

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

Financial Statements

December 31, 2003 and 2002

(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, 2003 and 2002 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 referred to above present fairly, in all material respects, the financial position of the Branches as of December 31, 2003 and 2002, and 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 Financial Supervisory Commission of the Republic of Korea.

Our audits for the years ended December 31, 2003 and 2002 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, 2003 and 2002, 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 ₩110,000 million to Head Office.

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

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

January 20, 2004

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

CITIBANK, N.A.,  
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**Balance Sheets**

December 31, 2003 and 2002

(In thousands of Won)

	2003	2002
<u>Assets</u>		
Cash and due from banks (notes 3, 4 and 18)	₩ 168,027,713	444,095,194
Trading securities (note 5)	305,620,751	368,370,663
Available-for-sale securities (notes 6 and 18)	2,063,482,162	2,608,199,769
Loans (notes 7 and 18)	4,632,402,670	4,491,477,806
Fixed assets (note 8)	15,478,036	21,428,514
Other assets (notes 9 and 18)	4,141,190,356	3,950,437,989
	₩ 11,326,201,688	11,884,009,935
 <u>Liabilities and Head Office's Equity</u>		
Liabilities:		
Deposits (notes 10 and 18)	₩ 6,142,280,707	6,437,992,917
Borrowings (notes 11 and 18)	807,737,080	771,598,054
Other liabilities (notes 12 and 18)	3,633,909,809	3,883,958,355
Total liabilities	10,583,927,596	11,093,549,326
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)	578,304,790	615,405,322
Capital adjustment (note 16)	(4,496,703)	6,589,282
Total Head Office's equity	742,274,092	790,460,609
Commitments and contingencies (note 17)		
	₩ 11,326,201,688	11,884,009,935

*See accompanying notes to financial statements*

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

Years ended December 31, 2003 and 2002

(In thousands of Won)

	<u>2003</u>	<u>2002</u>
Interest income:		
Interest on due from banks	₩ 7,369,526	18,394,010
Interest on trading securities	12,854,105	21,087,285
Interest on available-for-sale securities	94,222,175	130,666,125
Interest on loans	253,444,331	314,752,748
Others	<u>22,306,595</u>	<u>23,691,681</u>
	<u>390,196,732</u>	<u>508,591,849</u>
Interest expenses:		
Interest on deposits	210,840,079	265,816,878
Interest on borrowings	28,458,811	30,009,482
Others	<u>24,400,860</u>	<u>44,866,202</u>
	<u>263,699,750</u>	<u>340,692,562</u>
Net interest income	126,496,982	167,899,287
Provision for loan losses	<u>102,226,784</u>	<u>7,148,000</u>
Net interest income after provision for loan losses	24,270,198	160,751,287
Non-interest income:		
Fees and commissions (note 19)	213,223,216	170,969,957
Gain on sale of trading securities	8,124,931	9,059,048
Gain on valuation of trading securities	289,680	1,368,248
Gain on foreign currency trading	80,338,297	30,073,922
Fees and commissions from trust accounts	3,691,372	2,497,156
Reversal of provision for guarantee	687,191	-
Gain on valuation of derivatives	447,119,277	690,023,939
Gain on trading of derivatives	1,336,274,860	1,369,299,634
Gain on fair value of hedged item	532,921	769,287
Others (note 20)	<u>14,559,898</u>	<u>55,788,935</u>
	<u>2,104,841,643</u>	<u>2,329,850,126</u>
Non-interest expenses:		
Commissions paid (note 21)	24,305,316	39,107,772
General and administrative expenses (note 22)	190,195,868	182,259,049
Loss on sale of trading securities	4,689,589	5,471,526
Loss on valuation of trading securities	285,959	7,338
Loss on valuation of derivatives	458,744,905	736,801,498
Loss on trading of derivatives	1,351,638,934	1,334,386,010
Loss on fair value of hedged item	174,529	-
Others (note 23)	<u>19,704,830</u>	<u>65,588,189</u>
	<u>2,049,739,930</u>	<u>2,363,621,382</u>
Earnings before income taxes	79,371,911	126,980,031
Income taxes (note 24)	<u>23,213,620</u>	<u>30,300,074</u>
Net earnings	<u>₩ 56,158,291</u>	<u>96,679,957</u>

See accompanying notes to financial statements.

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**Statements of Appropriation of Retained Earnings**

Years ended December 31, 2003 and 2002

Date of Appropriation for 2003: March 30, 2004

Date of Appropriation for 2002: March 30, 2003

(In thousands of Won)

	<u>2003</u>	<u>2002</u>
Retained earnings before appropriation:		
Balances at beginning of year	₩ 522,146,499	518,725,365
Net earnings	<u>56,158,291</u>	<u>96,679,957</u>
Balances at end of year	<u>578,304,790</u>	<u>615,405,322</u>
Appropriation:		
Remittance to Head Office (note 15)	<u>110,000,000</u>	<u>93,258,823</u>
Retained earnings to be carried forward	₩ <u>468,304,790</u>	<u>522,146,499</u>

*See accompanying notes to financial statements.*

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

Years ended December 31, 2003 and 2002

(In thousands of Won)

	2003	2002
Cash flows from operating activities:		
Net earnings	₩ 56,158,291	96,679,957
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,530,192	9,496,342
Provision for loan losses	102,226,784	7,148,000
Provision for retirement and severance benefits	7,497,627	12,910,116
Gain on disposition of fixed assets, net	(79,070)	(42,970,994)
Gain on sale of trading securities, net	(3,435,342)	(3,587,522)
Gain on sale of available-for-sale securities, net	(12,311,463)	(9,497,879)
Gain on valuation of trading securities, net	(3,721)	(1,360,910)
Loss on valuation of derivatives, net	11,267,236	46,777,559
Payment of retirement and severance benefits	(7,008,591)	(6,200,943)
Increase in prepaid expenses	(15,147,471)	(1,550,582)
Decrease (increase) in accrued incomes	8,902,141	(754,109)
Decrease (increase) in account receivables	(546,904,898)	341,667,774
Increase (decrease) in accounts payable	790,425,164	(351,839,224)
Decrease in accrued expenses	(8,597,355)	(7,352,896)
Other, net	(72,239,892)	4,318,836
Net cash provided by (used in) operating activities	<u>319,279,632</u>	<u>93,883,525</u>
Cash flows from investing activities:		
Decrease (increase) in loans	(246,784,652)	887,716,719
Proceeds on sales of fixed assets	221,806	55,013,295
Purchases of fixed assets	(1,801,450)	(9,827,938)
Decrease (increase) in trading securities	66,188,975	(174,326,149)
Decrease (increase) in available-for-sale securities	544,319,230	(253,245,951)
Decrease (increase) in due from head office and branches	389,726,992	(724,963,651)
Other, net	(3,793,570)	-
Net cash used in investing activities	<u>748,077,331</u>	<u>(219,633,675)</u>
Cash flows from financing activities:		
Decrease in deposits	(295,712,210)	(325,459,203)
Increase in borrowings, net	36,139,026	158,625,967
Increase (decrease) in due to head office and branches	(989,669,896)	545,399,151
Remittance to head office	(93,258,823)	(147,112,704)
Other, net	(922,541)	(3,034,706)
Net cash provided by financing activities	<u>(1,343,424,444)</u>	<u>228,418,505</u>
Net increase (decrease) in cash and due from banks	(276,067,481)	102,668,355
Cash and due from banks at beginning of year	<u>444,095,194</u>	<u>341,426,839</u>
Cash and due from banks at end of year	<u>₩ 168,027,713</u>	<u>444,095,194</u>

See accompanying notes to financial statements.

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**Notes to Financial Statements**

December 31, 2003 and 2002

(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 Branches maintain their 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. Certain accounting principles applied by the Branches 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 only by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements.

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

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.

The Branches adopted Statements of Korea Accounting Standards No.2 through No.9, effective January 1, 2003. Certain accounts of prior year's financial statements were reclassified to conform to the current year's presentation. These reclassifications did not result in any change to reported net earnings or head office's equity.

(b) Valuation of Foreign Currency Items

Monetary assets and liabilities denominated in a foreign currency are translated into Korean Won at ₩1,197.80 to US\$1 and ₩1,200.40 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, 2003 and 2002, respectively. Gains or losses resulting from such transaction are recognized as current income or loss.

(c) Investments in Securities

Effective January 1, 2003, the Branches adopted Statement of Korea Accounting Standards (SKAS) No. 8, "Investments in Securities." In accordance with SKAS No. 8, certain debt and equity securities should be classified into one of the three categories of held-to-maturity, available-for-sale, or trading securities at the time of acquisition and such determination should be reassessed at each balance sheet date. Investments in debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity.



CITIBANK, N.A.,  
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December 31, 2003 and 2002

(2) Summary of Significant Accounting Policies, Continued(c) Investments in Securities, Continued

Securities that are bought and held principally for the purpose of selling them in the near term (thus held for only a short period of time) are classified as trading securities. Trading generally reflects active and frequent buying and selling, and trading securities are generally used to generate profit on short-term differences in price. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

Trading securities are carried at fair value, with unrealized holding gains and losses included in earnings. Available-for-sale securities are carried at fair value, with unrealized holding gains and losses reported as a capital adjustment. Investments in equity securities that do not have readily determinable fair values are stated at cost. Declines in value judged to be other-than-temporary on available-for-sale securities are charged to current results of operations. Investments in debt securities that are classified into held-to-maturity are reported at amortized cost at the balance sheet date and such amortization is included in interest income.

Marketable securities are at the quoted market prices as of the period end. Non-marketable debt securities are recorded at the fair values derived from the discounted cash flows by using an interest rate deemed to approximate the market interest rate. The market interest rate is determined by the issuers' credit rate announced by the accredited credit rating agencies in Korea. Money market funds are recorded at the fair value determined by the investment management companies.

Trading securities are classified as current assets, whereas available-for-sale securities and held-to-maturity securities are classified as long-term investments. However, available-for-sale securities whose maturity dates are due within one year from the balance sheet date or whose likelihood of being disposed of within one year from the balance sheet date is probable are classified as current assets. Likewise, held-to-maturity securities whose maturity dates are due within one year from the balance sheet date are classified as current assets.

As allowed by this standard, prior year investment balances have been reclassified to conform to the current year presentation.

(d) 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.

(e) Allowances for 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 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

CITIBANK, N.A.,  
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repayment history. The allowance for 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 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.

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 ₩1,284 million.

(f) 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.

(g) 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.

(h) 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.

CITIBANK, N.A.,  
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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.

(j) 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.

(k) 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.

(l) 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.

(m) Contingent Liabilities

Contingent liabilities are generally recognized when incurred and reasonably estimable.

CITIBANK, N.A.,  
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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 ₩1,628,205 million and ₩1,629,157 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.

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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, 2003 and 2002 are summarized as follows:

	<u>2003</u>	<u>2002</u>
Cash and checks	₩ 8,721,354	8,639,505
Foreign currencies	3,083,286	2,859,613
Due from banks in Won	130,635,357	355,421,661
Due from banks in foreign currencies	<u>25,587,716</u>	<u>77,174,415</u>
	<u>₩ 168,027,713</u>	<u>444,095,194</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, 2003 and 2002 are summarized as follows:

	<u>2003</u>	<u>2002</u>	<u>Reference</u>
Due from banks in Won	₩ 59,382,584	67,630,966	Reserve deposits with the Bank of Korea required under the Banking Law
Due from banks in foreign currencies	<u>838,460</u>	<u>33,191,060</u>	
	<u>₩ 60,221,044</u>	<u>100,822,026</u>	

(5) Trading Securities

Trading securities as of December 31, 2003 and 2002 are summarized as follows:

	<u>2003</u>	<u>2002</u>
Government bonds	₩ 116,208,508	128,419,253
Finance debentures	169,227,839	239,951,410
Corporate bonds	<u>20,184,404</u>	<u>-</u>
	<u>₩ 305,620,751</u>	<u>368,370,663</u>

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**Notes to Financial Statements, Continued**

(In thousands of Won)

(6) Available-for-Sale Securities

Available-for-sale securities as of December 31, 2003 and 2002 are summarized as follows:

	<u>2003</u>	<u>2002</u>
Equity securities	₩ 40,718,289	35,738,757
Equity investment	34,200	34,200
Government bonds	158,901,418	149,316,374
Finance debentures	1,509,729,027	1,716,747,968
Corporate bonds	265,803,595	461,949,229
Available-for-sale securities in foreign currencies	<u>88,295,633</u>	<u>244,413,241</u>
	<u>₩ 2,063,482,162</u>	<u>2,608,199,769</u>

The equity securities are common stocks of Hynix Semiconductor Inc. The number of shares held by the Branches is 7,271,123 with percent of shareholding of 1.64% and 127,638,418 with percent of shareholding of 2.44% as of December 31, 2003 and 2002. As a result of the resolution by the Committee of Creditor Financial Institutions on December 30, 2002, a one to twenty one reverse share split was executed on March 31, 2003 and the number of shares decreased by 121,560,399. On April 15, 2003, loans to be swapped into equities in the amount of 11,350 million was converted into 1,193,104 shares.

(7) Loans and Allowance for Loan Losses

(a) Loans as of December 31, 2003 and 2002 are summarized as follows:

	<u>2003</u>	<u>2002</u>
Loans in Won	₩ 3,005,604,665	2,849,661,944
Loans in foreign currencies	363,126,784	434,999,159
Bills purchased in foreign currencies	363,235,401	459,799,826
Factoring receivables	2,725,488	3,179,656
Credit card accounts	917,531,175	629,811,575
Call loans	-	35,000,000
Domestic import usance bill	2,216,411	28,170,088
Interbank Loans in foreign currencies	93,239,100	122,769,238
Privately placed bonds	-	100,000
Loans to be swapped into equities	-	11,350,000
	<u>4,747,679,024</u>	<u>4,574,841,486</u>
Allowance for loan losses	<u>(115,276,354)</u>	<u>(83,363,680)</u>
	<u>₩ 4,632,402,670</u>	<u>4,491,477,806</u>

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**Notes to Financial Statements, Continued**

(In thousands of Won)

(7) Loans and Allowance for Loan Losses, Continued

(b) Allowance for loan losses as of December 31, 2003 and 2002 are summarized as follows:

	<u>2003</u>	<u>2002</u>
Loans in Won	₩ 54,883,354	45,184,680
Loans in foreign currencies	17,873,000	5,177,000
Bills purchased in foreign currencies	2,979,000	3,536,000
Loans to be swapped into equities	-	9,183,000
Others	<u>39,541,000</u>	<u>20,283,000</u>
	<u>₩ 115,276,354</u>	<u>83,363,680</u>

(8) Fixed Assets

Fixed assets as of December 31, 2003 and 2002 are summarized as follows:

	<u>2003</u>	<u>2002</u>
Land	₩ 27,189	27,189
Buildings	501,377	4,397,924
Leasehold improvements	11,755,521	7,449,389
Furniture and equipment	53,780,965	44,412,226
Construction in progress	<u>957,970</u>	<u>7,318,635</u>
	67,023,022	63,605,363
Accumulated depreciation	<u>(52,002,839)</u>	<u>(45,096,536)</u>
Net tangible assets	15,020,183	18,508,827
Intangible assets	-	2,461,834
Non-business use property	<u>457,853</u>	<u>457,853</u>
	<u>₩ 15,478,036</u>	<u>21,428,514</u>

(9) Other Assets

Other assets as of December 31, 2003 and 2002 are summarized as follows:

	<u>2003</u>	<u>2002</u>
Guarantee deposits	₩ 34,942,701	35,028,405
Account receivables	1,635,756,339	1,088,851,441
Accrued incomes	66,281,295	75,183,436
Prepaid expenses	28,621,258	11,011,954
Domestic exchange settlement account – debt	396,145,643	366,734,408
Derivatives investment assets	659,863,863	732,228,349
Due from Head office and branches (see note 12(c))	1,225,100,260	1,614,827,252
Loans to trust account	42,797,306	10,832,521
Deposited money	1,128,392	1,046,645
Deferred tax assets (see note 24)	49,189,420	12,776,534
Others	<u>1,363,879</u>	<u>1,917,044</u>
	<u>₩ 4,141,190,356</u>	<u>3,950,437,989</u>

CITIBANK, N.A.,  
KOREA BRANCHES

**Notes to Financial Statements, Continued**

(In thousands of Won)

(10) Deposits

Deposits as of December 31, 2003 and 2002 are summarized as follows:

	<u>2003</u>	<u>2002</u>
Deposits in Won	₩ 5,069,011,829	4,796,045,671
Deposits in foreign currencies	800,308,201	1,173,752,223
Negotiable certificates of deposit	<u>272,960,677</u>	<u>468,195,023</u>
	<u>₩ 6,142,280,707</u>	<u>6,437,992,917</u>

(11) Borrowings

Borrowings as of December 31, 2003 and 2002 are summarized as follows:

	<u>2003</u>	<u>2002</u>
Call money	₩ 804,950,293	771,598,054
Borrowings in foreign currencies	<u>2,786,787</u>	<u>-</u>
	<u>₩ 807,737,080</u>	<u>771,598,054</u>

(12) Other Liabilities

(a) Other liabilities as of December 31, 2003 and 2002 are summarized as follows:

	<u>2003</u>	<u>2002</u>
Retirement and severance benefits (see note 12(b))	₩ 34,385,541	33,800,419
Transfer to National Pension Fund	(688,821)	(827,308)
Due from insurer for severance benefits	(29,967,380)	(22,185,225)
Borrowings from trust accounts	7,957,189	8,879,730
Foreign exchange settlement credits	574,122	36,214,766
Accounts payable	1,782,394,373	1,085,228,031
Accrued expenses	100,691,241	109,606,283
Unearned revenues	6,198,977	6,954,277
Deposit for letter of guarantees and others	125,299	130,155
Domestic exchange settlement account – credit	243,129,638	184,045,352
Derivatives investments liabilities	777,436,731	740,737,463
Due to Head office and branches (see note 12(c))	654,500,800	1,644,170,696
Income taxes payable	27,825,025	24,130,675
Withholding taxes	7,536,108	9,587,889
Allowance for confirmed guarantees and acceptances	1,284,081	1,975,000
Allowances for others	14,354,603	13,823,338
Other	<u>6,172,282</u>	<u>7,686,814</u>
	<u>₩ 3,633,909,809</u>	<u>3,883,958,355</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 ₩6,766 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, 2003 and 2002 are summarized as follows:

	2003	2002
Beginning balance	₩ 33,800,419	27,146,533
Provision	7,497,627	12,910,116
Payment	(7,008,591)	(6,200,943)
Transfer from (to) related companies	96,086	(55,287)
Ending balance	₩ 34,385,541	33,800,419

(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, 2003 and 2002 consist of following:

	2003		2002	
	Thousands of Won	Thousands of U.S. dollars	Thousands of Won	Thousands of U.S. dollars
Fund for foreign currency loans	(570,599,460)	(476,373)	29,343,444	24,445

(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, 2003 and December 31, 2002. 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, 2003.

(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, 2003, the Branches did not appropriate additional legal reserve because the legal reserve as of December 31, 2002 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, 2003.

(15) Remittance to Head Office

The Branches will remit their retained earnings in the amount of ₩110,000 million to the Head Office during 2004.

(16) Capital Adjustment

Capital adjustment as of December 31, 2003 and 2002 is consisted of unrealized holding gains or losses on available-for-sale 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, 2003 and 2002 are summarized as follows:

	<u>2003</u>	<u>2002</u>
Confirmed:		
Local currency:		
Financing	3,600,000	5,410,356
Other	184,124,048	343,448,573
Foreign currencies:		
Acceptance	69,887,810	2,174,175
Advance of import freight	1,456,968	2,029,146
Other	<u>92,424,424</u>	<u>249,444,629</u>
	<u>₩ 351,493,250</u>	<u>602,506,879</u>
Unconfirmed:		
L/C open	<u>₩ 64,407,633</u>	<u>73,605,391</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, 2003 and 2002 are summarized as follows:

		millions of Korean Won					
		2003			2002		
		Total	Trading	Hedging	Total	Trading	Hedging
Currency	Forward	₩ 21,951,967	21,951,967	-	13,616,036	13,616,036	-
	Swap	6,207,670	6,207,670	-	3,780,117	3,780,117	-
	Options						
	Bought	4,149,797	4,149,797	-	1,191,916	1,191,916	-
	Sold	4,167,783	4,167,783	-	1,198,638	1,198,638	-
		<u>36,477,217</u>	<u>36,477,217</u>	<u>-</u>	<u>19,786,707</u>	<u>19,786,707</u>	<u>-</u>
Interest	Futures						
	Sold	55,000	55,000	-	-	-	-
	Futures						
	Bought	10,000	10,000	-	40,000	40,000	-
	Forward	934,284	934,284	-			
	Options						
	Bought	355,000	355,000	-	335,000	335,000	-
Options							
Sold	455,000	455,000	-	335,000	335,000	-	
Swap	19,281,655	19,181,655	100,000	13,952,575	13,902,575	50,000	
		<u>21,090,939</u>	<u>20,990,939</u>	<u>100,000</u>	<u>14,662,575</u>	<u>14,612,575</u>	<u>50,000</u>
Stocks	Options						
	Bought	168,337	168,337	-	170,468	170,468	-
	Sold	168,337	168,337	-	170,468	170,468	-
		<u>336,674</u>	<u>336,674</u>	<u>-</u>	<u>340,936</u>	<u>340,936</u>	<u>-</u>
Precious metals	Forward	-	-	-	9,166	9,166	-
		₩ <u>57,904,830</u>	<u>57,804,830</u>	<u>100,000</u>	<u>34,799,384</u>	<u>34,749,384</u>	<u>50,000</u>

(c) Other commitments as of December 31, 2003 and 2002 are summarized as follows:

	2003	2002
Checks issued by other banks	₩ 912,064	219,079
Loan charge – offs	108,428,810	43,188,742
Loan agreement in Won	58,693,762	67,800,723
Loan agreement in foreign currencies	77,857,000	45,519,168

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, 2003 and 2002 are summarized as follows:

	<u>2003</u>		<u>2002</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	₩ 28,671,002	\$ 23,936	₩ 80,034,028	\$ 66,673
Available-for-sale securities	88,295,633	73,715	244,413,241	203,610
Loans	821,817,696	686,106	1,045,738,311	871,158
Other assets	<u>1,225,100,260</u>	<u>1,022,792</u>	<u>1,614,827,252</u>	<u>1,345,241</u>
	₩ <u>2,163,884,591</u>	\$ <u>1,806,549</u>	₩ <u>2,985,012,832</u>	\$ <u>2,486,682</u>
<b>Liabilities:</b>				
Deposits	₩ 800,308,201	\$ 668,148	₩ 1,173,752,224	\$ 977,801
Borrowings	3,360,909	2,806	37,659,899	31,373
Other liabilities	<u>654,500,800</u>	<u>546,419</u>	<u>1,644,170,696</u>	<u>1,369,685</u>
	₩ <u>1,458,169,910</u>	\$ <u>1,217,373</u>	₩ <u>2,855,582,819</u>	\$ <u>2,378,859</u>

(19) Fees and Commissions

Fees and commissions for the years ended December 31, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Commissions received	₩ 210,059,374	167,199,238
Guarantee fees	<u>3,163,842</u>	<u>3,770,719</u>
	₩ <u>213,223,216</u>	<u>170,969,957</u>

(20) Other Non-Interest Income

Other non-interest income for the years ended December 31, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Gain on disposition of fixed assets	₩ 173,105	43,011,785
Rental income	506,217	248,184
Gain on sales of available-for-sale securities	12,880,502	10,125,330
Other	<u>1,000,074</u>	<u>2,403,636</u>
	₩ <u>14,559,898</u>	<u>55,788,935</u>

CITIBANK, N.A.,  
KOREA BRANCHES

**Notes to Financial Statements, Continued**

(In thousands of Won)

(21) Commissions Paid

Commissions for the years ended December 31, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Commission expense	₩ 12,012,864	25,827,754
Commission on credit cards	<u>12,292,452</u>	<u>13,280,018</u>
	<u>₩ 24,305,316</u>	<u>39,107,772</u>

(22) General and Administrative Expenses

General and administrative expenses for the years ended December 31, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Salaries	₩ 63,881,073	65,377,059
Provision for retirement and severance benefits	7,497,627	12,910,116
Other employee benefits	6,298,470	7,060,648
Rent	10,067,253	4,073,502
Depreciation	8,530,192	8,838,342
Amortization of intangible asset	-	658,000
Taxes and dues	9,239,344	5,582,070
Advertising	17,450,455	16,331,501
Repairs and maintenance	6,567,064	5,179,756
Information technology charges	19,242,426	16,667,580
Service charges	22,481,171	19,792,036
Tele-communication	6,113,763	6,309,570
Other	<u>12,827,030</u>	<u>13,478,869</u>
	<u>₩ 190,195,868</u>	<u>182,259,049</u>

(23) Other Non-Interest Expenses

Other non-interest expenses for the years ended December 31, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Loss on disposition of fixed assets	₩ 94,035	40,791
Expenses on other real estate owned	739	3,963
Contribution to credit guarantee fund	3,275,634	3,709,900
Loss on sales of available-for-sale securities	569,039	627,451
Loss on impairment of available-for-sale securities	5,256,858	52,331,752
Early retirement benefits	1,481,268	-
Others	<u>9,027,257</u>	<u>8,874,332</u>
	<u>₩ 19,704,830</u>	<u>65,588,189</u>

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

(In thousands of Won)

(24) Income Taxes

The Company is subject to a number of income taxes based on taxable earnings which result in the following normal tax rates:

<u>Taxable earnings</u>	<u>Prior to 2005</u>	<u>Thereafter</u>
Up to ₩100 million	16.5%	14.3%
Over ₩100 million	29.7%	27.5%

On December 9, 2003, the Korean government reduced the corporate income tax rate beginning in 2005. Specifically, effective from January 1, 2005, the income tax rate will be reduced from 29.7% to 27.5%.

The Branches have provided for income taxes for the years ended December 31, 2003 and 2002 as follows:

	<u>2003</u>	<u>2002</u>
Current	₩ 57,779,617	54,693,883
Deferred(*)	<u>(34,565,997)</u>	<u>(24,393,809)</u>
	<u>₩ 23,213,620</u>	<u>30,300,074</u>
Ending balance of deferred income tax assets (liabilities)(**)	₩ 49,189,420	12,776,534
Beginning balance of deferred income tax assets (liabilities) (**)	<u>14,623,423</u>	<u>(11,617,275)</u>
(*) Valuation of deferred income taxes caused by temporary differences	<u>₩ 34,565,997</u>	<u>24,393,809</u>

(\*\*) The difference between the ending balance of the year 2002 and the beginning balance of the year 2003 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, 2003 and 2002 are presented below:

	<u>2003</u>	<u>2002</u>
Deferred tax assets (liabilities):		
Retirement and severance benefits	₩ 8,102,165	7,828,322
Loss on impairment of available-for-sale securities	16,468,678	15,542,530
Gain on valuation of derivatives, net	31,913,968	2,112,168
Accrued interest	(4,107,464)	(10,111,035)
Loss on valuation of securities, net	(1,105)	404,190
Other	<u>(3,186,822)</u>	<u>(2,999,641)</u>
	<u>₩ 49,189,420</u>	<u>12,776,534</u>

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

(In thousands of Won)

**(25) Economic Environment**

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

CITIBANK, N.A.,  
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Schedule 1

**Schedule of Trust Assets and Liabilities**

December 31, 2003 and 2002

(In thousands of Won)

<u>Assets</u>	<u>2003</u>	<u>2002</u>
Loans and discounts (note 2)	₩ 58,598,935	75,033,778
Loans to bank accounts	7,957,189	8,879,731
Interest receivable	<u>254,613</u>	<u>353,972</u>
	₩ <u>66,810,737</u>	<u>84,267,481</u>
<u>Liabilities</u>		
Money trusts (note 3)	₩ 5,203,928	34,446,260
Special reserve	253,815	1,713,081
Borrowing from bank accounts	42,797,306	10,832,521
Other liabilities (note 4)	<u>18,555,688</u>	<u>37,275,619</u>
	₩ <u>66,810,737</u>	<u>84,267,481</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, 2003 and 2002

(In thousands of Won)

	<u>2003</u>	<u>2002</u>
Revenues:		
Interest on loans and discounts (note 5)	₩ 6,737,276	9,687,326
Interest on loans to bank accounts	398,400	546,950
Reversal of special reserve	1,459,266	659,393
Reversal of allowance for loan losses	38,501	211,697
Others	<u>11,689</u>	<u>50,870</u>
	₩ <u>8,645,132</u>	<u>11,156,236</u>
Expenses:		
Interest paid on trust deposits (note 6)	₩ 2,877,268	8,144,616
Interest on borrowings from bank account	1,461,241	505,651
Commission paid	44	639
Contribution to Credit Guarantee Fund	-	92
Fees and commissions to bank accounts	3,691,372	2,497,156
Insurance fee on deposits	11,282	6,932
Provision for credit losses	603,925	859
Provision for special reserve	<u>-</u>	<u>291</u>
	₩ <u>8,645,132</u>	<u>11,156,236</u>

See accompanying notes to schedules.

**Statements of Cash Flows of Trust Accounts**

Years ended December 31, 2003 and 2002

(In thousands of Won)

	<u>2003</u>	<u>2002</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	603,924	859
Provision for special reserve	-	291
Reversal of special reserve	(1,459,266)	(659,392)
Reversal of allowance for loan losses	(38,501)	(211,697)
Decrease in interest receivables	99,359	166,494
Decrease in undistributed trust profit	(22,000,711)	(1,864,280)
Other, net	<u>3,280,781</u>	<u>1,968,799</u>
Net cash used in operating activities	<u>(19,514,414)</u>	<u>(598,926)</u>
Cash flows from investing activities:		
Decrease in loans	<u>15,869,419</u>	<u>32,323,693</u>
Net cash provided by investing activities	<u>15,869,419</u>	<u>32,323,693</u>
Cash flows from financing activities:		
Decrease in money trusts	(29,242,332)	(15,835,157)
Increase (decrease) in borrowings from bank account	<u>31,964,785</u>	<u>(18,924,316)</u>
Net cash used in financing activities	<u>2,722,453</u>	<u>(34,759,473)</u>
Net decrease in loans to bank accounts	(922,542)	(3,034,706)
Loans to bank accounts at beginning of year (note 2)	<u>8,879,731</u>	<u>11,914,437</u>
Loans to bank accounts at end of year (note 2)	₩ <u><u>7,957,189</u></u>	<u><u>8,879,731</u></u>

See accompanying notes to schedules.

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**Notes to Schedules of Trust Accounts**

December 31, 2003 and 2002

(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 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 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 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, 2003 and 2002 are summarized as follows:

	<u>2003</u>	<u>2002</u>
Loans secured by real properties	₩ 60,416,484	78,328,747
Loans on guarantees	2,061	12,032
Loans on deeds	-	504,291
Loans secured by trust certificates	-	6,914
	<u>60,418,545</u>	<u>78,851,984</u>
Allowance for loan losses	<u>(1,819,610)</u>	<u>(3,818,206)</u>
	<u>₩ 58,598,935</u>	<u>75,033,778</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, 2003 and 2002 are summarized as follows:

	<u>2003</u>	<u>2002</u>
Unspecified money trusts	₩ 130,096	123,845
Household money trusts	4,555,579	5,270,404
Development trusts	115,500	28,000,227
Pension trusts for the elderly	379,168	985,411
Individual pension trusts	2,300	2,250
Accumulated money trusts	<u>21,285</u>	<u>64,123</u>
	<u>₩ 5,203,928</u>	<u>34,446,260</u>

(4) Other Liabilities

Other liabilities as of December 31, 2003 and 2002 are summarized as follows:

	<u>2003</u>	<u>2002</u>
Accrued payable trust fees	₩ 14,793,472	11,505,783
Unearned revenues	300	7,006
Undistributed trust profit	3,760,664	25,761,376
Other	<u>1,252</u>	<u>1,454</u>
	<u>₩ 18,555,688</u>	<u>37,275,619</u>

(5) Interest on Loans and Discounts

Interest on loans and discounts for the years ended December 31, 2003 and 2002 are summarized as follows:

	<u>2003</u>	<u>2002</u>
Loans secured by real property	₩ 6,713,333	9,613,474
Loans on guarantees	2,266	39,879
Loans on deeds	20,599	18,451
Loans secured by trust certificates	<u>1,078</u>	<u>15,522</u>
	<u>₩ 6,737,276</u>	<u>9,687,326</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, 2003 and 2002 are summarized as follows:

	<u>2003</u>	<u>2002</u>
Unspecified money trusts	₩ 8,145	7,628
Accumulated money trusts	658	985
Household money trusts	163,058	220,232
Development trusts	2,674,625	7,843,119
Pension trust for the elderly	30,656	72,524
Individual pension trusts	<u>126</u>	<u>128</u>
	<u>₩ 2,877,268</u>	<u>8,144,616</u>