the periodic reconciliation of actual income taxes and tax adjustments based on the tax review performed by the National Tax Service.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2002 and 2001 are presented below:

	2002	2001
Deferred tax assets (liabilities):		
Retirement and severance benefits	₩ 7,828,322	5,476,614
Loss on impairment of investment securities	15,542,530	-
Gain on valuation of derivatives, net	2,112,168	(4,716,022)
Accrued interest	(10,111,035)	(12,768,071)
Loss on valuation of securities, net	404,190	1,859,809
Other	(2,999,641)	(1,759,123)
	₩ 12,776,534	(11,906,793)

CITIBANK, N.A.,  
KOREA BRANCHES**Notes to Financial Statements, Continued**

(In thousands of Won)

**(25) Restructuring of loans to Hynix Semiconductor Inc.**

The Branches converted convertible bonds of ₩90,368 million issued by Hynix Semiconductor Inc. ("Hynix") to investment securities and recorded unrealized losses of ₩52,332 million as loss on impairment of investment securities since the fair value of the investment securities declined significantly and was assessed to be other than temporary. Also, according to the resolution by the Committee of Creditor Financial Institutions on December 30, 2002, the Branches agreed for a debt-to-equity swap for 50% of their unsecured loans which is ₩11,350 million. The terms and conditions for the residual unsecured loans of ₩11,350 million and new loans of ₩18,580 million are restructured including the extension of maturity date to December 31, 2006 and lowering of interest rates.

**(26) Sale of head office building**

The Branches sold its head office building and land located at 89-29, 2 Ka, Shinmunro, Chongro-Ku, Seoul for sale price of ₩ 54,100 million and recognized ₩ 42,469 million of gain on sale of fixed assets in current earnings.

**(27) Economic 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 Korean companies to restructure into more efficient and profitable firms. The Branches may be either directly or indirectly affected by these general unstable economic conditions and the reform program above. The accompanying financial statements reflect management's assessment of the impact to date of the economic situation on the financial of the Branches. Actual results may differ materially from management's current assessment.

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Schedule 1

**Schedule of Trust Assets and Liabilities**

December 31, 2002 and 2001

(In thousands of Won)

<u>Assets</u>	<u>2002</u>	<u>2001</u>
Loans and discounts (note 2)	₩ 75,033,778	107,146,633
Loans to bank accounts	8,879,731	11,914,437
Interest receivable	<u>353,972</u>	<u>520,466</u>
	₩ <u>84,267,481</u>	<u>119,581,536</u>
<u>Liabilities</u>		
Money trusts (note 3)	₩ 34,446,260	50,281,417
Special reserve	1,713,081	2,372,183
Borrowing from bank accounts	10,832,521	29,756,837
Other liabilities (note 4)	<u>37,275,619</u>	<u>37,171,099</u>
	₩ <u>84,267,481</u>	<u>119,581,536</u>

See accompanying notes to schedules

CITIBANK, N.A.,  
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Schedule 2

**Schedule of Revenues and Expenses of Trust Accounts**

Years ended December 31, 2002 and 2001

(In thousands of Won)

	<u>2002</u>	<u>2001</u>
Revenues:		
Interest on loans and discounts (note 5)	₩ 9,687,326	16,998,063
Interest on securities	-	28,772
Interest on loans to bank accounts	546,950	948,049
Reversal of special reserve	659,393	3,348,713
Reversal of allowance for credit losses	211,697	2,069,182
Others	<u>50,870</u>	<u>321,124</u>
	₩ <u>11,156,236</u>	<u>23,713,903</u>
Expenses:		
Interest paid on trust deposits (note 6)	₩ 8,144,616	10,438,082
Interest on borrowings from bank account	505,651	2,547,562
Commission paid	639	22,745
Contribution to Credit Guarantee Fund	92	553
Fees and commissions to bank accounts	2,497,156	10,695,089
Insurance fee on deposits	6,932	9,872
Provision for credit losses	859	-
Provision for special reserve	<u>291</u>	<u>-</u>
	₩ <u>11,156,236</u>	<u>23,713,903</u>

See accompanying notes to schedules.



CITIBANK, N.A.,  
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Schedule 3

**Statements of Cash Flows of Trust Accounts**

Years ended December 31, 2002 and 2001

(In thousands of Won)

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Net earnings	₩ -	-
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provision for credit losses	859	-
Provision for special reserve	291	-
Reversal of special reserve	(659,392)	(3,348,713)
Reversal of allowance for credit losses	(211,697)	(2,069,182)
Decrease in interest receivables	166,494	230,091
Decrease in undistributed trust profit	(1,864,280)	(27,992,921)
Other, net	<u>1,968,799</u>	<u>9,238,485</u>
Net cash used in operating activities	<u>(598,926)</u>	<u>(23,942,240)</u>
Cash flows from investing activities:		
Decrease in loans	32,323,693	60,927,318
Decrease in securities	<u>-</u>	<u>2,001,847</u>
Net cash provided by investing activities	<u>32,323,693</u>	<u>62,929,165</u>
Cash flows from financing activities:		
Decrease in money trusts	(15,835,157)	(91,311,111)
Increase (decrease) in borrowings from bank account	<u>(18,924,316)</u>	<u>29,756,837</u>
Net cash used in financing activities	<u>(34,759,473)</u>	<u>(61,554,274)</u>
Net decrease in loans to bank accounts	(3,034,706)	(22,567,349)
Loans to bank accounts at beginning of year (note 2)	<u>11,914,437</u>	<u>34,481,786</u>
Loans to bank accounts at end of year (note 2)	₩ <u><u>8,879,731</u></u>	<u><u>11,914,437</u></u>

See accompanying notes to schedules.

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**Notes to Schedules of Trust Accounts**

December 31, 2002 and 2001

(1) The Summary of Significant Accounting Policies

(a) Basis of Presenting Schedules

Citibank, N.A., Korea Branches (the "Branches") maintain their books of the trust accounts in accordance with the provision of the Banking Law and the Accounting and Reporting Guidelines approved by the Financial Supervisory Commission of the Republic of Korea ("FSC"), including the requirements of the Trust Act and the Trust Business Act, under which the Trust Accounts were established.

The schedules have been translated from those issued in Korea, from the Korean language into the English language, and have been modified to allow for formatting of the schedules in a manner different from the presentation under Korean practices. Certain modifications have been made in the accompanying schedules to bring the formal presentation into conformity with practices outside of Korea, and certain information included in the Korean language statutory schedules, not required for a fair presentation of the schedules, is not presented herein. Accordingly, the accompanying schedules and their utilization are not designed for those who are not informed about Korean accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows of the Trust Accounts in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Korea.

Under the Trust Business Law and related regulations, the assets, liabilities and operations of trust accounts are not included in the Branches' financial statements. The income and expenses related to the trust accounts are essentially passed through to the individual trust account holders.

(b) Special Reserve

A special reserve is required to be set up each year in the amount of at least 25% of fees and commissions to bank accounts for possible future losses until the total provision equals 5% of money in each trust that guarantees principal or fixed rate of return

(c) Allowance for Possible Credit Losses

According to the Accounting Standards for the Banking Industry, the Branches classify corporate loans into five categories according to (1) past repayment history including overdue period and bankruptcy status of the borrower, and (2) future loan repayment capacity based on the borrower's business performance, financial status, cash flows, collateral, industry characteristics and evaluation of the management. The allowance for possible loan losses is then calculated at 0.5%, 2%, 20%, 50% and 100% of the loan balances classified as normal, precautionary, substandard, doubtful and estimated loss, respectively. Loans to individuals are also classified into five categories based only on past repayment history. The allowance for possible loan losses is then calculated at 0.75%, 8%, 20%, 55% and 100% of loan balances classified as normal, precautionary, substandard, doubtful and estimated loss, respectively as compared with 0.5%, 2%, 20%, 50% and 100% of the prior year. However, the Branches do not provide, and the Accounting Standards for the Banking Industry does not require, allowances for loans to the Korean government and local government entities, and call loans, bonds bought under resale agreements, inter-bank loans, and inter-bank loans in foreign currencies, which are classified as normal.

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**Notes to Schedules of Trust Accounts, Continued**

(In thousands of Won)

(1) The Summary of Significant Accounting Policies, Continued

(d) Management Fees to Bank Accounts

Management fees are income of the bank accounts from the trust accounts and are determined by the trust contracts of unspecified money trust accounts which guarantee a fixed rate of return on and the repayment of principal pursuant to the Accounting and Reporting Guidelines of the FSC.

(e) Payments to the Guaranteed Return Trust Accounts

In respect of certain trust account products, the Branches guarantee the principal of the trust accounts and, in certain cases, a fixed rate of return. If income from such trust accounts is insufficient to pay the guaranteed amount, such deficiency must be satisfied from either reserves maintained in the trust accounts or funds transferred from the bank accounts of the Branches. There can be no assurance that the Branches will not be required to make such transfers in the future or that the amounts of such transfers may not be significantly greater in the future.

(f) Loans to Bank Accounts

When surplus funds are generated through the management of trust assets, such funds are deposited with the Bank and are recorded as due to trust accounts of the bank accounts

(g) Securities Investment Trusts

In connection with the securities investment trusts, the Branches, as the trustee, serves as the physical custodian of securities, based on the instructions from the trustor. Assets and liabilities of the Branches which are related to securities investment trusts represent the balances which are carried in the books of individual trustor companies in connection with the securities investment trusts.

(h) Statements of Cash Flows

For the purposes of the statement of cash flows, loans to bank accounts is considered as operating cash.

(2) Loans and Discounts

Loans and discounts as of December 31, 2002 and 2001 are summarized as follows:

	<u>2002</u>	<u>2001</u>
Loans secured by real properties	₩ 78,328,747	109,661,437
Loans on guarantees	12,032	751,169
Loans on deeds	504,291	577,132
Loans secured by trust certificates	<u>6,914</u>	<u>213,795</u>
	78,851,984	111,203,533
Allowance for possible credit losses	<u>(3,818,206)</u>	<u>(4,056,900)</u>
	<u>₩ 75,033,778</u>	<u>107,146,633</u>

CITIBANK, N.A.,  
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**Notes to Schedules of Trust Accounts, Continued**

(In thousands of Won)

(3) Money Trusts

Money trusts as of December 31, 2002 and 2001 are summarized as follows:

	<u>2002</u>	<u>2001</u>
Unspecified money trusts	₩ 123,845	118,014
Household money trusts	5,270,404	8,155,090
Development trusts	28,000,227	39,690,464
Pension trusts for the elderly	985,411	2,246,390
Individual pension trusts	2,250	2,200
Accumulated money trusts	<u>64,123</u>	<u>69,259</u>
	<u>₩ 34,446,260</u>	<u>50,281,417</u>

(4) Other Liabilities

Other liabilities as of December 31, 2002 and 2001 are summarized as follows:

	<u>2002</u>	<u>2001</u>
Accrued payable trust fees	₩ 11,505,783	9,514,712
Unearned revenues	7,006	28,670
Undistributed trust profit	25,761,376	27,625,656
Other	<u>1,454</u>	<u>2,061</u>
	<u>₩ 37,275,619</u>	<u>37,171,099</u>

(5) Interest on Loans and Discounts

Interest on loans and discounts for the years ended December 31, 2002 and 2001 are summarized as follows:

	<u>2002</u>	<u>2001</u>
Loans secured by real property	₩ 9,613,474	16,561,972
Loans on guarantees	39,879	339,941
Loans on deeds	18,451	68,099
Loans secured by trust certificates	<u>15,522</u>	<u>28,051</u>
	<u>₩ 9,687,326</u>	<u>16,998,063</u>

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**Notes to Schedules of Trust Accounts, Continued**

(In thousands of Won)

(6) Interest Paid on Trust Deposits

Interest paid on trust deposits for the years ended December 31, 2002 and 2001 are summarized as follows:

	<u>2002</u>	<u>2001</u>
Unspecified money trusts	₩ 7,628	8,060
Accumulated money trusts	985	8,480
Household money trusts	220,232	1,306,227
Development trusts	7,843,119	8,954,584
Pension trust for the elderly	72,524	156,153
Individual pension trusts	128	147
New reserving trusts	<u>-</u>	<u>4,431</u>
	<u>₩ 8,144,616</u>	<u>10,438,082</u>