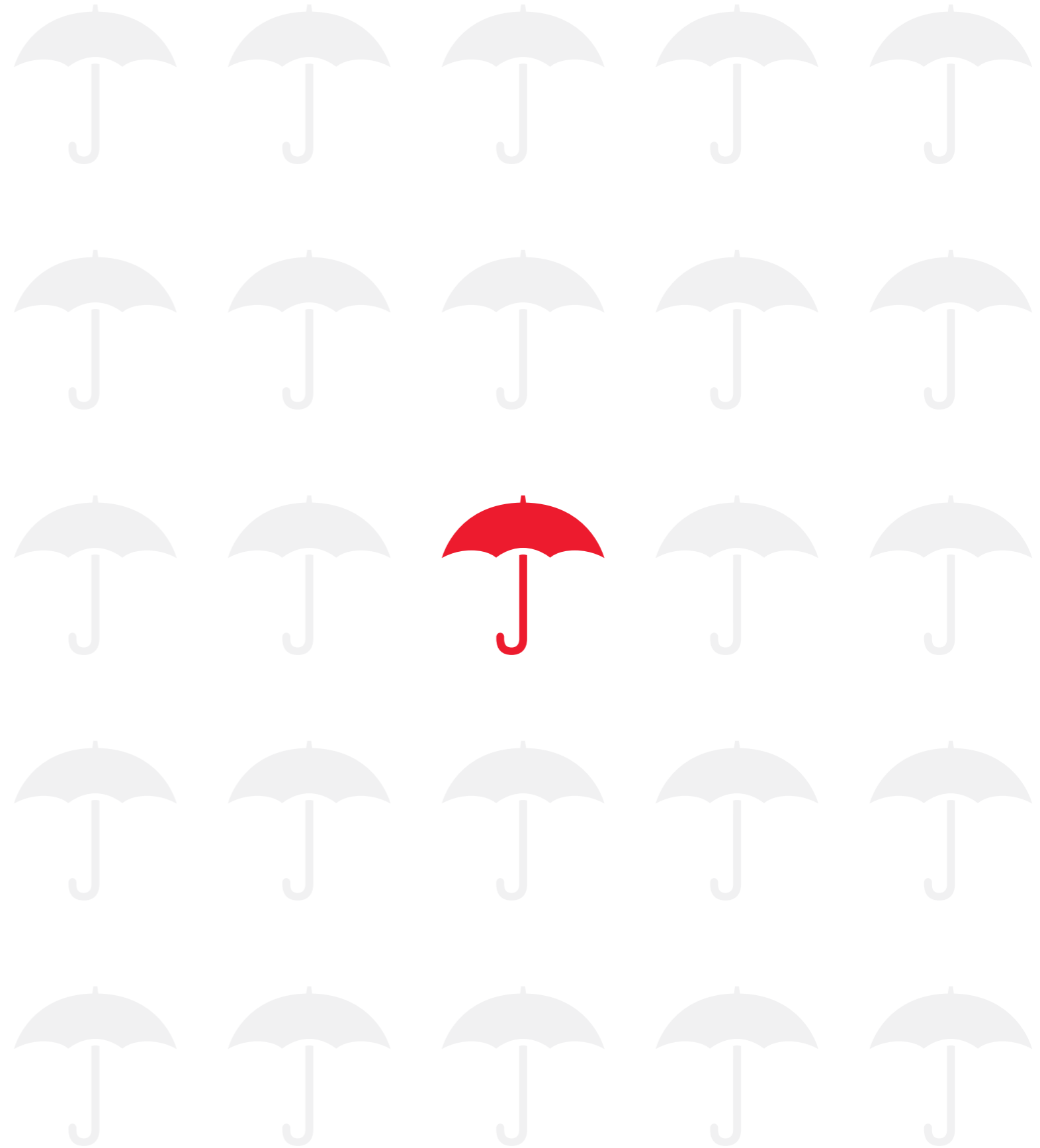


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CITIBANK KOREA Inc. ANNUAL REPORT 2004



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# Our Shared Responsibilities

Citigroup's goal is to be the most respected global financial services company. As a great institution with a unique and proud history, we play an important role in the global economy. Each member of the Citigroup family has three Shared Responsibilities:

### WE HAVE A RESPONSIBILITY TO OUR CLIENTS

We must put our clients first, provide superior advice, products and services, and always act with the highest level of integrity.

### WE HAVE A RESPONSIBILITY TO EACH OTHER

We must provide outstanding people the best opportunity to realize their potential. We must treat our teammates with respect, champion our remarkable diversity, share the responsibility for our successes, and accept accountability for our failures.

### WE HAVE A RESPONSIBILITY TO OUR FRANCHISE

We must put Citigroup's long-term interests ahead of each unit's short-term gains and provide superior results for our shareholders. We must respect the local culture and take an active role in the communities where we work and live. We must honor those who came before us and extend our legacy for those who will come after us.



## Contents

- 02\_ Corporate Profile
- 03\_ At a Glance
- 04\_ Our Commitment
- 12\_ Message from the CEO
- 15\_ Synergy Creation
- 16\_ Corporate Governance
- 17\_ Board of Directors
- 18\_ Review of Operations
- 27\_ Corporate Citizenship
- 30\_ Financial Section
- 38\_ Corporate Data

Our Commitment\_ 04



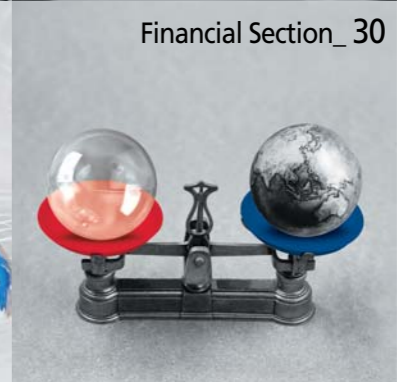
Review of Operations\_ 18



Corporate Citizenship\_ 27



Financial Section\_ 30



## Corporate Profile

On February 23, 2004, Citigroup announced its intention to acquire KorAm Bank, founded in 1983 as a joint venture between a consortium of Korean conglomerates and Bank of America. Through a tender offer, Citigroup invested a total of KRW 3,143 billion (US\$3.0 billion) in KorAm Bank. As a result, Citibank Korea, Inc. (CBKI) was born on November 1, 2004, in a business transfer & merger between KorAm Bank and Citibank N.A. Korea branches, which had operated since 1967 in Korea.

Citigroup retains a 99.9% shareholding in CBKI, which has emerged as one of Korea's leading banks with unrivaled global capacity and reach.

As of the end of 2004, CBKI's total assets stood at KRW 52.1 trillion, while net income was KRW 247.7 billion, an increase of 436.1% from KRW 46.2 billion in 2003. Moreover, the bank's non-performing loan and BIS capital adequacy ratios posted 1.4% and 12.42%, respectively.

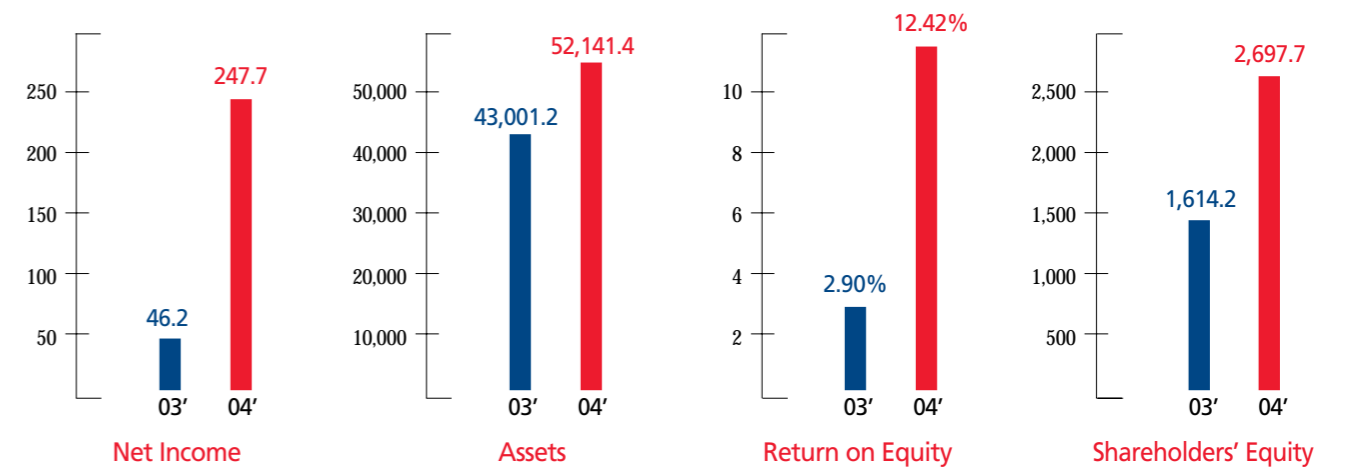
CBKI is committed to enhancing its position as a premier leading bank in Korea by providing customers with a competitive mix of superior products, services and global capacities, while contributing to parent-company Citigroup's position as the most respected global financial services company.



## At a Glance

	2004	2003	Change
<b>Capital strength</b>			
BIS Capital Adequacy Ratio	12.42%	10.98%	1.44%p
Tier I Ratio	8.97%	6.63%	2.34%p
Equity to Asset Ratio	5.14%	3.70%	1.44%p
<b>Credit ratings</b>			
Moody's	A3	Baa3	
S&P	A-	-	
Fitch	A+	BBB+	
Local rating services	AAA	AAA	

### Strong results (In billions of Korean Won)





**citibank**



## “Premier Leading Bank in Korea with Citigroup Globality.”

Our market is international, our franchise is global, and our brand is recognized throughout the world. Yet Citibank Korea’s responsibilities start right here at home. They begin with our customers, to whom we provide the most competitive and compelling mix of products and services available. They include our employees, the finest in the industry, who are given the opportunity, support and encouragement to realize their fullest potential. We also have a solemn responsibility to our community, for which we strive to set the very highest standards for corporate citizenship.





*For the client*



*Citibank Korea's competitive advantage is our ability to be as local around the corner and as global as across the world, providing customers with the superior products, services and relationships they expect from a world-leading brand like ours.*



- 8 million-strong customer base
- A nationwide network of 238 branches and 945 CDs & ATMs
- 3.6 million credit card holders
- KRW 4 trillion in assets under management
- KRW 52 trillion in assets





*For the employee*



*By investing aggressively in our "human capital" through a program of training, rewards and recognition for personal achievement, Citibank Korea cultivates and retains the best team of specialists in the industry, while creating a "one-bank" concept and unified corporate culture.*



· Total staffs of 5,550 – 99% local





*For the community*



*We believe that helping society is helping ourselves, which is why Citibank Korea continues to play an active community service role, both at home and abroad, through existing projects like Habitat Korea and regional disaster relief, as well as our own initiatives in micro-credit, women's leadership, and educational programs on finance and economics.*



- We have donated KRW 63 million to tsunami disaster relief, which has been matched by Citigroup Foundation.
- Operating "Citigroup-Ewha Woman's University Global Financial Academy"
- Sponsoring "Economic Leadership Camp"







## Message from the CEO



*I am confident that with your support and the efforts and determination of all employees and management, myself included, Citibank Korea will reach its goal of becoming the premier leading bank in Korea with Citigroup globality.*



The year 2004 was an exciting period for the bank. The birth of Citibank Korea, Inc. ("CBKI") in late 2004, following the tender offer, business transfer and integration of KorAm Bank and Citibank N.A. Korea branches, has placed us in the spotlight of the domestic financial industry, and has prompted high expectations for the future.

With the inception of CBKI, there has emerged on the Korean financial scene a new commercial bank with a credit rating comparable to Korea's sovereign rating, the strongest capital base in the industry, an unparalleled global network & products, and unrivaled brand power. We are no longer an independent, quality bank or a niche player in Korea that operates as KorAm or a branch of Citibank N.A. Instead, we are a member of Citigroup and a major player committed to establishing ourselves as a premier leading bank.

In retrospect, despite a widening recovery in the world economy and growing export figures, the local financial environment in 2004 remained stagnant. Domestic consumption and capital investment both continued to falter, leading to economic polarization and signaling asset-quality problems in SOHO loans. Nevertheless, our overall asset quality remained at the highest level in the banking industry.

As a result, the bank recorded net income of KRW 247.7 billion, an increase of KRW 201.5 billion over 2003, thanks to efficient risk management systems enabling us to minimize our loan loss provisions. In addition, I believe that the success of "Wonderful Citi," the first sales campaign after integration, has demonstrated CBKI's growth potential.

Looking to the year ahead, we see some challenges in the business environment of year 2005. Overall, global economic expansion is forecast to slow from last year's pace, with the growth rate of the Chinese economy - Korea's largest export market - slowing down. In addition, several key variables at home and abroad remain highly uncertain, such as the won-dollar exchange rate, oil prices and domestic consumption.

Challenges are present in our own industry as well. With the restructuring programs of the so-called "mega-banks" reaching their final stages, we expect competition among banks to intensify. Many banks, viewing Citibank Korea as a serious competitor, have already made thorough preparations prior to our launch.

Just as 2004 was a year for laying the foundation for CBKI, 2005 is the year we will achieve genuine integration and create strong synergy effects between the two formerly separate entities. Toward this end, we will focus on the following key tasks for the new year.

First, we must achieve genuine organizational and cultural integration of the bank's operations within the shortest possible timeframe.

Last year saw the birth of CBKI, and the progress of real integration is changing gear. In order to ensure a complete and organic integration, the entire staff and management have to work together to create an atmosphere conducive to understanding and mutually resolving differences and areas of weakness. Furthermore, by focusing on our long-term overall objectives, we will strive by any and all means to ensure a future of prosperity for our customers and success for the bank. I believe this route to be the only path to achieving genuine integration, enabling us to expand and develop on our own and maximize our corporate value.





Second, we will seek to provide the best products and services to differentiate ourselves from other banks and maximize synergy effects.

CBKI's foremost strengths include our unmatched global network, talented personnel, capital strength, credit rating, quality products & services, risk management capabilities, and specialized global organization. Armed with such advantages over our competitors, we will concentrate on selling the best products and services that meet customers' needs. Furthermore, by utilizing our global network and personalized & tailored products, we will expand cross-selling opportunities to create real synergy.

By so doing, we will expand our customer base to enhance the value of the Bank. CBKI will stay one step ahead of other banks in attracting more target customers, and provide comprehensive financial services of the best quality to encourage target customers to consolidate their financial business with CBKI. In short, this means competing by meeting customers' high expectations of the bank.

Third, we will strengthen communication and teamwork.

Citigroup has nearly 300,000 employees in some 100 countries, along with a strong franchise in all financial areas ranging from banking and insurance to securities and consumer finance. The quality of our people has earned wide recognition among bankers around the world. It is essential that we communicate and work effectively with each other through Citigroup's global franchise in order to ensure maximum customer satisfaction at home. While maintaining each department's area of specialization, we aim to foster active inter-departmental communication and close teamwork to achieve our shared goals.

Fourth, we will adopt a ongoing approach toward observance of compliance, an important matter of an increasing international attention.

All employees and management will receive specialized training in compliance and control issues as we foster bankwide interest in the highest level of compliance and ethics. In this way, Citibank Korea

will play its role in maintaining Citigroup's unchallenged reputation as the world's "Most Respected Global Financial Institution." In connection with this effort, we launched on March 1 of this year our Five-Point Plan.

Lastly, we will make every effort to thoroughly manage risk.

Since the bank's inception, we have maintained the highest credit quality in the industry through comprehensive and rigorous risk management policies in case of any sudden economic volatility. Therefore, we will continue to focus more closely on risk management in the year ahead, such as reinforcement of proactive risk cycle management to reduce net credit losses and implementation of a risk adjusted pricing policy.

As we prepare to take the Citibank Korea in exciting new directions beginning this year, we are aware of the significant challenges that lie in our path. However, I am confident that with your support and the efforts and determination of all employees and management, myself included, Citibank Korea will meet its objective of becoming the premier leading bank in Korea with Citigroup globality.

Thank you.



**Yung-ku Ha**  
Chairman & Chief Executive Officer







# Corporate Governance

## Corporate Governance Mission

CBKI aspires to the highest standards of ethical conduct: doing what we say; reporting results with accuracy and transparency; and maintaining full compliance with the laws, rules and regulations that govern our businesses.

## Board of Directors

The Board of Directors' primary responsibility is to provide effective governance over the bank's affairs for the benefit of its stockholders, and to balance the interests of its diverse constituencies, such as our customers, employees, suppliers and local communities. In all actions taken by the BOD, the directors are expected to exercise their business judgment in what they reasonably believe to be the best interests of the bank.

In 2004, the CBKI convened a total of 13 BOD meetings to discuss and deliberate on all major issues affecting the bank's operations, including participation in the establishment of the "Bad Bank," creditors' joint management of the troubled LG Card Co., support for the tender offer by Citigroup, and Citibank Korea branches' businesses transfer to the former KorAm Bank.

The BOD has the authority under the by-laws to set the number of directors, which should be no fewer than five, and the flexibility to increase the number of directors in order to accommodate the Board's changing needs and circumstances. There are currently 14 directors as of March 31, 2005. Candidates for executive director other than the CEO are nominated by the Nomination and Governance Committee and recommended to the BOD for approval, in accordance with the qualifications approved by the Board. Directors are elected by the stockholders at each shareholders meeting, with the terms being three years for executive director and one year for non-executive director.

## Outside Director Independence

More than 50% of the members of the Board should be outside directors who are specialists in finance, the economy, law or accounting, and should have upstanding social reputations, thus contributing to the bank's development.

## Board Committees

The Standing Committees of the Board are the Nomination and Governance Committee, the Management Development & Compensation Committee, the Audit Committee, the Risk Management Committee and the Branch Development Committee. Committee members should be appointed by the BOD upon the recommendation of the Nomination and Governance Committee.

The Chair of each committee, in consultation with committee members, shall determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chair of each committee, in consultation with the appropriate members of the committee and senior management, shall develop the committee's agenda. Each committee shall have the power to consult with independent outside experts as deemed necessary, in accordance with the decision of each committee.

## Evaluation of Board and Executive Director Performance

The Nomination and Governance Committee shall conduct a review of the annual activity plan and performance of the BOD and each committee, in accordance with guidelines recommended by each committee and approved by the Board. In addition, this committee shall evaluate the performance of outside directors and determines their compensation.

The Management Development & Compensation Committee shall conduct an annual evaluation of the performance of executive directors, including the CEO, and determines their compensation. The results of the Board and committee evaluations shall be summarized and presented to the Board.

## Attendance at Meetings & Director Access to Senior Management

Directors are expected to attend the bank's Annual Meeting of Stockholders, Board meetings and meetings of committees and subcommittees on which they serve. Information and materials that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should be distributed to the directors prior to the meeting, in order to provide adequate time for review. Furthermore, directors can request the bank to provide them the information they require.

# Board of Directors

(As of May 12, 2005)

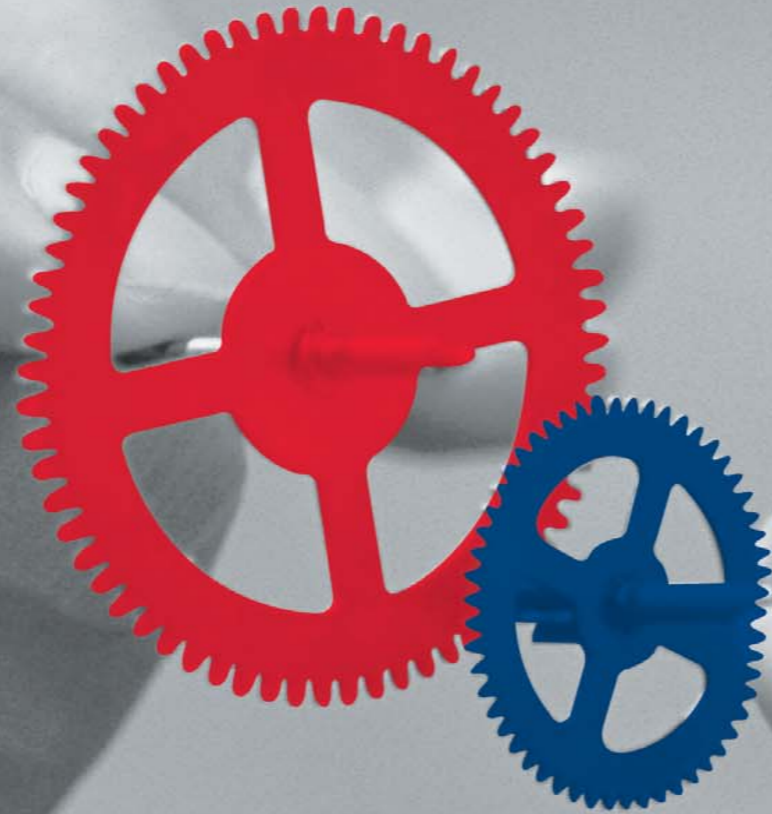
• Chairman & Chief Executive Officer	Yung Ku Ha
• Director & Senior EVP	Jin Hei Park
• Director & Senior EVP	Richard Jackson
• Director & Senior EVP	Michael Zink
• Director & Senior EVP	James Morrow
• Director & Standing Auditor	Kil Young Lee
• Non-Executive Director	Stephen Long
• Non-Executive Director	Robert R.Morse
• Non-Executive Director	Ashok Vaswani
• Non-Executive Director	Venky Krishnakumar
• Non-Executive Director	Mark F. Hart
• Non-Executive Director	Suk Heun Yoon
• Non-Executive Director	Joon Kyung Kim
• Non-Executive Director	Uni Choi

# Country Management Committee

• Chief Executive Officer	Yung Ku Ha
• Chief Operating Officer	Jin Hei Park
• Head of Consumer Banking Group	Richard Jackson
• Head of Corporate Banking Group	Michael Zink
• Head of Risk Management Group	James Morrow
• Standing Auditor	Kil Young Lee
• Head of Financial Market Group	Shantanu Rastogi
• Head of Private Banking Group	Alex Park
• Chief Financial Officer	Raymond Adamo
• Head of Control & Compliance Group	Yun Bin Imm
• Head of O & T	Hark Bae
• Head of Legal Division & General Counsel	Eunice Kim



**citibank**



## “Balanced Growth & New Synergies”

Last year’s merger of the two banks laid the groundwork for Citibank Korea’s launch. Progress is now being achieved in realizing new synergies, building a “one-bank” culture, and changing our paradigm from niche player to major market player. For 2005, we set our aim even higher – to become the premier local bank in Korea with unrivaled globality. To help us get there, we will pursue balanced growth and increased synergies in Global Consumer Group and Corporate & Investment Banking businesses, while harnessing best-of-breed practices in the Risk Management Group.



GCG



CIB



Risk Management







**Richard Jackson**  
Head of Consumer Banking Group

## GCG

CBKI Global Consumer Group (GCG) has achieved remarkable growth in revenues and other leading indicators, thanks to our proven ability to consistently provide 7.5 million customers with personalized products & services under a powerful brand name.

GCG's vast sales capabilities and tremendous growth potential are evident from the results of the "Wonderful Citi" campaign, which was conducted during the final month and a half of 2004. Our first campaign after the integration, the "Wonderful Citi" drive showed a remarkable increase in new cardholders, consumer loans and investment products sales.

### Consumer Loans

Consumer loans rose by 32.5% in 2004 to KRW 12,804 billion. This solid performance is attributed to our competitive price offering, aggressive marketing through diverse distribution channels, and active unsecured personal loans (UPLs) sales.

By product, mortgage loans climbed to KRW 5,532 billion from KRW 4,673 billion in 2003, despite the continued slowdown in the nation's real estate market amid tightened government regulations aimed at curbing property speculation. UPLs also expanded by 26.0% to reach KRW 3,811 billion, spurred by aggressive marketing geared toward target customers including professionals and salaried employees.

### Consumer Deposits

Deposits including consumer deposits totaled KRW 29,919 billion at 2004 year-end, rising KRW 4,912 billion, or 19.6% from 2003, thanks largely to continued micro-marketing efforts to secure target customers and strengthen our target-marketing activities. In particular, we have carried forward our strategy to expand our customer base for consumer deposits by offering additional rate benefits to potential target retail customers.

### Credit Cards

The Korean credit card industry has continued to confront numerous challenges since 2002, including a steep decline in domestic

### Award-winning Customer Service

For the 7th consecutive year, Citibank Korea was awarded 1st Place for the Banking Sector in the Korea Productivity Center's prestigious "National Customer Satisfaction Index" of 2004.

consumption amid the sluggish economy. As a result, industries' ending net receivables (ENR) declined, while retail spending of CBKI credit card receivables excluding cash advances and card loans soared to KRW 1,759 billion from KRW 1,312 billion. This hefty increase is ascribable to our strengthening of revolving card services and our continued alliances with major department stores nationwide.

Asset quality as measured by the delinquency ratio for credit card improved to 4.60% from 9.47% in 2003, which was due primarily to upgraded risk management systems and continued write-offs.

### Wealth Management

CBKI's wealth management business has quickly advanced to the forefront of this fast-growing segment of the banking industry in Korea, enjoying dramatic growth in assets under management over a relatively short period. We classify our customers into the four categories according to their financial net worth: CitiGold, Citibanking and CitiBusiness. The target customers for our wealth management business are those in the first two categories, CitiGold and Citibanking. CBKI has deployed some 240 specialists to provide these select customers with superior products and services.

### Investment Products

CBKI has garnered steady growth in customer asset management through sales of a diverse range of products, including equity and bond-type securities, as well as offshore mutual funds. Owing to our success in enhancing portfolio value and providing customers one-stop financial shopping, the bank's total assets under management stood at KRW 3,964 billion at the end of 2004, an increase of KRW 2,862 billion. The bank currently sells a total of 105 domestic investment products, in addition to 244 products offered by foreign financial institutions.

### Insurance Products

Following our foray into the bancassurance market in September 2003, CBKI shifted to a high growth trajectory in this evolving business segment from 2004 with the completion of sales infrastructure & strategies and a broadened product range. As a result, the bank posted KRW 271 billion in bancassurance products sold by 2004 year-end, on which we earned commission income of KRW 22 billion.

In moving forward with our bancassurance strategy, CBKI has partnered with six leading life insurance carriers (Samsung Life Insurance, Kyobo Life Insurance, Hungkuk Life Insurance, PCA, AIG Life Insurance and Met Life Insurance) and six non-life insurance providers (Samsung Fire & Marine Insurance, Hyundai Marine & Fire insurance, Oriental Fire & Marine Insurance, Dongbu Insurance, LG Insurance and AIG General Insurance). As of the end of 2004, the bank's bancassurance sales force numbered 441 employees.

In 2005, the GCG will focus on providing customers with personalized products and services designed to meet their financial needs through multi-distribution channels. Second-stage integration processes will encompass IT systems, call center, and a customer communication plan.





**Michael Zink**  
Head of Corporate Banking Group



## CIB

The CBKI Corporate & Investment Banking (CIB) group recorded strong income growth in 2004 on the back of close relationships with customers, a global product platform, local expertise and tight control over net credit losses.

The CIB has more than 400 banking professionals focused exclusively on managing relationships with our customers. These bankers blend Citigroup's tradition of innovation, our world-class product offerings and an intimate knowledge of financial markets to deliver solutions for our customers' constantly changing needs.

With a portfolio of corporate loans, bonds and trade finance assets in excess of twenty trillion Korean won, CBKI is one of the largest corporate banks in Korea.

### Unmatched Reach, Globally and Domestically

Citibank Korea Inc. can offer our CIB customers a unique network throughout Korea and across the globe. Our corporate customers can access both our 238-branch domestic network and our global network of offices operating in more than one hundred countries. This unique network is flexible and responsive enough to serve the needs of all our customers, from Korea's increasingly sophisticated global companies to the small & medium-sized enterprises (SME) spread across the country.

In 2004 Citibank Korea Inc. sent senior Korean bankers to Shanghai to create a "Korea Desk" exclusively to serve the needs of Korean companies trying to penetrate the booming China market.

### Lending and Capital Raising

With a corporate loan portfolio in excess of ten trillion Korean won, CBKI is one of the largest corporate lenders in the country. Loans to SME companies represent 80% of that portfolio. Lending is a core product for all CIB clients, and CBKI intends to retain its position as a leading lender.

Despite sluggish domestic demand and other external economic factors, CBKI maintained its industry-leading corporate loan asset quality with a non-performing loan (NPL) ratio of 1.59% based on FSS criteria. This is well below the industry average, and it reflects the positive impact of the risk management discipline that is central to every Citibank franchise around the world.

In a year when Korean exports were growing quickly, CBKI was able to move up from the seventh largest trade finance bank in Korea to the fifth largest. Our ambitions will propel CBKI into the top three trade finance banks in Korea as we help SME companies manage their cross border trade.

Our global securities services team meets the needs of sophisticated global investors who acquire and hold shares in Korea's publicly listed companies.

### Financial Markets

Continuing a long tradition of excellence in Korea, CBKI remains one of the largest foreign exchange and derivative banks in this country. In late 2004 CBKI opened the largest and most sophisticated dealing room in Seoul from which our professionals help corporate customers manage the risks of volatile currencies and interest rates. As with other products, CBKI introduced our financial markets

### Awards

"Best Foreign Commercial Bank in Korea" by Finance Asia

"Best Corporate / Institutional Internet in Korea" by Global Finance

Our capital raising efforts for our clients extends beyond the corporate loans on our balance sheet in Korea. In 2004 Citigroup Asia was No. 1 in loan syndications, arranging more than US\$ 17 billion across the region. Through the efforts of our regional debt capital markets teams across Asia, Citigroup retained its No. 1 ranking in 2004 by raising more than US\$ 10 billion in the international bond markets for our customers, US\$ 3 billion of which was for Korean customers including the Republic of Korea itself.

### Global Transaction Services

The largest and fastest growing product family within the CIB is our Global Transaction Services (GTS) business, which offers cash management, trade finance and securities serves both in Korea and around the world.

Once available only to the world's largest corporations, CBKI cash management products were introduced in 2004 to the SME customer base in Korea. These products help these companies manage their liquidity more efficiently, and electronically provide better information more quickly to the desktops of decision-makers. CBKI has successfully transferred the excellent electronic banking technology of KorAm Bank onto Citigroup's global electronic banking platform to create seamless access to our network around the world.

products to the SME customer base in 2004 to help these companies cope with the impact of rising interest rates and the strong appreciation of the Korean won.

CBKI is also one of the leading currency and bond trading houses in the country.

### Customer Focus

The core concept at the heart of the CIB franchise across the world is an intense focus on our customers – their companies, their competitors, and their markets. Our senior bankers managing customer relationships work closely with our product specialists to develop fresh solutions to meet customer needs. Financial markets are likely to remain volatile in the year ahead. We believe that our top priority is to remain innovative, responsive, and close to our customers so that we can help them navigate through the volatility of those markets.

In 2004, the CIB expanded its customer base significantly. In 2005, we will continue our efforts to help those customers access opportunities within Korea and in the growing markets in Asia, North America and Europe. Devoting ourselves to further product innovation and capital raising, our ambition is to become and remain a leading bank in Korea for all our clients – large, medium and small.





**James Morrow**  
Head of Risk Management Group



## Risk Management

### Risk Management Group

CBKI has operated a Risk Management Function comprising a Risk Management Committee, a sub-committee under the Board of Directors, and a Risk Management Group (RMG), which consists of the CIB Corporate Risk Division, Commercial Risk Division, Consumer Risk Division, Risk Planning & Management Division, Market Risk Department, and Credit Review Department and Institutional Recovery Management Department. Each risk organization has a decision-making authority independent from the originating business unit and reports to the Chief Risk Officer.

### Integrated Risk

CBKI has operated on the basis of risk-adjusted return on capital (RAROC) in order to manage integrated risks. RAROC, a risk-adjusted performance measurement system for the integrated management of risks and earnings, not only enables us to measure outcomes by each business sector, but also provides indicators that can be used as reference for value-based decisions with a view to enhancing shareholder value. The RAROC system is also a tool that enables us to recognize, measure and manage integrated risks based on the independent management methodologies of individual risks. Currently, we are setting up risk tolerance limits on a semi-annually primarily based on Economy Capital basis utilizing the RAROC system, measuring and managing risks on a monthly basis, and reporting to management on a quarterly basis.

### Credit Risks

The bank's loan approval and monitoring systems are based on the credit ratings of individual assets, leading to differentiated applications of lending rates in accordance with the credit ratings of individual debtors. We reflect credit risk premiums in the evaluation of branches to spread a culture of risk awareness. Even after the execution of credit, we inquire into the credit levels of debtors. In addition, if there is any sign of potential weakness in a borrower's debt-paying ability, we designate such borrower as a Watch Account and closely monitor the situation. In addition, we have established and operate portfolio management policies by credit rating and industry in order to apply appropriate portfolio management strategies. We also use tools such as the "Credit Ceiling System for Individual Borrower and/or its Affiliates" to prevent loan over-concentration on the same borrower or borrower groups. The bank measures risks on a monthly basis using credit portfolio

### Interest Rate Risk Management

The bank's interest rate risk management is designed to control changes in interest income of the Accrual Portfolios that are influenced by changes in market interest rates. We are employing Interest Rate Gap Analysis measuring the Interest Rate Exposure (IRE) for the rolling 12 months and full life tenor. In addition, Total Return is measured with the change-in-Value-at-Close, Accrued Income and Gain/Losses on Asset Sales or Liabilities cancellations. Daily Stress Testing measures the potential impact on Accrual Positions from severe changes in the level and/or shape of the interest rate curves.

### Liquidity Risk Management

The bank's liquidity risk management aims to ensure an appropriate level of liquid assets for payment of deposits and borrowings. In this respect, we have established the market Access Reporting (MAR) which is a key tool in managing the current liquidity position of the Bank. We monitor

It is the RMG's responsibility to assess and approve company-wide risks based on sound risk management policies and procedures, utilizing models and methods consistent with overall Citigroup standards and in conformity with Korean regulations.

models to meet its target risk levels. All these efforts, backed by the bank's advanced credit review and analysis, have significantly contributed to improving the soundness of our loan assets, and will continue to be the foundation for superior asset quality. We are going to enhance credit procedures for SME's in 2005 through introducing SME Credit Programme, which will facilitate more speedy credit decision making to target market customers while properly control asset quality

### Market Risks

The bank sees to it that losses on the Trading Portfolios which can arise from the changes in the market risk factors such as Foreign Exchange Rate, Interest Rates, Equity Prices, Commodity Prices and Volatility, are kept within approval limits levels. To this end, we have established Factor Sensitivity Limits, Loss Triggers and Value at Risk (VaR) Limit. We also require that traders observe such limits while monitoring their positions on a daily basis. In addition, we measure daily VaR, the potential decline in the value of a position under normal conditions over a one day period at a 99% confidence level. Furthermore, we perform daily Stress Testing to measure the potential decline in the value of a position under extreme market conditions. Back-testing is also executed on a monthly basis to assess the adequacy of allocated market risk capital and to ascertain that the VaR models meet regulatory standards.

MAR limit and Cross-Currency Funding limit on a daily basis. Also, we perform monthly Stress Tests which are intended to quantify the likely impact of an event on the balance sheet and the net potential cumulative gap over a 3-month period and to ascertain what incremental funding may be required under any of the defined Stress Scenarios.

### Credit Review

To maintain the highest asset quality possible, the bank operates an independent Credit Review Department separate from the Credit Risk Management Corporate & Commercial Risk Division. The Credit Review Department engages in the re-evaluation of approved loans so that the bank's credit evaluation can be made consistently and accurately. In addition, it operates an early warning system to improve the bank's asset soundness by detecting early signs of loan deterioration.

### Consumer Risk Management

The Consumer Risk Management Division plays a pivotal role in identifying and measuring and optimizing the risk reward balance associated with all consumer products and process in consumer banking. While managing the consumer credit cycle, the division develops risk acceptance criteria, various portfolio credit actions and conducts a credit process review. The department also works closely and together with product and business managers in designing new product offerings.



Specifically, the division uses various analytical tools to analyze loan performance and monitor changes in loan quality in order to cure any problem timely. The division is also responsible for establishing risk acceptance criteria, operating the credit scoring system using various methods to set the acceptable risk and securing the soundness and profitability of consumer assets. Additionally, it is responsible for monitoring and screening customers' credit status through credit bureau information shared with other financial institutions. According to the approved credit policies and procedures, individual loan is approved in the application processing department under the division with sophisticated and automated front-end loan approval systems. Furthermore, the division collects delinquent loans utilizing an advanced call system, advanced collection system equipped with strategy analyzer and specialized loan collectors. Finally, the division reflects the risk calculated from each credit process in the planning of new products. The Division is also responsible for managing the credit loss within the planned target and goal.

### Risk Planning & Management

CBKI has consolidated risk-related support and infrastructure functions under Risk Planning & Management Division. Its responsibilities include Credit Admin, Credit Policy, Credit Training, Portfolio Management, Risk Architecture and Basel II.

Credit Admin Team provides the control of credit processes across the whole branch network and completion of smooth integration of various credit systems is critical. Credit Policy Team focuses on the implementation of integrated credit policies and procedures through continuous training and communication. Major agenda for Credit Training Team is to roll out credit training programs to enhance core credit skills and best-in-class credit culture through the organization. We expect important roles to be played by Portfolio Management Team as well in terms of providing comprehensive information for key decision makers.

During the integration process, Risk Architecture Team will work closely with Citigroup to develop new risk rating models, loan loss

## Risk Management

### Basel II

CBKI has set up a task force composed of the CEO, COO, CFO, the Risk Management Group, C&C and O&T to prepare for the enforcement of the Basel II accords, which are scheduled to take effect from 2007. The major role of this task force, working in collaboration with the Citigroup task force and local regulators, is to establish the bank's Action Plan, develop relevant systems & technologies, and create testing models.

### Remedial Management

CBKI has newly established Remedial Management Unit in Risk Management Group to manage the classified credit facilities with a consistent approach to problem recognition/labeling, remedial action plan and initiation of write-offs or asset-specific reserves. Remedial Management Dept is an independent credit risk management unit responsible for the ongoing management of certain problem credits. Remedial Management involves actively in reviewing and endorsing the classification status and risk rating assigned to the facilities, acting as a sounding board for the development of action plan and strategies for problematic account management, and approving the triggers for reclassification. In addition, Remedial Management Unit handles directly and independently big exposure of classified II or worse.

reserve system and advanced risk measurement framework in compliance with Basel II. CBKI has also set up a designated Basel II Team to lead a taskforce of all the major functional areas to prepare for implementation of the Basel II accords.



**citibank**

**“We Care Enough to Invest in Our Shared Future”**

From lending a helping hand to those in immediate need to investing in the future growth and prosperity of our community, Citibank Korea plays an active role as a concerned corporate citizen in Korea and throughout the region. Our employees gave generously in 2004 to tsunami disaster relief, with Citigroup Foundation providing matching funds, and our efforts there are far from over. We also expanded micro-credit programs to aid society's most disadvantaged, continued our work with Habitat Korea, and carried out various educational and leadership-fostering activities.







**Jin Hei Park**  
Chief Operating Officer



## Corporate Citizenship

For Citibank Korea(CBKI), leadership is not measured purely by the strength of our assets, the excellence of our products & services, or even by our global reach. Leadership also means demonstrating the same spirit and dedication of our group in setting the industry's highest standards for service to the communities in which we operate. In honoring our solemn responsibility to the community, both at home and overseas, CBKI carries out public welfare and education programs created by the two newly integrated banks, while also initiating new activities.

### Financial Education & Educating the Next Generation

We believe that if a community stops learning, it stops growing. As such, education represents another key area of Citibank Korea's investment in our communities. Since 2001, we have been the organizer of "Citigroup – Ewha Woman's University Global Financial Academy," in cooperation with Ewha Woman's University in Seoul. We dispatch our own in-house experts during this 12-week course to give lectures on all major fields of finance, including corporate banking, retail banking, credit card, credit management, and private banking. The Academy also serves as an opportunity for outstanding students to explore internships with CBKI.

We believe that helping society is helping ourselves, which is why Citibank Korea strives to play an active community service role, both at home and abroad, through existing projects like Habitat Korea and regional disaster relief, as well as our own initiatives in micro-credit, women's leadership, and educational programs on finance and economics.

In addition, CBKI also sponsors the "Financial Management Camp for NGO Female Leaders" for women leaders of civic groups, and the "Economic Camp for Teenagers" for young boys and girls.

### Building Communities and Entrepreneurs

Working in close and active cooperation with the Korea chapter of Habitat for Humanity (Habitat Korea) since the late 1990s, over 350 of our employees have donated both their time and skills to the building of homes for less fortunate families in Korea. CBKI has assisted in pooling manpower, raising corporate funds, and the support of other civic groups in this very worthwhile endeavor. Volunteers have worked at building sites or offered their assistance in other ways, helping to provide 12 houses for those in need since 1998 when the financial crisis struck.

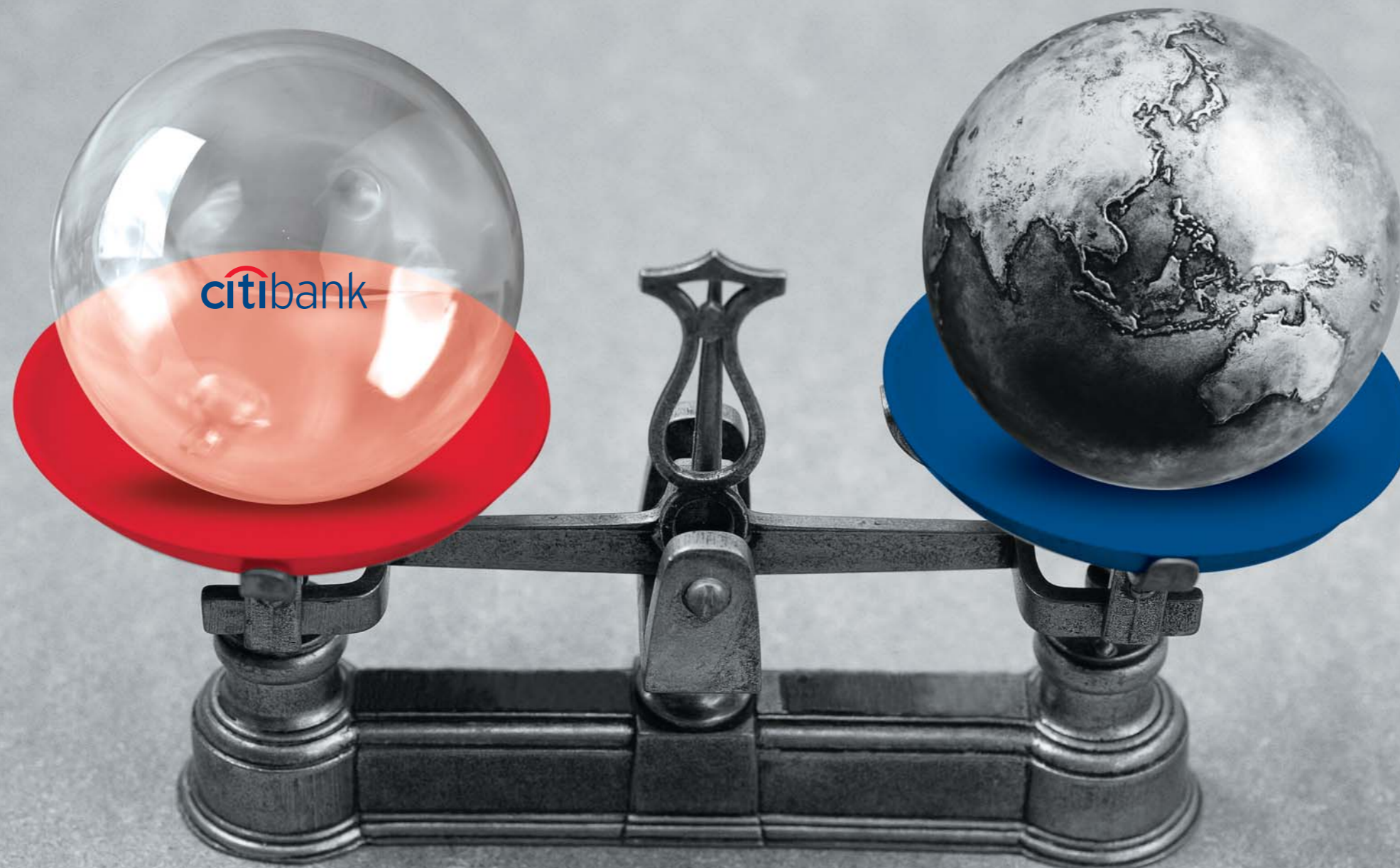
Experts have long championed the benefits of micro-credit for the most disadvantaged sectors of society. Through our "Joyful Union" micro-credit program, Citibank extends small but vitally needed funds to borrowers on a long-term, low-interest basis and without security – the kind of loans most commercial banks in Korea would be unwilling or unable to provide – in a crusade against poverty.

No society can afford to neglect the talents and abilities of half of its population. That is why we at Citibank Korea place such great emphasis on nurturing those qualities among the young women of Korea. In 2003, we created the "Korea Women's Leadership Awards" in conjunction with the YWCA of Korea, an annual event that fosters the women leaders of tomorrow.



# “Sustainable earnings growth, increased share-of-wallet”

When your operations span several continents, your assets exceed the GNP of some countries, and new growth opportunities come from all directions at once, things can get out of balance. At Citibank Korea, we strive to strike the perfect balance between a strong asset base and the quest of profitable growth. Maintaining that perfect balance is called “stability,” and it’s the very foundation of our brand value.



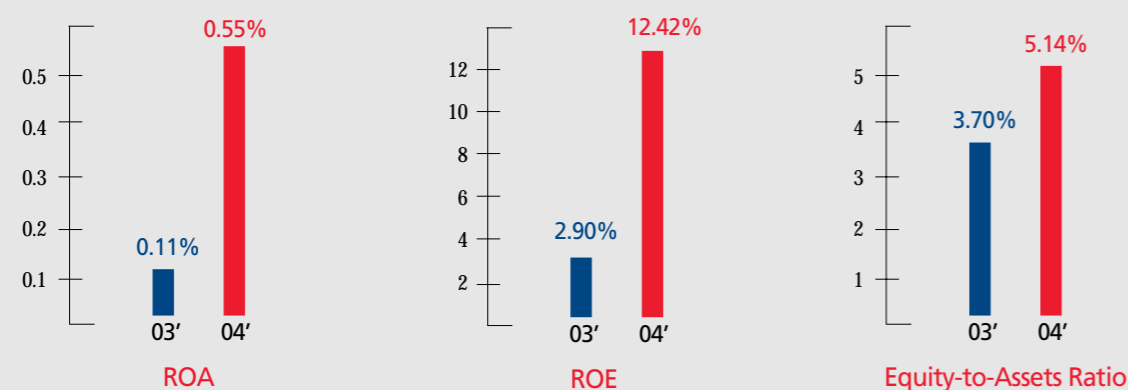


# Management's Discussion and Analysis

## Summary of Performance

(In billions of Korean won, %, %p)

	2004	2003	Change
<b>Operating Results</b>			
Operating income	349.6	14.9	2,246.3
Net income	247.7	46.2	436.1
<b>Profitability Ratios</b>			
ROA	0.55	0.11	0.44
ROE	12.42	2.90	9.52
<b>Asset Quality</b>			
NPL coverage ratio	103.7	96.9	6.8
NPL ratio (substandard and below)	1.40	1.60	-0.20
<b>Capital Adequacy</b>			
Total BIS capital ratio	12.42	10.98	1.44
Tier 1 capital	8.97	6.63	2.34
<b>Equity-to-Assets Ratio</b>			
	5.14	3.70	1.44
<b>NIM</b>			
	1.91	2.03	-0.12
<b>Balance Sheet data at year-end</b>			
Total assets	52,141.4	43,001.2	21.3
Loans	32,533.5	29,711.3	9.5
Deposits	29,918.5	25,006.8	19.6
Securities	12,095.8	9,290.4	30.2
Shareholders' equity	2,697.7	1,614.2	67.1



# Management's Discussion and Analysis

## Overview

CBKI posted net income of KRW 247.7 billion, an increase of KRW 201.5 billion or 436.2%, preliminary the result of a reduction of credit costs, due to an improving credit environment and sustainable non-interest income, despite a negative operating leverage due to significant one-time expenses incurred by acquisition and integration. As a result, the bank's ROE and ROA improved to 12.42% and 0.55% from 2.90% and 0.11% in 2003, respectively.

Total assets rose 21.3% to KRW 52,141.4 billion as of 2004 year end, while total loans and deposits grew by 9.5% and 19.6% to KRW 32,533.5 billion and 29,918.5 billion, respectively. NIM slightly contracted to 1.91% from 2.03% in 2003 due to a downward trend in market interest rates and a change in the composition of our loan portfolio.

The NPL ratio improved by 0.20%p to 1.40% from the previous year, together with the rise of the NPL coverage ratio, that is, the ratio of LLPs to substandard-or-below loans, to 103.7% from 96.9%.

The BIS capital ratio and Tier I capital ratio rose substantially to 12.42% and 8.97%, respectively, the highest level among nationwide commercial banks in Korea. The equity-to-assets ratio increased by 1.44%p to 5.14% from 2003.

## Income Statement

Net interest income increased by 4.2% to KRW 803 billion due to a solid expansion in consumer loans and credit cards, and non-interest income increased by 108.0% to KRW 219 billion thanks to a strong performance in sales of insurance and investment products and gains from FX & derivatives. The most notable change in non-interest income was an increase in credit card fees. In the past several years, the bank experienced severe strains due to a huge amount of bad loans on credit cards, as did other Korean banks and card companies. But, after restructuring bad credit card loans, the bank recorded a rise of 17.1% in credit cards fees.

SG&A expenses stood at KRW 538 billion, up 28.2% over 2003. While a higher growth rate than normally seen, approximately 60% of this gain was attributable to one-time expenses related to the acquisition and integration of KorAm Bank and Citibank N.A. Korea branches.

Loan loss provision decreased to KRW 135 billion in 2004 from KRW 442 billion in 2003 due to an overall improvement in the credit environment and the bank's rigorous credit risk management.

## Income Statement Summary

(In billions of Korean won, %)

	2004	2003	Change
Net interest income	802.8	770.8	4.2
Net non-interest income	219.5	105.5	108.0
Selling & administrative expense	538.0	419.6	28.2
Net non-operating income	19.6	51.2	-61.7
Loan loss provisions	134.7	441.8	-69.5
Tax	121.6	19.9	510.7
Net income	247.7	46.2	436.2



# Management's Discussion and Analysis

## NIM & NIS

Taken overall, total loans increased thanks to consumer loans and credit cards, but NIM (Net Interest Margin) and NIS (Net Interest Spread) deteriorated slightly due to historically low market interest rates, fierce competition among banks, and changes in the composition of the bank's assets and liabilities portfolio.

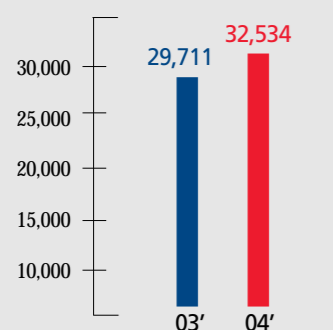
## Loan Portfolio

Though total loans increased 9.5% over 2003, corporate loans decreased by 5.3% due to the bank's rigorous credit risk management, high market liquidity, and declining loan demand from customers amid delayed economic recovery. Conversely, consumer loans and credit cards posted increases of 32.5% and 31.7%, respectively, over 2003. In spite of tough competition in the consumer loan market, the bank focused on the sales of mortgage loans and unsecured personal loans (UPLs). As a result, mortgage loans and UPLs rose by 27.4% and 90.0%, respectively.

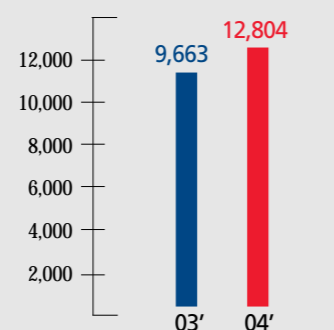
## Loan Portfolio

(In billions of Korean won, %)

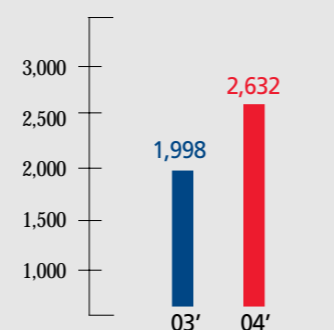
	2004	2003	Change
<b>Total loans</b>	<b>32,534</b>	<b>29,711</b>	9.5
Corporate loans	17,098	18,050	-5.3
Consumer loans	12,804	9,663	32.5
Credit cards	2,632	1,998	31.7



Total loans  
(In billions of Korean won)



Consumer loans  
(In billions of Korean won)



Credit cards  
(In billions of Korean won)

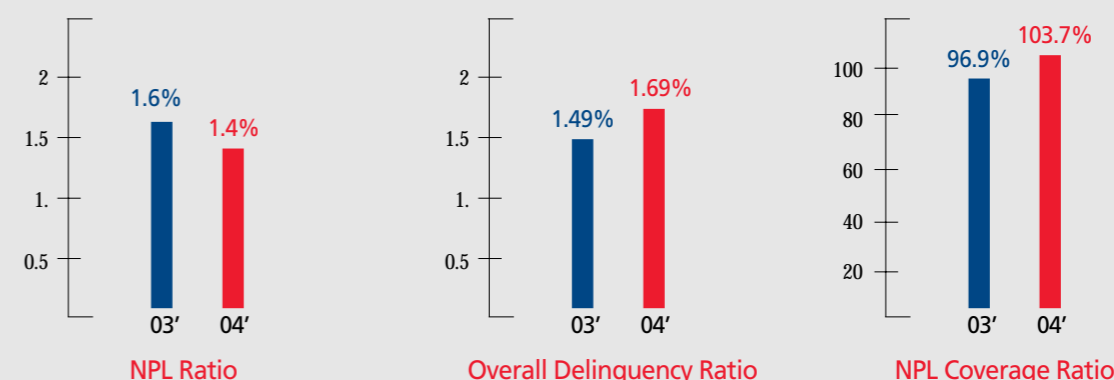
# Management's Discussion and Analysis

## Asset Quality

The bank has maintained world-class asset quality for the past several years, supported by its advanced risk management policies, and sustained write-offs. Last year was no exception, as the bank's NPL ratio (loans classified as substandard or below) improved by 0.20%p compared to 2003, giving it one of the best asset-quality levels among Korea's commercial banks.

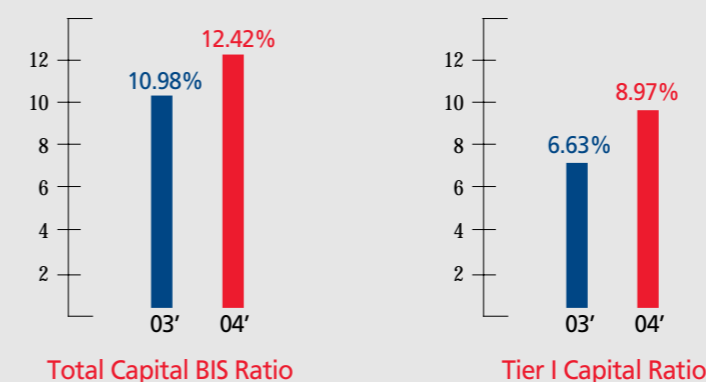
The overall delinquency ratio deteriorated to 1.69%, an increase of 0.20%p over 2003, due to problem loans in the SME borrow sector, but the delinquency ratio for credit cards significantly improved by 4.87%p to 4.60%. The NPL coverage ratio improved by 6.8%p to 103.7% due to the bank's strict provisioning policy and reduction of NPLs.

	2004	2003	Change
NPL ratio (substandard or below loan ratio)	1.40	1.60	-0.2
Overall delinquency ratio	1.69	1.49	0.2
NPL coverage ratio	103.7	96.9	6.8



## BIS Capital Adequacy Ratio

After the Asian financial crisis, all banks in Korea focused on strengthening their capital structure through capital injection, including the issuance of hybrid bonds and subordinated bonds, as well as through retained earnings. As a result, most Korean banks maintained BIS capital adequacy ratios of over 10% in 2004. CBKI recorded a BIS ratio of 12.42% with a Tier 1 ratio of 8.97%, which were the highest among nationwide commercial banks in Korea. This was attributable to a capital injection of KRW 833 billion, related to the business transfer between KorAm Bank and Citibank N.A. Korea branches, and to net income of KRW 247.7 billion, which were retained to fund future growth.



## Balance Sheet (As of December 31, 2004 and 2003)

<Banking Accounts>	(Korean Won : In Millions)		Translation into U.S. Dollars (thousands)	
	2004	2003	2004	2003
<b>Cash &amp; Due from Banks</b>	1,318,820	1,406,339	1,263,480	1,174,102
<b>Traded Securities</b>	12,095,794	9,290,415	11,588,230	7,756,232
<b>Loans</b>	32,085,502	29,268,166	30,739,128	24,434,936
(Discount Present Value)	(15)	(1,264)	(14)	(1,055)
(Allowance for Credit Losses)	(448,026)	(441,828)	(429,226)	(368,866)
Loans & Discounts in Won	23,583,238	21,045,679	22,593,637	17,570,278
Loans in Foreign Currency	2,589,336	1,381,482	2,480,682	1,153,349
Bills Bought	462,957	745,069	443,530	622,031
Bills Bought in Foreign Currency	1,058,286	1,331,465	1,013,878	1,111,592
Advances for Customers	548	2,347	525	1,959
Credit Card Accounts	2,632,308	1,998,321	2,521,851	1,668,326
Bonds Purchased under Resale Agreements	-	-	-	-
Call Loans	611,540	999,639	585,879	834,563
Privately Placed Corporate Bonds	696,858	1,072,045	667,616	895,012
Loans for Debt-Equity Swap	-	20,242	-	16,899
Domestic Import Usance Bill	629,152	689,692	602,751	575,799
Factoring Receivables	269,320	425,277	258,019	355,048
<b>Fixed Assets</b>	333,654	387,580	319,653	323,577
<b>Other Assets</b>	6,307,657	2,648,728	6,042,975	2,211,327
<b>Total Assets</b>	<b>52,141,427</b>	<b>43,001,228</b>	<b>49,953,465</b>	<b>35,900,174</b>
<b>Deposits</b>	<b>29,918,548</b>	<b>25,006,804</b>	<b>28,663,104</b>	<b>20,877,278</b>
Deposits in Won	25,674,279	20,948,949	24,596,933	17,489,522
Deposits in Foreign Currency	2,026,382	946,262	1,941,351	790,000
Negotiable Certificates of Deposits	2,217,887	3,111,593	2,124,820	2,597,757
<b>Borrowings</b>	<b>6,070,280</b>	<b>8,426,370</b>	<b>5,815,559</b>	<b>7,034,872</b>
Borrowings in Won	1,545,747	1,645,198	1,480,884	1,373,516
Borrowings in Foreign Currency	2,150,818	2,527,790	2,060,565	2,110,361
Bonds Sold under Repurchase Agreements	1,566,242	1,622,447	1,500,519	1,354,522
Bills Sold	170,191	334,519	163,049	279,278
Due to Bank of Korea in Foreign Currency	-	3,816	-	3,186
Call Money	637,282	2,292,600	610,540	1,914,009
<b>Bonds Payable</b>	<b>6,402,444</b>	<b>4,494,334</b>	<b>6,133,784</b>	<b>3,752,157</b>
<b>Other Liabilities</b>	<b>7,052,414</b>	<b>3,459,531</b>	<b>6,756,480</b>	<b>2,888,238</b>
<b>Total Liabilities</b>	<b>49,443,686</b>	<b>41,387,039</b>	<b>47,368,927</b>	<b>34,552,546</b>
<b>Capital Stock</b>	<b>1,284,134</b>	<b>1,054,334</b>	<b>1,230,249</b>	<b>880,225</b>
<b>Capital Surplus</b>	<b>664,898</b>	<b>155,006</b>	<b>636,998</b>	<b>129,409</b>
<b>Retained Earnings</b>	<b>557,880</b>	<b>340,886</b>	<b>534,470</b>	<b>284,593</b>
(Net Income)	(247,665)	(46,186)	(237,272)	(38,559)
<b>Capital Adjustment</b>	<b>190,829</b>	<b>63,963</b>	<b>182,821</b>	<b>53,400</b>
<b>Total Stockholders' Equity</b>	<b>2,697,741</b>	<b>1,614,189</b>	<b>2,584,538</b>	<b>1,347,628</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>52,141,427</b>	<b>43,001,228</b>	<b>49,953,465</b>	<b>35,900,174</b>

## Income Statement (For the Years Ended Dec. 31, 2004 and 2003)

<Banking Accounts>	(Korean Won : In Millions)		Translation into U.S. Dollars (thousands)	
	2004	2003	2004	2003
<b>Operating Revenues</b>	5,762,053	3,863,612	5,520,265	3,225,590
Interest Income	2,159,626	2,133,011	2,069,004	1,780,774
Commission Income	363,651	318,506	348,391	265,909
Other Operating Income	3,238,776	1,412,095	3,102,870	1,178,907
<b>Operating Expenses</b>	5,412,411	3,848,732	5,185,295	3,213,167
Interest Expenses	1,356,841	1,362,227	1,299,905	1,137,274
Commission Expenses	128,898	121,035	123,489	101,048
Other Operating Expenses	3,388,691	1,945,853	3,246,495	1,624,522
Selling and Administrative Expenses	537,981	419,617	515,406	350,323
<b>Operating Income</b>	<b>349,642</b>	<b>14,880</b>	<b>334,970</b>	<b>12,423</b>
<b>Non-operating Income</b>	<b>113,809</b>	<b>124,173</b>	<b>109,033</b>	<b>103,668</b>
<b>Non-operating Expenses</b>	<b>94,172</b>	<b>72,954</b>	<b>90,220</b>	<b>60,907</b>
<b>Ordinary Income</b>	<b>369,279</b>	<b>66,099</b>	<b>353,783</b>	<b>55,184</b>
<b>Income before Income Tax Expense</b>	<b>369,279</b>	<b>66,099</b>	<b>353,783</b>	<b>55,184</b>
<b>Income Tax Expense</b>	<b>121,614</b>	<b>19,913</b>	<b>116,511</b>	<b>16,625</b>
<b>Net Income</b>	<b>247,665</b>	<b>46,186</b>	<b>237,272</b>	<b>38,559</b>



# Corporate Data

## Head Office

Address: #39, Da-dong, Jung-gu, Seoul, Korea 100-180  
Tel: 82-2-3455-2114  
TLX: K23293CITIBKS  
SWIFT: CITIKRSX  
Reuter Dealing Code: CISI  
Homepage: <http://www.citibank.co.kr>

**Date of Establishment: March 16, 1983**

**Date of CBKI Inception: November 1, 2004**

**Number of Branches: 238**

**Number of Employees: 5,550**

**Paid-in Capital: KRW 1,284.1 billion**

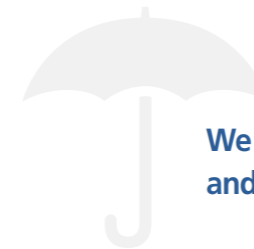
**Number of Shares Outstanding: 261,903,031 shares (as of March 31, 2005)**

## Major Shareholders (as of March 31, 2005)

Citibank Overseas Investment Corporation: 77.43% (202,797,312 shares)  
Citibank N.A.: 22.46% (58,836,266 shares)  
Minority Shareholders: 0.11% (269,453 shares)

## IR Contact

Address : Citigroup, Inc. 399 Park Avenue New York, NY 10043  
E-mail : [InvestorRelations@citigroup.com](mailto:InvestorRelations@citigroup.com)  
Tel: 212-559-2718



**We must put our clients first, provide superior advice, products and services, and always act with the highest level of integrity.**



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