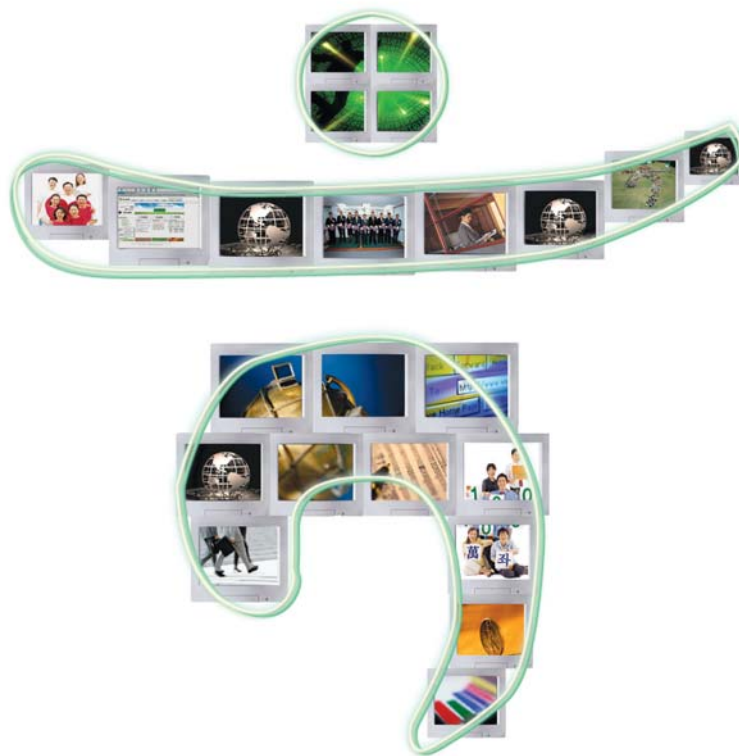


ANNUAL REPORT 2001

Premier Financial & Information Services Network



My Money Network!



Commercial
Banking

Asset
Management

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Profile

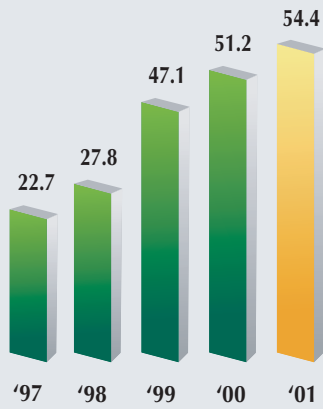
Hana Bank was originally established as a short-term finance and investment company in 1971 and was converted into a commercial bank in 1991. Over the past decade, the Bank's total assets have achieved a cumulated annual growth of 46%, and its domestic and overseas branch network spanned 299 locations at the end of FY01.

Ever since its transformation into a commercial bank, Hana has been consistently outperforming its competitors and achieved record success in FY01. Net income increased significantly year on year to reach ₩325.3 billion in FY01, and the Bank managed to improve the overall quality of its assets as well.

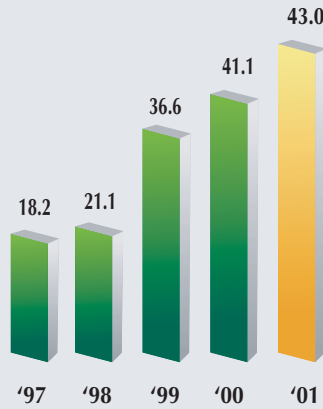
The Bank has also been repeatedly cited for excellence by numerous financial journals and business institutions. Accolades include "Best Bank in Korea" by Euromoney (1993), "Best Domestic Bank in Korea" by Finance Asia (1997), among the "Best Managed Companies in Korea" by Asiamoney, (1998), "Best Customer Satisfaction in Korea" by the Korea Management Association (1998), "Best Domestic M&A House in Korea" by Euromoney (2000) and "Best Domestic Bank" according to the Service Quality Index survey(2001) by the Korean Standards Association as well as the National Customer Satisfaction Index survey(2001) by the Korea Productivity Center.

Solidly established in the banking industry, Hana Bank is now spearheading the development of a financial group that already spans the securities and investment trust management business and is poised to break into the insurance market in FY02.

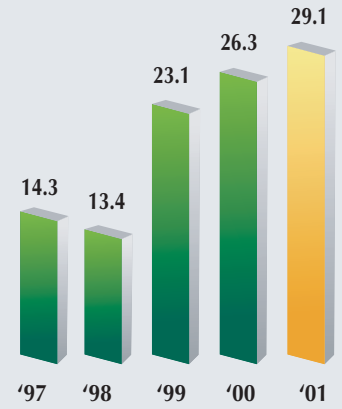
(In Trillions of Korean Won)



Total Assets

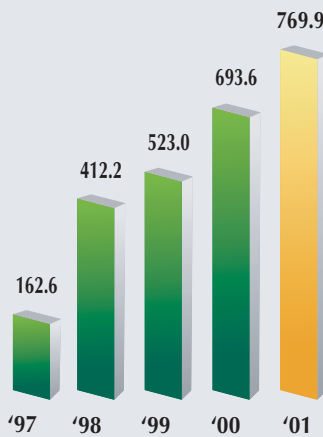


Total Deposits

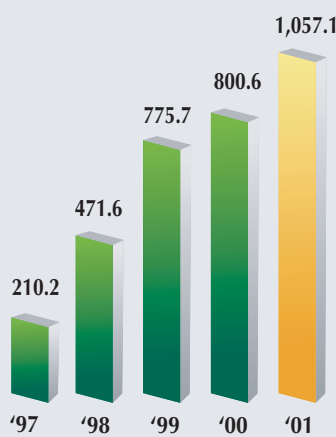


Total Loans

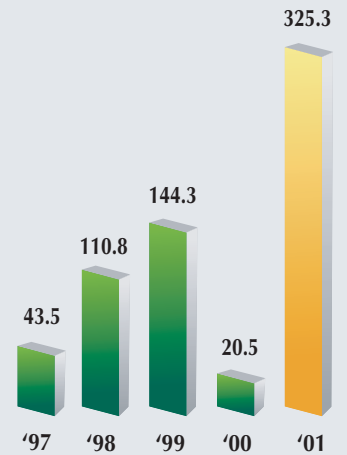
(In Billions of Korean Won)



Net Interest Income



General Operating Income

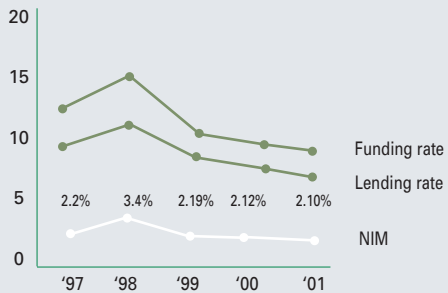
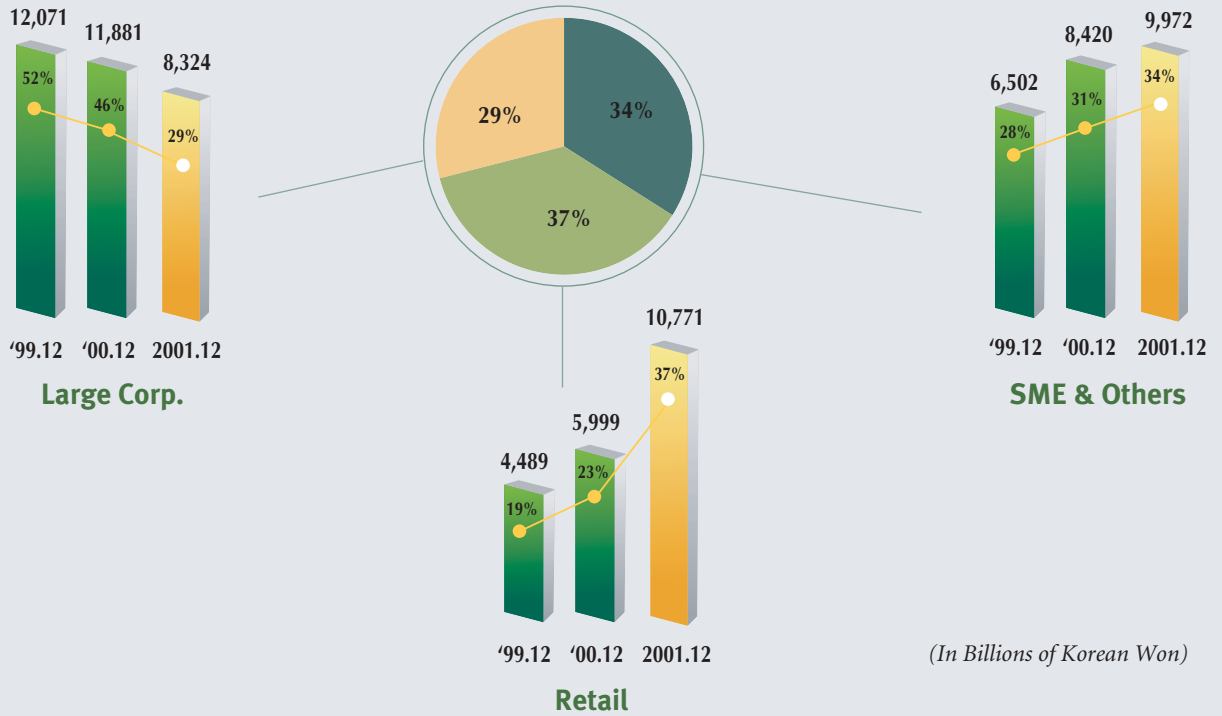


Net Income

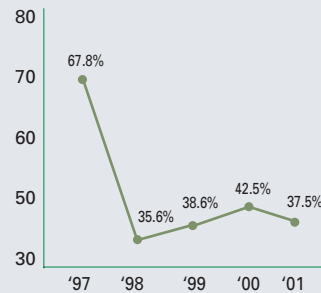
Financial Highlights

Re-balancing Portfolio

Total Loans



NIS and NIM (%)



Cost-Income Ratio (%)

Letter to Shareholders



Dear Shareholders,

In FY01, the Korean economy and financial institutions were adversely affected by numerous hardships, ranging from the financial woes of Hyundai Engineering & Construction and Hynix Semiconductor to the terrorist attack in New York on September 11. In spite of the difficult conditions, Hana Bank achieved ₩325.3 billion in net income, while raising ROE to 20.1% and lowering the substandard and below credit ratio to under 2.39%. Indeed, our asset soundness is now the best in the Korean commercial banking industry, and we managed to accomplish most of the goals we set at the beginning of the year.

One of our most successful strategies in FY01 was to broaden our retail-banking base. As a result, household loans rose 80% to reach ₩10.8 trillion at year's end and SME loans increased from ₩8.4 trillion to ₩10 trillion during the year. Holders of Hana Bank credit cards almost doubled from 690,000 at the start of the year to 1.36 million at year's end. This allowed us to form a much sounder asset portfolio, and reconfirmed our position as a leading commercial bank.

These results can be attributed in part to the emergence of the Chungchong Hana Bank as a prominent local bank in the Chungchong region and the rapid development of newly established business units such as the Small & Medium Corporate Promotion Group.

Meanwhile, the Hana brand name garnered important distinctions in FY01. We scored the highest in the bank category in the Service Quality Index survey by the Korean Standards Association as well as the National Customer Satisfaction Index survey by the Korea Productivity Center.

We realize that our bank's outstanding performance was only made possible by the constant support and genuine concern shown to us by you, the shareholders, and in recognition of this fact, we want to express our sincere gratitude to you. In dealing with our record profit generated in FY01, we will be paying dividends of 4% cash and 4% new shares to all our shareholders while retained earnings will be efficiently utilized to maximize future shareholder value.

Looking ahead to FY02, our performance goals include ₩430 billion in net income, ROE of 22% or higher, ROA of at least 0.9% and bringing the substandard and below credit ratio to below 2%. The intrinsic value of Hana Bank stock will go up with BPS and EPS projected to reach around ₩15,500 and ₩3,150, respectively.

We also aim to make full use of the 'My Money Network' in FY02. This Business

Indeed, our asset soundness is now the best in the Korean commercial banking industry, and we managed to accomplish most of the goals we set at the beginning of the year.

Concept was recently launched to drive constant growth through ongoing differentiation of the Hana brand. We plan to achieve this goal by providing the full range of financial products and services and integrating their distribution channels. Hana Bank, Hana Securities and Hana Allianz Investment Trust Management Corp. will work together to enhance cooperation and take the lead in their respective markets. Within the Bank itself, the Investment Banking Group and the Private Banking Group have been newly established to put greater emphasis on satisfying the extensive needs of both corporate and retail customers. In addition, the Networking Promotion Team was recently launched to focus exclusively on exploring new partnerships and maintaining existing ones.

The Network that we envision will also be expanded to include partnerships in life and non-life insurance sectors and other related business areas to secure leading market share. We plan to make full use of the opportunities presented to us by maximizing synergies with our partners to further enhance the competitiveness of the overall Network.

Ultimately, I believe successful strategy implementation and goal achievement depend on the actions of each individual and their shared corporate culture. As the number of customers and business volume increase, the organization expands. However, communication can break down in expansive organizations, and the feeling of solidarity shared by the workers toward the company can weaken. In 2000, we launched a campaign to prevent these negative side-effects of growth and foster teamwork and idea sharing within the organization. This campaign will be continued in the coming year, and we will also strive to cultivate a corporate culture in which the entrepreneurial spirit flourishes and employees are empowered with responsibility and authority.

Competition within the finance industry is going to be severe in FY02. And therefore the keys to network competitiveness lie in specialization, entrepreneurship, competency of network operators, effectiveness of the systems connecting the operators, and an open corporate culture.

All of our employees at Hana are united in their commitment and dedication to building value for the Bank and the shareholders. We performed extremely well in FY01 and look forward to an even better year ahead.

Thank you for your continuing support and confidence in Hana Bank.



Chairman & CEO **Seung-Yu Kim**

The Year in Review



March 2 Hana-Allianz Investment Trust Launched

Hana-Alliance Investment Trust Management Corp., a joint venture between Hana Bank and the German-based Allianz Group, was launched with an initial invested capital of ₩30 billion. The partners' combined asset soundness and market know-how will ensure that investment decisions are made transparently and systematically. The new company intends to aggressively conduct operations in both the domestic and overseas markets.

March 10 31st General Shareholders Meeting

Hana Bank is the first Korean Bank to record profits for three decades straight, and it has always managed to reward its shareholders by paying dividends for each of these past thirty years.

April 30 ₩442 Bln. in CLOs

This major CLO issuance followed another such offering carried out in February. Hana Securities and Bookook Securities teamed up as lead underwriters of a syndicate comprising 36 corporations, including the Hanwha Group, Dongkuk steel and Dongbu Construction. The AAA-rated CLO, which matures in two years, was issued with an interest rate of 8.18%, the market rate on April 26. This monumental occasion will mark the emergence of CLOs as an alternative means of raising capital for many Korean companies now facing financing difficulties.

May 30 "AAA" Rating Received

Korean Management Consulting & Credit Rating Corporation and Korea Investors' Service Inc. both granted Hana Bank their highest credit rating marks. The "AAA" rating reflects efforts to steadily expand business areas while improving asset soundness by maintaining a conservative approach to accumulating loan loss reserve and writing or selling off NPLs. The cleaner assets have improved the trust balance, and fewer non-performing assets have lightened the burden of allocating resources to LLR. Profitability in 2002 is forecast to be far better than in 2001, and the Bank is expected to maintain asset soundness and a strong revenue structure.



June 25 30th Anniversary Celebration

Hana Bank celebrated its 30th anniversary, a ceremony and reception attended by over 1,500 shareholders, important clients, and VIPs from academia, the financial community and the government. The Bank officially unveiled its new vision of "building a premier financial and information services network."



June 28 Successful Sale of NPLs

A ceremony was held to sell non-performing loans to Salomon Smith Barney and the Lend Lease Consortium. The bid purchase price was 50% of the original book value, which is the highest rate received among domestic financial institutions for the sale of NPL. Hana Bank ended up receiving ₩180 billion more than originally expected from the sale. As a result, its substandard and below credit ratio as well as its ratio of NPLs among total loans was lowered by nearly 2%.



June 30 1 Million Credit Card Accounts

Membership for Hana Bank's credit cards reached one million by the end of June. This marked an increase of over 320,000 from the 690,000 credit card holders recorded at the end of 2000. We intend to further expand our customer base by entering into partnership agreements with leading companies to enhance membership benefits and level of service. This will also set the stage for the launch of DB and CRM marketing campaigns to enable stable growth in both net sales and profits.

August 4-5 1st Hana Forest & Culture Outdoor Classroom

The Forest & Culture Research Association (composed of PhD-holders and University professors in the field of forestry preservation) and Hana Bank jointly sponsored a field trip for 83 people from 21 families. The participants camped out for two days to study the natural ecosystems in a forest near Yangpyeong, Gyeonggi Province. The experience reminded participants of the importance of protecting the environment. Before leaving the forest, all the participants managed to declare a joint statement titled "a letter for the future."



October 12
SR Team Achieves ₩1 Tril. In Household Loans

The SR Team was launched as the first of its kind among Korea's nationwide commercial banks in October 2000. The team's performance reached ₩5 billion for 2000 and ₩250 billion by September 2001. And by the end of 2001, the SR Team achieved a remarkable feat of gaining over ₩1 trillion in loans. It is no wonder that the Hana Bank SR Team is rated the strongest loan service unit belonging to a Korean financial institution of any kind.

October 17
Best on 2001 Korea Service Quality Index

The Korean Standards Association and Seoul National University Management Research Center have created a Service Quality Index that covers all the service industries in Korea. Subsequently, Hana Bank was rated the #1 bank in terms of the quality of service provided and the overall level of customer satisfaction.



November 1
IBG Reorganized

The Investment Banking Group was expanded and reorganized, with new securities specialists on the staff and a bigger office in Yoido, Seoul. The reinforced IBG offers corporate clients "one-stop banking services" that include general loans, advice on mergers and acquisitions, project financing, equity investments, IPOs, ABS issuance, and bond issuance and brokerage.



November 28
President Kim Honored for SME Support

Hana Bank President Seung-Yu Kim was presented with the Silver Tower Order of Industrial Service Merit at the 6th annual SME Financial Support Awards Presentation. The award recognizes Hana Bank for assisting small and medium-sized enterprises by offering more unsecured, credit-based loans and increasing direct investment into SMEs.



November 28
Household Loans Reach ₩10 Tril.

Effective management of mortgage brokers, and determined efforts by sales staff at Hana Bank branches have brought the household loan total to ₩10 trillion. This result far exceeded the original target of ₩7.4 trillion set for 2001 and marked an increase of over ₩4 trillion from the previous year's total of ₩6 trillion.



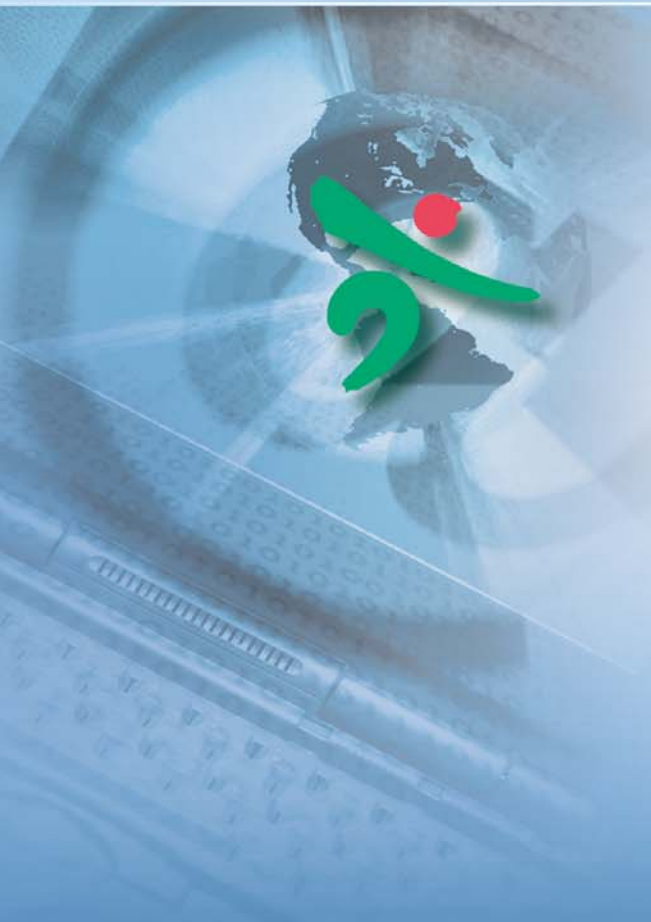
December 22
Best Bank on the 2001 NCSI

Hana Bank garnered top honors in the commercial banking category of the National Customer Satisfaction Index(NCSI). Research is conducted annually by the Korea Productivity Center, the University of Michigan and the Chosun Ilbo newspaper to select companies in each service sector that have excelled in providing customer satisfaction.

December 24
SME Loans Top ₩10 Tril.

Hana Bank has also achieved ₩10 trillion in outstanding loans to small and medium enterprises. The overall portfolio is now almost evenly divided among large corporations, SMEs and households. The number of clients has increased overall, while risk exposure has been distributed more effectively and the margin structure stabilized.

Hana Bank is in the process of establishing
a lasting governance structure
that will further enhance managerial efficiency and transparency



hanabank
.com

Governance Structure



K. Joe Song
Deputy President in Charge of
Information Technology, e-Commerce &
Operation Support

Jin-Suk Chun
Duty President in charge of
Chungchong HanaBank

Seung-Yu Kim
Chairman & CEO

Kyo-Joong Yoon
Senior Deputy President

Young-Ki Kim
Standing Audit
Committee Member

Jong-Yeol Kim
Deputy President in charge of Retail Banking &
Credit Card Business

In complying with changing business practices that call for increased levels of corporate openness and accountability, Hana Bank is in the process of establishing a lasting governance structure that will further enhance managerial efficiency and transparency. These efforts reflect our long-standing conviction that all management decisions be based upon upholding fair market principles, protecting investor interests and maximizing shareholder value.

The basic function of Hana Bank's Board of Directors is to not only monitor and supervise the bank's ongoing operations but also to actively participate in managerial decisions by rendering critical expertise and guidance whenever necessary. Our non-standing directors, comprising the majority of the BOD, have been carefully selected from distinguished business and academic backgrounds. They, along with the capable and dedicated individuals of Hana Bank, will work together to ensure that the Bank continues to prosper and develop into a leading financial institution.

Board of Directors Steering Committee

The Steering Committee consists of seven board members and is responsible for continually rationalizing the Bank's corporate governance structure, planning for the Board of Directors and its Committees, and appraising the operation of the Board of Directors. It is also in charge of recommending and screening candidates for the Board of Directors (except CEO & Audit Committee members).

Management Development & Compensation Committee

This committee is in charge of coming up with ways to heighten managerial performance. It also evaluates the performance and decides compensation for the Bank President and standing directors. Other duties also include improving the methods used for measuring managerial performance. It consists of four non-standing board members.

Risk Committee

This committee is responsible for the Bank's overall risk management strategy, overseeing the control of general risks and setting limits for market risk, credit risk, operation risk, and other types of risk inherent of the banking industry. It is also in charge of implementing and revising internal regulations pertaining to risk management and reviewing the status of the Bank's risk management activities. It consists of three standing board members and four non-standing board members.

Audit Committee

Launched in 2000 as a way to strengthen the function of auditors and to meet global standards, this committee is in charge of supervising management activities and evaluating internal control systems. It also monitors the performance of the outside auditor. The Audit Committee consists of three members of the Board of Directors, two of whom are non-standing directors.

Vision and Strategy

Mission

Hana Bank believes mutual trust and respect for people are essential elements in conducting successful business operations. Besides conducting our business based on strict adherence to market principles and achieving customer satisfaction, we constantly pursue proactive change in order to provide the highest value to customers, shareholders, employees and society as a whole.

Vision and Strategy

For the short term, we strive to be the most profitable bank in Korea by combining our resources into establishing an integrated finance group. Our ultimate goal is to build a "premier financial and information services network."

This strategy calls for developing the Bank and expanding the Hana Finance Group. At the same time, we aim to be a highly competitive bank in the 21st century era of unrestricted financial markets.

The "premier financial and information services network" we envision will transcend the boundaries of an integrated finance group to satisfy a vast array of customer needs. To this end, we are cultivating in-house competencies while building a collaborative network and outsourcing competencies when necessary. Our "Future Together" catchphrase encourages employees to work toward a shared goal.

The Hana Finance Group's business expansion is being conducted amidst rapidly changing market trends and customer needs. As a commercial bank, Hana is strengthening involvement in the retail sector through securities brokerage, bancassurance, internet banking, consumer finance and private banking. Personal wealth management activities will take advantage of Hana Bank's branch network and Allianz's advanced financial expertise.

Corporate banking will focus on developing investment banking, which brings securities and banking together and market research and analysis by the Hana Research Institute to support corporate restructuring and the overall activities of the Hana Finance Group. Also, relationship managers will lead the way in providing a wide variety of banking services to corporate clients.

The service network is a broad organization that extends beyond the Hana Finance Group.

Comprehensive financial services are offered through cooperation within a finance group consisting of a commercial bank, investment bank, asset management firm and other new businesses. Of course, this network will be expanded by forging alliances with information technology companies and other non-financial entities. The overall organization will be flexible and well coordinated to satisfy various customer needs. This will enable generation and accumulation of knowledge, which is fundamental to all operations, thus creating an information service environment.

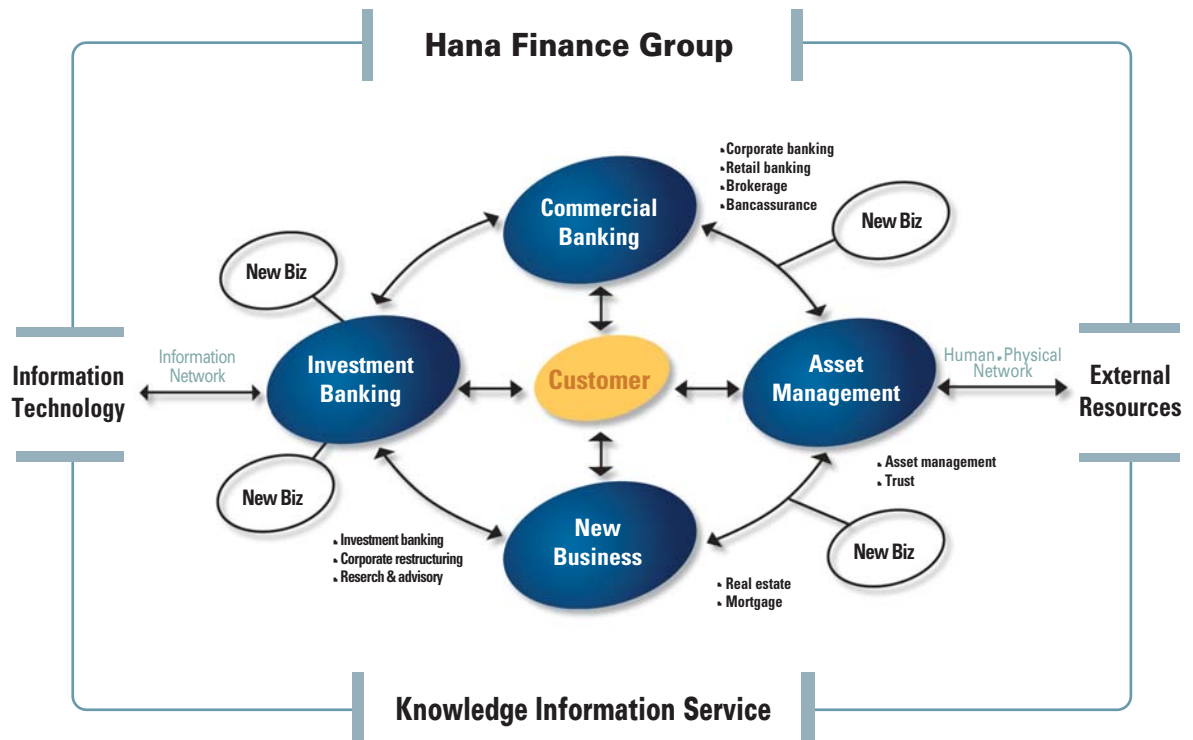


Kang M. Lee
Executive Vice President & Division Head
Financial Planning Division



Michael Jeung-Sae Lee
Executive Vice President & Division Head
Strategic Planning Division

PREMIER FINANCIAL & INFORMATION SERVICES NETWORK



The barriers among finance market segments are disappearing; unrestricted competition is accelerating and customer needs continue to diversify. Thus, providing one-stop banking services is now an essential part of being competitive.

However, not every service solution can be found within the confines of the bank or even the finance group. To deal with the more specialized needs of customers, the Bank must become part of a flexible yet intricately linked Network with access to various forms of information and expertise.

We offer our services by focusing on our core competencies while collaborating with external organizations. This strategy is important for success in a rapidly changing and uncertain business environment.

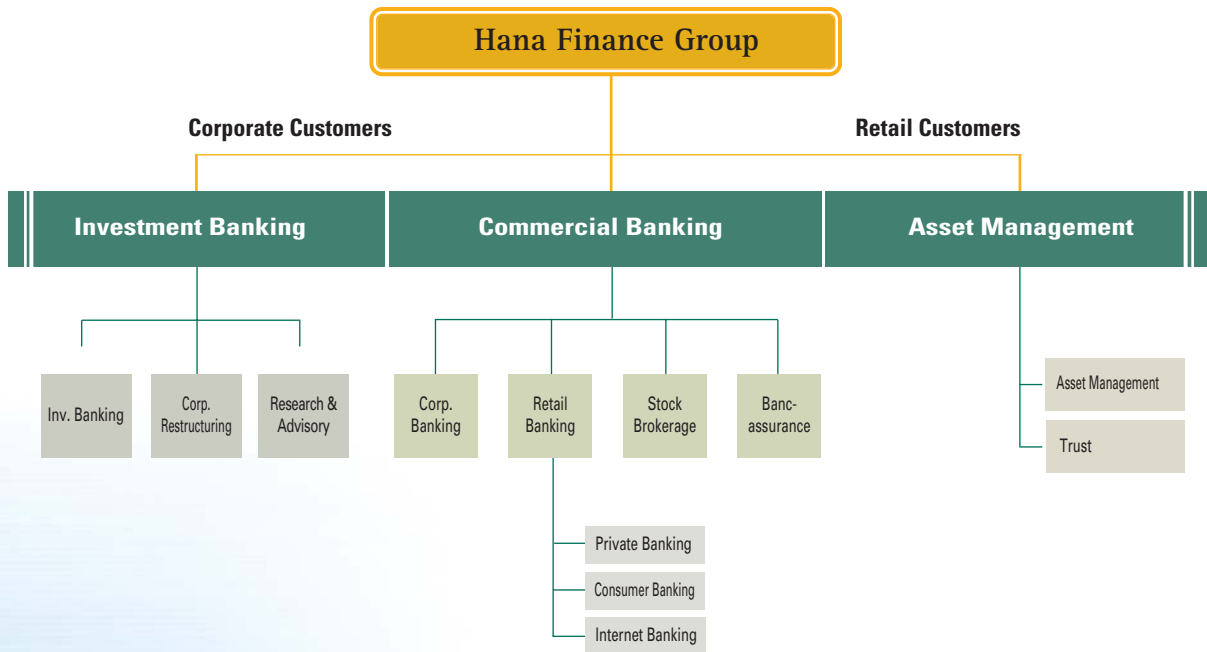
The Hana Finance Group offers corporate customers such services as foreign exchange settlements, deposits, investment securities brokerage, loans, credit card, stocks, bonds, management of foreign currency denominated assets, insurance and annuities. However, human and physical links outside the Group can also be used to provide various other services when needed.

We are both a personal wealth manager and a corporate finance specialist. We continue to expand our business involvement through alliances and other forms of cooperation with external organizations as well as by starting up new operations within our own Bank.

Predicting future financial markets is difficult. However, the swift advances in information technology are clearly having a huge impact on people's everyday lives.

The networking we envision at Hana Bank is a strategy for coping with future financial markets. At the same time, it manifests our determination to be a leader in these future markets. We aim to respond to the changes, seize various new opportunities, and turn them into viable businesses.

CORPORATE STRUCTURE



BUILDING BLOCKS TO ACHIEVE VISION

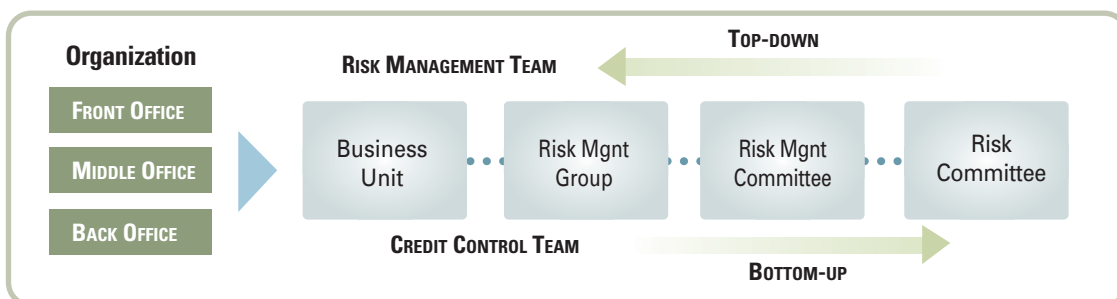
<p>Investment Banking</p>	<p>Focused on privatizations of government-owned entities, restructuring of workout companies, and advisory work in utility sectors</p> <p>Product offerings include asset-backed securities, collateralized loan obligations and NPL securitizations</p>
<p>Asset Management</p>	<p>Minimize exposure to interest guaranteed money trust, while consistently maintaining other trust revenue sources</p> <p>Utilize retail banking cross-selling initiative to expand business</p> <p>Focus on growth of existing Allianz asset management joint venture</p>
<p>Commercial Banking</p>	<p>Establish a balanced loan portfolio to spread risk and secure diverse channels of income</p> <p>Focus on retail customer differentiation to provide customer specific products by initiating comprehensive CRM system</p> <p>Focus on growth of non-interest fee income</p> <p>Cross-selling initiatives to grow credit card and bancassurance businesses</p>

Risk Management

_Risk Management System

Risk management governance

The Bank's risk management effort is led by the Risk Committee, Risk Management Committee, and Risk Management Group. The middle offices at each business group inside the Bank performs risk management on a daily basis and submits regular reports to the upper echelons in the organization.



Risk Committee

The Risk Committee, which sets limits for overall risk exposure as well as exposure to each risk type, is at the top of the risk management governance structure. The committee consists of three standing directors including the CEO and four non-standing directors and is responsible for establishing basic risk management strategies and policies. Other duties include deciding the amount of risk-weighted capital allocated to each group and regularly reviewing the Bank's risk exposure and management status.



Jeong-Ho Suh, Ph.D.
Executive Vice President & Division Head
Risk Management Division

Risk Management Committee

The Risk Management Committee monitors whether each business group is adhering to the established risk limits and guidelines, and examines the Bank's exposure to each risk type monthly.

Risk Management Group

The Risk Management Group consists of the Risk Management Team, responsible for market and liquidity risk, and the Credit Control Team, which handles credit risk. The teams monitor the Bank's risk status, measure risk, track assets exposed to risk and forecast the movement of risk variables. The teams also interact with the Middle Office of each business group on all risk-related activities pertaining to the unit and report the Bank's risk exposure and risk management status to the upper committees and to senior management.

RMS Project

Hana Bank is now building a comprehensive Risk Management System (RMS) that will identify, measure, monitor and evaluate all risks inherent in banking operations. Starting in October 16, 2000, the Bank worked with IBM and LKFS to define the preconditions and various data needed for the system. In addition, the Korean and foreign currency trading system is being upgraded and rebuilt, and the Data Mart is being newly built to centrally manage all risk-related data. The RMS Project is scheduled for completion in May 2002.

The market risk system is designed to comply with the requirements of an in-house model as well as the new regulations governing the level of market risk for equity going into effect in Korea from 2002. The credit risk system will satisfy New Basel Capital Accord standards to be enacted in 2005. The separate data related to market risk and credit risk will be managed together in the Data Mart for quick and well-coordinated decision-making.

Once completed, the RMS will improve management of market risk, credit risk and risk limits. Capital will be more efficiently distributed and managed as well, helping to raise shareholder value.

The portion of loans to major companies and the 60 largest business groups was reduced 12% year on year, while loans to household represented a 14% greater segment of the Bank's total loans at the end of the year

_ Credit Risk Management

Improved Quality of Asset Portfolio

The quality of Hana Bank's assets improved considerably to reach international standards in 2001. Outstanding credit rated substandard and below was reduced considerably by writing off ₩694.6 billion in non-performing loans and selling off an additional ₩373 billion worth. Close monitoring and management of companies on the Bank's "watch list" also reduced the amount of precautionary-rated credit. At the end of the year, only 1.6% of all outstanding credit was rated substandard and below.

The construction, wholesale and retail sectors showed relatively high contraction rates during Korea's economic downturn in 2001. Consequently, the Bank's credit exposure related to these sectors was reduced from 9.3% of the total credit exposure portfolio at the end of 2000 to 8.2% in 2001.

The asset portfolio achieved better balance, and exposure to large corporations was reduced during 2001. The portion of loans to major companies and the 60 largest business groups was reduced 12% year on year, while loans to household represented a 14% greater segment of the Bank's total loans at the end of the year. Portfolio management will be conducted more stringently in 2002 to prevent excessive concentration in any one sector.

Stronger Credit Management

The Hana Credit Grading System, Korea's first corporate credit risk evaluation system up to international standards, was developed in cooperation with the International Finance Corporation and implemented in April 1999. In August 2001, the number of credit grades was expanded from 13 to 17 to better differentiate "normal" rated borrowers from those rate "precautionary". A comprehensive and systematic training program has developed more than 130 highly skilled credit evaluators and relationship managers, who ensure credit risk is kept to a minimum.

The data generated by the Hana Credit Grading system facilitates decision making throughout the organization. They also help to improve processes related to cost control, performance management, automated loan approval, and portfolio management according to business type, credit rating and product.

Credit Risk Review System

Credit risk is reviewed twice a year to reaffirm borrowers' credit rating and creditworthiness. The appropriateness of procedures is examined, and the quality of the asset portfolio is evaluated.

The risk performance evaluation system will be expanded to emphasize profitability after risk adjustment.



The Bank assesses the credit risk of the top 60 business groups, and high-risk groups are added to the watch list for constant monitoring. Corporate borrowers with loans of ₩10 billion or higher are constantly monitored, while borrowers with loans below ₩10 billion are randomly examined at least twice a year.

The watch list, which covers companies with "precautionary" credit, has been expanded to cover "normal" rated companies expected to experience a drop in their credit rating. Also, industry risk is evaluated at least twice yearly, and a portfolio limit review is conducted for each industry to assist in portfolio management.

As part of Hana's efforts to reinforce a culture of Credit Awareness throughout the organization, the Bank has introduced a Credit Risk Manager program for advanced training in credit evaluation. Moreover, further education is being conducted by holding regular seminars on subjects such as the current issues and trends in major industries, and case studies on the types and causes of corporate bankruptcies. These measures will serve to enhance decision-making on credit related issues and ensure accurate measurement and assessment of credit risk.

Plans for 2002

Constant Credit Management Improvement

Seminars and case studies on corporate credit failure and industry trends will continue, as will the Credit Risk Manager training course. Every employee will be provided with training on credit risk. The risk performance evaluation system will be expanded to emphasize profitability after risk adjustment. The new RMS will manage credit risk as well as total exposure and additional systems for evaluating and managing individual credit risk segments will also be added. Finally, we will form our portfolio by reflecting the accurate levels of measured risk to distribute capital most efficiently. This portfolio will be subject to regular and systematic appraisal to follow up performance.

Optimal Asset Quality, Better Portfolio Credit Risk Management

By establishing an early warning system to monitor corporations with growing cash flow problems, we will be able to effectively control the growth of substandard and below credit. This will allow us to raise our asset quality to the level of the world's leading banks. Also, we will standardize Credit Review operations by strengthening credit risk analysis for 'watch list' companies and relevant industries. And a database will be constructed to conduct simulation for achieving the optimum portfolio.

Market Risk Management

Interest Rate Risk Management

Interest Rate risk is defined as the potential risk arising when interest rate fluctuations cause unexpected changes in the value and of rate sensitive assets and liabilities. An interest rate GAP is calculated each month and managed so that it remains between 90% and 160% (the percentage of interest-earning assets / interest-bearing liabilities which mature within three months) to minimize losses from sharp fluctuations in market interest rates. The Risk Committee sets the limits on interest risk exposure, and the Risk Management Committee receives status reports on interest risk from the Risk Management Team.

Price Risk Management

Since November 1998, all assets subject to fluctuations in value have been evaluated by the Value at Risk (VaR) method to calculate the required levels of equity capital. The market variables (stock prices, exchange rates, interest rates, etc.) affect trading securities, trading stocks, foreign exchange open positions, and derivatives when the domestic or foreign economic environment is unstable. The Bank established trading policy guidelines in 2001 to clarify assessment methods, categorization standards and assets subject to trading.

The Risk Committee deliberates on and decides the overall price risk ceiling and distributes the appropriate risk limit for each individual product. The Risk Management Committee studies the particulars for enforcing price risk policy and allots exposure limits to each business group. The Risk Management Group performs risk assessment, prepares limit reports and provides the documents needed by the Risk Committee for deliberation. Each Middle Office assesses the market value of the assets within its respective business group and monitors to ensure limits are enforced.

The standard Derivatives Policy Group stress test is performed to reflect extreme shock deviating from the confidence level to complement the VaR assessment using the assumption of normal distribution.

Each year, the Risk Committee distributes a set portion of equity capital for covering price risk. A performance index allowing for risk within the range of the capital allotment is used to determine limit of exposure and losses for each quarter. The Risk Management Group submits daily, weekly, monthly and quarterly reports on limit management particulars, risk status, and risk trends to the Risk Committee and Risk Management Committee.

Liquidity Risk Management

Liquidity risk is the expected loss when the Bank is unable to meet its liability obligations. Risk of falling into insolvency when faced with having to pay principle or interest on deposits and borrowings or the risk of losing effective investment opportunities can also be defined as Liquidity risk. Exposure limits are set on all assets and liabilities appearing on the balance sheet that generate capital inflows and outflows as well as on the permissible capital flow surplus or deficit resulting from derivative product transactions.

To prepare against potential shortage of funds, a liquidity GAP is calculated according to the structure of asset and liability maturity. The Risk Committee sets the extent of capital surplus or deficit to maintain at least 70% of the ratio reached when dividing short-term (maturing within 3 months) assets by short-term liabilities. Banks are required to retain at least 100% of the Won currency liquidity ratio set by the Financial Supervisory Service to manage liquidity risk. Therefore, Hana Bank applies the FSS standard as well as the limit established by the Risk Committee.

During its monthly meeting, the Risk Management Committee review reports on the liquidity GAP ratio and the allocation of funds prepared by each Middle Office and the Risk Management Team. The Committee then sets policy for fund raising and management in order to stay within the established exposure limits. The Treasury and Trust Business Groups analyze the capital market trends and the levels of capital supply/demand each day to closely manage liquidity, raise funds in the market and utilize surplus funds.

Profit Centers

Retail Banking Group

The focus of our sales strategy is to maintain our leadership position in the VIP customer market. At the same time, we seek to firmly establish our presence in the Middle Market to maximize profits.

In an attempt to step up our efforts in attracting HNW customers, the Private Banking Group was formed within the Retail Banking Group to provide VIP customers with a complete range of customized services. One of the innovative new programs is the Hana Gold Club, which targets customers with deposits of ₩500 million or more at Hana Bank. This unique program encompasses the services of the Hana Finance Group (banking, securities, insurance, trusts) as well as real estate, art works, leisure activities, health management and other aspects of daily life.

As of present, we have a total of 80 Private Bankers working at 15 PB Centers and 50 branch offices. In order to provide the highest level of quality service to our VIP clients, our PBs undergo an extensive training program covering various specialties such as investment securities, sale of mutual funds and tax advice. Our Bank prides itself on being able to depend on capable professionals to assist customers with their wealth management.

Besides reaching customers through our many branches, efforts on further expanding our presence in the Middle Market will be achieved by widespread establishment of call centers, phone-banking, CD/ATMs and Internet banking. These measures will allow us to bolster Cross-Selling to personal clients.

In 2001, due to our efforts in actively promoting household loans, the total amount of retail loans reached ₩10.8 trillion, a net increase of ₩4.8 trillion year on year. This amounts to 37% of our overall loan portfolio thereby enhancing risk diversification and increasing profits. The Retail Banking Group has mainly focused on increasing the number of secured loans--apartment-mortgaged loans in particular--rather than simply pursuing higher loan volume and thereby increasing overall risk. Marketing for unsecured loans is being selectively targeted at professionals (doctors, lawyers etc.), public servants, and executives at major listed companies. This is consistent with our policy of aiming for both quantitative and qualitative improvements when measuring success.

Looking ahead to 2002, our core strategies will be expanding household loans, number of credit card members, sales from credit card usage, and income from fees and commissions.

Household loans will concentrate on strengthening the sales force, identifying Niche Markets, and developing new products & services. The goal is to have retail loans make up 42% of the Bank's overall loan portfolio by the end of year.

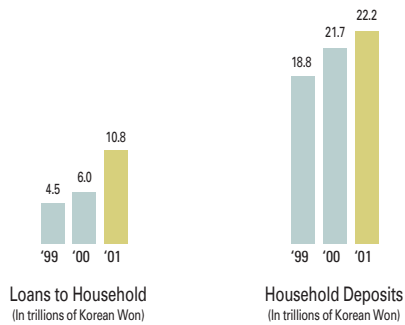
Credit Card business operations will focus on increasing the number of actual card users to bolster net revenue and income. We plan to encourage usage by expanding strategic alliances to increase the range of membership benefits and services. This will allow our line of credit cards to become a more attractive option to customers.

To increase profits from fees and commissions, we plan to sell more indirect investment products and tour packages as well as revamping our fees & commissions structure to explore new methods of generating profit.





The Credit Card Business Division, one of the Bank's fastest growing profit centers, achieved ₩2,628 billion in net sales in 2001



Jung-Tae Kim
Senior Executive Vice President & Group Head
Retail Banking Group

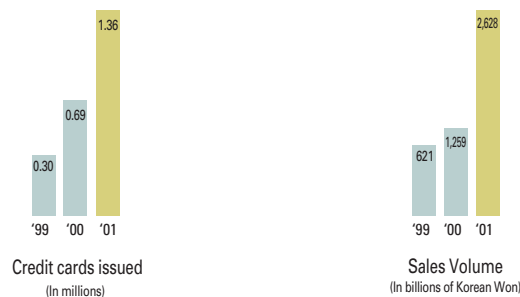


Joon-Ho Kim
Group Head
Private Banking Group

Credit Card Business Division

The Credit Card Business Division, one of the Bank's fastest growing profit centers, achieved ₩2,628 billion in net sales in 2001, up 109% year on year, while the number of credit cardholders surged 97% to reach 1.36 million. In order to deal with a potential increase in credit risk as the scale of operations expands, loan loss provision will be conducted stringently to protect against uncertainty. Also, an upgraded computerized information system and a newly developed scoring system are being adopted to enhance the effectiveness of CRM. Moreover, risk management will play an increasingly important role in raising the efficiency of the credit card business.

In the coming year, the Credit Card Business Division will also target Korea's wealthiest people and executives at the nation's leading companies. The Platinum Card and Success Club are being upgraded to accommodate the extensive needs of the social elite. Brand partnerships will also be developed with exclusive resort clubs, hotels, and other businesses that cater to the wealthy.



Corporate Banking Group

Through the efforts of the Corporate Banking Group in 2001, Hana Bank was able to gain recognition as the first Local Bank to issue ABS(₩150 billion), the largest issuer of CLOs(₩760 billion) as well as executing Structured Finance contracts amounting to ₩1.45 billion. The projected revenue from this highly profitable sector is expected to reach ₩1.5 billion for FY02.

Furthermore, we plan to expand our operations to include establishing financial information systems(mass merchandising/ financial management) to assist companies with their everyday business activities. Also, in cooperation with Hana Securities Co., Ltd, we will be involved in the issuing and underwriting of securities, project finance and providing advice on corporate restructuring in order to take full advantage of new opportunities in generating profit.

The SME Promotion Group is faced with the challenge of having to operate in a highly competitive market. Its main objective has been to increase market share without compromising profit margins or risk management. Despite having to operate under

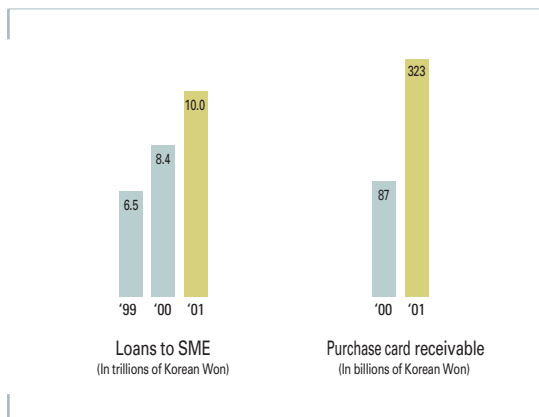
Premier Financial & Information services Network

these challenging conditions, the SME Promotion Group was able to consistently achieve sustained growth during the past few years. Total loans to SMEs managed to increase substantially from ₩6.5 trillion in FY99 to ₩8.4 trillion in FY00 and ₩10.0 trillion in FY01. When taking account this recent trend of explosive growth, the SME Promotion Group looks set to achieve this year's target of ₩13 trillion without much difficulty.

Hana's strategy has been to segment the market according to company size and to provide a specialized set of services that best fit the needs of companies in each segment.

With medium-sized companies, the goal has been to cement our position as the main transaction bank, while exploring alternative means of generating profit. We are achieving our initial objectives by tasking RMs to vigorously pursue relationship marketing, and a win-win partnering strategy to provide corporate clients with special management seminars and management consulting services in collaboration with external institutions. This effort has paid off, and the number of SMEs using Hana as their main banks almost doubled from 419 in 2000 to 804 in 2001.

And with small-sized companies, besides expanding marketing channels to assist in corporate financing activities, we are strengthening our system marketing and mass marketing efforts by adopting a simple yet effective means of classifying credit levels of potential borrowers as well as establishing online payment support systems.



Hoon-Kyu Kim
Senior Executive Vice President & Group Head
Corporate Banking Group



Hee-Dae Kim
Senior Executive Vice President & Group Head
Large Corporate Promotion Group

Investment Banking Group

The Investment Banking Group has pioneered investment banking in Korea and is providing domestic and international clients with top quality investment banking advisory and execution services. The recent consolidation with Hana Securities' Corporate Finance Group enables the Investment Banking Group to offer comprehensive solutions for our client from mergers and acquisitions to corporate restructuring, from debt financing to equity investments, and from securitization to IPOs. Solid research capabilities will support both Korean and international corporations, institutions, government organizations and individuals reach their financial objectives.

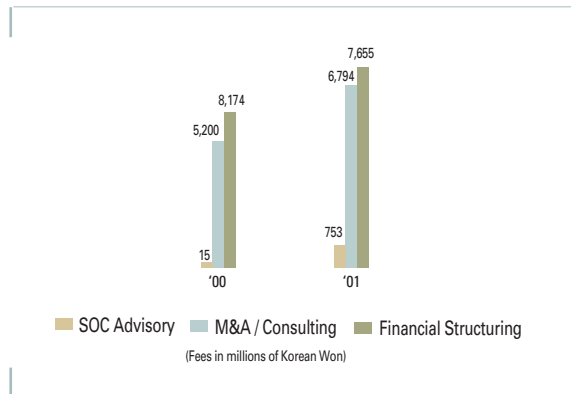
Corporate clients now, more than ever, need a broader range of banking products and services including direct access to the local and international debt and equity markets, corporate advisory services and support with mergers and acquisitions. Furthermore, the growing significance of institutional investors is also generating a broader range of investment products and risk management services.

The Investment Banking Group is accommodating these changing needs while maintaining its leadership position. In 2001 alone, M&A advisory services to both buy-side and sell-side clients represented a transaction value in excess of \$400 million, and syndication through non-recourse and limited resource project financing totaled more than \$800 million. The Group's Securities Division listed five companies on KOSDAQ and issued \$27 million worth of initial public offerings and \$650 million in corporate bonds during 2001. The Investment Banking Group ranked second in the industry for fixed income brokerage (\$172 billion) and fourth in terms of ABS underwriting (\$2.7 billion) for the year.



Various computerized systems are being utilized to enhance managerial effectiveness, and a state of the art risk management system is currently under development.

The Group's outstanding performance has earned wide acclaim in recent years, including "Best Domestic M&A House (Euromoney, 2000), "No.6 in project Financing in Asia" (The Asset, 2000), "Runner-up for Best LBO Deal" for Project Mercury (The Asset, 2000) and "Asia-Pacific Bank Top 5" (Project Finance International, 2001).



Francis W. Lee
Senior Executive Vice President & Group Head
Investment Banking Group

Treasury Division

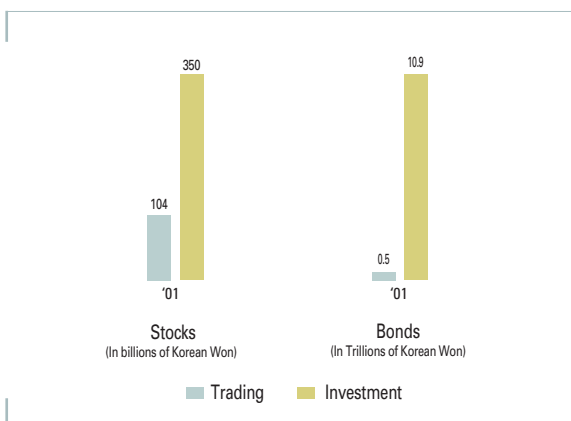
The major role of the Treasury division is planning and executing diverse financing transactions over both the short and long term. As new developments in both the domestic and international finance markets become ever more frequent and rapid, the division has recently been reorganized to respond to these rapid developments and market changes. These changes will also allow us to achieve our objectives of maintaining the bank's liquidity, sustained earnings growth and asset soundness.

The Division focused on investing in relatively stable bonds in order to counter the credit risk posed by sharp market swings during 2001. As a result, returns in exceeding the market average could be achieved despite the heavy emphasis on low risk assets.

The stock portfolio, meanwhile, was weighted towards blue chip issues, which showed high returns as the Korean stock market rebounded during the second half of the year. Relatively sound profits were also earned by the Division's foreign exchange dealing.

Interest rates are expected to rise across the board as the Korean economy recovers in 2002. In response, the bond portfolio structure will be carefully managed, and equity investments will receive more attention since the stock market is expected to be bullish throughout the year 2002.

Volatility is increasing in both domestic and international finance markets, prompting the Treasury Division to focus more on risk management. Various computerized systems are being utilized to enhance managerial effectiveness, and a state of the art risk management system is currently under development.



Chong-Suk Choi
Senior Executive Vice President & Division Head
Treasury Division

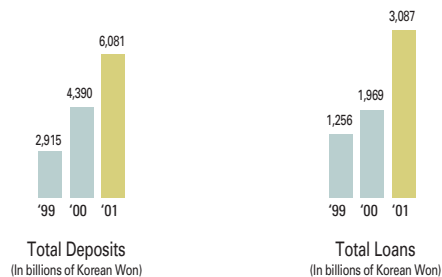
Premier Financial & Information services Network

The derivative products desk is being strengthened to enhance the hedging functions in the face of growing market volatility. By developing and providing derivative products that best accommodate customer needs, and by expanding the division's branch support function, we will further contribute to enhancing the bank's overall competitiveness and profitability.

Chungchong HanaBank

The Chungchong Hana Bank is based in the city of Daejeon and the surrounding North and South Chungchong Provinces. During its five years of operation, deposits and loans have grown around 50% a year on average. In 2001, deposits increased ₩170 billion year on year, while loans were up ₩1.1 trillion. This remarkable performance is due to the dedication of all employees to make Chungchong HanaBank the most productive regional bank in Korea. The retail banking and Private Banking units have been integrated successfully and the Bank's operations have focused on serving the needs of the local community. This approach has won the loyalty of local customers.

International events scheduled for 2002, including the World Cup matches in Daejeon and the 2002 Anmyeon Island International Flower Exhibition, are seen as excellent opportunities for stimulating new growth. Targets for the year are to bring total deposits up to ₩8.1 trillion and loans to ₩4.4 trillion, further solidifying the Bank's position in this regional market. The operational growth rates achieved over the past five years are expected to continue in 2002, and the Bank will remain a solid contributor to economic growth in the region.



Sung-Ho Choi
Senior Executive Vice President & Group Head
Chungchong Hanabank

Trust Business Division

The Trust Business Division is a leader in trust operations among domestic banks, responding quickly and flexibly to rapid changes occurring in the finance industry. The Division is composed of the Trust Account Treasury Team, which handles the traditional stocks and bonds, the Trust Risk Control Team, responsible for ensuring transparent and sound asset management and the Real Estate Banking Team.

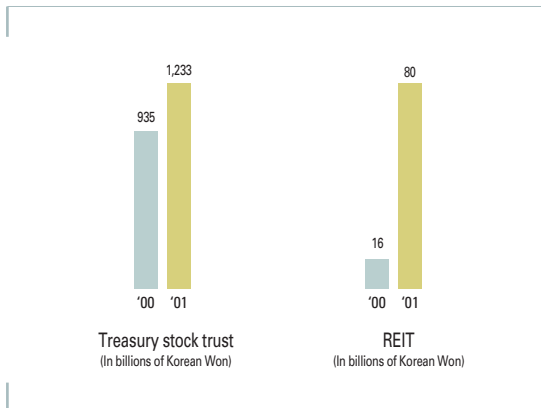
The Bank's strong marketing network is now being used to target private banking and corporate customers. Moreover, the portfolio is being restructured around mark-to-market funds, specified money trusts and the new cinema investment trusts, introduced in 2001 to support the development of the domestic movie industry.

In line with Hana Bank's goal of building a "premier financial and information services network," the Trust Business Division is planning to expand the trust-related business by fully utilizing this network. Real estate trusts are being bolstered and networks are being established to cover every aspect of the real estate business, from project feasibility studies, to development and asset management. Moreover, partnerships are being formed with specialized institutions to promote property trusts offering asset management services that cover real estate and investment securities.



Hana Bank has remained a leader in this business sector ever since launching an Internet banking service in July 2000

Meanwhile, existing profit center competencies are being strengthened and alliances are being made with world-class asset management firms to enhance product development and asset management expertise. As for specified money trusts, wrap accounts are being developed to optimize the portfolios of individual clients over the mid- and long term.



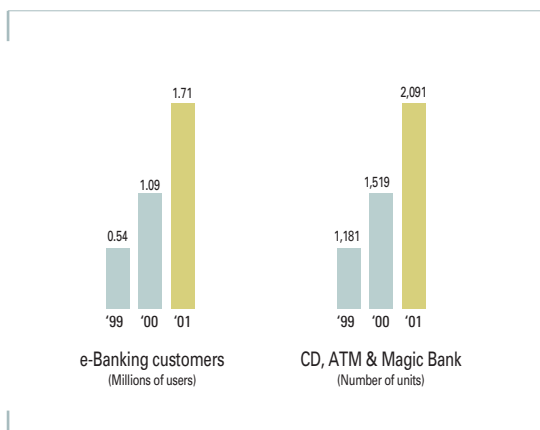
Hee-Won Shim
Senior Executive Vice President & Division Head
Trust Business Division

e-Commerce Business Division

Rapid information technology development and spreading Internet access have caused demand for online financial services to soar. Hana Bank has remained a leader in this business sector ever since launching an Internet banking service in July 2000. Since then, the Bank has continued to develop new products and services to accommodate diverse, ever-changing needs.

The retail Internet banking service (hanabank.com/ hanaib.com) provides personal finance management, real estate information, fund transfers, online loan access, and online payment of various taxes and public fees to 430,000 customers through its outstanding service. A separate banking site exclusively for corporate customers (hanacbs.com) was opened in September 2001, and 1,219 companies were online by year's end. The diverse services include multiple-stage approval, mobile approval, integrated account management, a Corporate Resource management System (as part of an ERP system for SMEs) and business information by e-mail.

The e-Commerce Business Division also offers customized services based on the analysis of individual asset holdings. Customers can now access financial data and carry out banking business via their cellular phones. Moreover, Hana Bank supports the settlement of B2B transactions via the Internet, purchasing cards, buyer credit or receivable note-backed loans. Finally, as a part of ongoing efforts to become the leader in achieving customer satisfaction, Hana Bank has opened an Internet Customer Care Center to deal with both product sales and customer complaints/suggestions.



In-Suk Park
Compliance Officer



Sung-Yoon Song
Senior Executive Vice President & Group Head
Business Support Group

Se-Woong Kim
Division Head
Information Technology Division

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MANAGEMENT DISCUSSION AND ANALYSIS

I. Overview

In 2001, Hana Bank's net income increased by 14.9 times year on year to reach an astounding ₩325 billion. This resulted in an increase in EPS by 19.8 times to reach ₩2,457. BPS also increased by ₩1,758 from the previous number to reach ₩13,200 (₩12,692 when taking into account stock dividends to shareholders). The dramatic rise in net income is attributable to increases in net interest income of ₩76.3 billion, net income from fees and commissions of ₩114.2 billion, and net income from trading and evaluation of ₩77.3 billion as well as the decrease in the provision for possible credit losses of ₩251 billion. During FY01, the Bank's top priorities were enhancing profit-generating capability, reducing volatility of recorded income and improving the overall quality of assets. In order to achieve these objectives, the Bank undertook measures such as expanding loans to households and SMEs to achieve a more balanced loan portfolio. Major efforts to bolster the credit card business and investment banking operations were also vigorously pursued to secure diverse channels of profit. As a result of these efforts, the Bank's improved loan portfolio breaks down as 28.6% to large corporations, 34.3% to SMEs and 37.1% to households (24.4%, 35.7, 39.9%, respectively for bank account only), thereby enhancing stability in generating operating income as well as decreasing the Bank's exposure risk. The number of credit cards accounts increased 97% year on year to reach 1.36 million, while net credit card sales totaled ₩2.7 trillion, 109% higher than in FY00. Furthermore, in order to strengthen investment banking, the Corporate Finance Group of Hana Securities and the Investment Banking Group of Hana Bank were merged into a single unit to enhance operational efficiency.

Also, the Bank actively pursued policies of both recovering and writing off NPLs to reduce the amount of its non-performing assets. In FY01, despite the negative impact on the Bank's asset quality due to the credit deterioration of Hyundai Engineering & Construction, Hynix Semiconductor and Ssangyong Cement, the Bank was able to lower the amount of its substandard and below credit by ₩937 billion to reach ₩782 billion, bringing the ratio to 2.39% by the end of FY01. These results were made possible by the Bank's efforts in selling ₩376.2 billion worth of NPLs, writing off an additional ₩712.1 billion and recovering a further ₩350 billion. The substandard and below credit ratio of 2.39% was one of the lowest registered by any Korean nationwide commercial bank for the year.

II. Summary of Business result

Net income for FY01 came to ₩325.3 billion, which was ₩304.8 billion (1,487%) higher than the figure for FY00. The following table presents a summary of income statements for the past five years.

Table 1) Statement of Income

For the years ended December 31, each year

In billions of Korean won

	1997	1998	1999	2000	2001
General Operating Income	210.2	471.6	775.7	800.6	1,057.1
Net Interest Income	162.6	412.2	523.0	693.6	769.9
Fees and Commission Income	67.5	41.6	208.9	144.3	258.5
Trading and Evaluation Income	-12.5	34.0	73.8	6.5	83.8
Others	-7.4	-16.2	-30.0	-43.8	-55.1
General and administrative expenses	-142.6	-167.8	-299.0	-340.6	-396.5
Pre-provisioning income	67.6	303.8	476.7	460.0	660.6
Provisions for possible credit losses	-15.5	-127.8	-395.7	-521.6	-270.2
Operating Income	52.1	176.0	81.0	-61.6	390.4
Net of non-operating Income	1.0	-46.2	131.2	78.9	86.3
Ordinary Income	53.1	129.8	212.2	17.3	476.7
Net of extraordinary Income	0.0	0.0	0.0	15.8	0.0
Income tax expenses	-9.6	-19.0	-67.9	-12.6	-151.4
Net Income	43.5	110.8	144.3	20.5	325.3
			CAGR of net income		65.37%

MANAGEMENT DISCUSSION AND ANALYSIS

The increase in general operating income which climbed ₩256.5 billion(an increase of 32%) year on year to reach ₩1.06 trillion in FY01 can be attributed to several factors. Net interest income rose by ₩76.3 billion due to an increase in interest-earning assets and an improved net interest spread. Net income from fees and commissions increased by ₩114.2 billion because of higher fee income from trust operation and expanding credit card operations. Moreover, trading and evaluation income, derived from trading securities, derivatives and foreign currency, rose by ₩77.3 billion.

Although G&A expenses increased 16.4% year on year to reach ₩396.5 billion, the cost-income ratio declined 5.03% from 42.54% in FY00 to 37.51% in FY01. This indicates that G&A expenses were managed more efficiently.

Loan loss provision was lowered to ₩270.2 billion, a ₩251.4 billion drop from the previous year. These results were achieved in the midst of the Bank's efforts to reduce non-performing assets. Measures included the sale and write-off of non-performing assets to the extent of ₩376.2 billion and ₩712.1 billion, respectively. Owing to these efforts, the substandard and below credit ratio was lowered by 3.21% year on year from 5.6% to just 2.39%. The coverage ratio for substandard and below credit was also up from 62.22% in FY00 to 63.85% in FY01.

The greatly improved operating performance in FY01 resulted in earnings before taxes of ₩476.7 billion, which is ₩443.6 billion higher than the ₩33.1 billion posted in the previous year. Corporate taxes were correspondingly up ₩138.8 billion to total ₩151.4 billion to bring the net income to ₩325.3 billion, a ₩304.8 billion increase from the previous year.

Table 2) Balance Sheet

As of December 31, each year

In billions of Korean won

	1997	1998	1999	2000	2001
Interest earning assets	10,191.4	14,991.6	28,441.9	37,384.7	40,349.9
Due from banks(note 1)	435.7	2,108.3	2,220.6	1,565.5	1,234.1
Securities	3,046.7	5,594.2	9,185.8	11,557.6	11,188.5
Loans(Net of provision)(note 2)	6,709.0	7,289.0	17,035.5	24,261.6	27,898.1
Others	0.0	0.0	0.0	0.0	29.3
Other revenue earning asset	161.3	119.0	640.7	801.4	1,609.9
Credit card receivable	109.5	78.0	118.4	440.4	1,003.5
Stock	51.7	41.1	522.3	360.9	606.4
Non-revenue earning asset	1,173.9	1,600.8	3,295.9	3,588.1	3,342.0
Total Assets	11,526.6	16,711.4	32,378.5	41,774.1	45,301.8
Interest bearing liabilities	10,291.0	14,476.4	29,254.2	38,337.1	41,483.2
Deposits	6,319.3	10,838.3	23,019.7	28,753.3	33,450.1
Borrowings(note 3)	3,118.4	2,924.0	4,941.7	7,005.8	4,863.0
Debentures	675.0	504.9	920.4	1,771.1	1,942.5
Others	178.3	209.1	372.3	806.9	1,227.5
Non-interest bearing liabilities	541.9	1,371.7	1,358.8	1,678.7	1,890.0
Shareholders' equity	693.6	863.3	1,765.6	1,758.4	1,928.7
Total liabilities & shareholders' equity	11,526.6	16,711.4	32,378.5	41,774.1	45,301.8
Revenue earning asset /interest bearing liability gap	61.6	634.2	-171.5	-151.0	476.7
Gap ratio(%)	0.60%	4.20%	-0.59%	-0.40%	1.14%
Leverage ratio(times)	16.6	19.4	18.3	23.8	23.5
				CAGR of total asset	40.80%

Note 1) Exclude Reserve deposits on BOK which is non-interest earning asset

Note 2) Interbank reconciliation funds are included in Non-revenue earning assets

Note 3) Interbank reconciliation funds are included in Non-interest bearing liabilities

MANAGEMENT DISCUSSION AND ANALYSIS

In 2001, Hana Bank recorded asset growth of 8.4%. The Bank realized double-digit growth rates for loans despite the fact that a large amount of outstanding loans were either written down due to restructuring of non-performing assets or written-off. The huge increase in the amount of household loans, which grew 97% year on year played a major role in overall loan growth. Deposits also increased by 16.3% from the previous year, leading to an appreciable expansion of our customer base. The net difference between revenue-earning assets and interest-bearing liabilities improved from negative ₩151 billion in FY00 to ₩467.7 billion in FY01. However, the difference between interest-earning assets and interest-bearing liabilities deteriorated from negative ₩952.4 billion to negative ₩1.133 trillion. This can be attributed to the fact that, as a result of expanding credit card operations, credit card receivables, which are classified as other revenue earning assets, increased as a percentage of total assets from 1.05% to 2.22%. The leverage ratio was maintained to last year's level.

III. General Operating Income

1. Net Interest Income

Net Interest Income

The Bank's net interest income totaled ₩769.9 billion in FY01, an 11% jump from the previous year. The following table shows interest revenue and interest expenses:

Table 3) Interest Revenue and Expenses

For the years ended December 31, each year

In billions of Korean won

	1997	1998	1999	2000	2001
Interest revenue	913.7	1,801.7	2,276.7	2,954.8	2,890.6
Interest revenue on due from banks	50.2	89.1	184.9	145.3	86.7
Interest revenue on securities	238.4	468.9	692.3	937.6	788.0
Interest revenue on loans	625.1	1,214.3	1,369.9	1,851.0	1,996.5
Others	0.0	29.4	29.6	20.9	19.4
Interest expenses	751.1	1,389.5	1,753.7	2,261.2	2,120.7
Interest expense on deposits	433.3	874.9	1,269.9	1,622.6	1,562.2
Interest expense on borrowings	276.7	398.7	351.8	467.0	377.2
Interest expense on debentures	29.1	57.7	87.3	142.2	159.9
Others	12.0	58.2	44.7	29.4	21.4
Net Interest Income	162.6	412.2	523.0	693.6	769.9
			CAGR of NII		47.51%

The steady downward movement of market interest rates during FY01 had a fundamental impact on the Bank's interest revenue, which dropped 2.7% year on year to reach ₩2.89 trillion. Notably, this was not due to a decrease in the Bank's earning potential.

Interest-earning assets, the backbone of the Bank's interest income and earning potential, increased 12% during FY01 to ₩36.7 trillion. As such, the Bank's earning potential has continued to achieve solid growth. However, the general slowdown in the Korean economy kept market interest rates on a downward trend. Consequently, the rate that the Bank realized on its interest earning assets was 7.87%, down 1.1% from the 9.02% rate of FY00. As a result, overall interest revenue was lower for the year.

The lower market interest rates also had an effect on interest expenses, which dropped 6.21% year on year to total ₩2.12 trillion. Interest-bearing liabilities increased 14.2% to ₩37.2 trillion, but the funding rate decreased 1.24% from 6.95% in FY00 to 5.71% in FY01.

MANAGEMENT DISCUSSION AND ANALYSIS

Funding and Usage

The following table analyzes the efficiency of the asset and liability structure:

Table 4) Average Balance of Funding and Usage

For the years ended December 31, each year

In billions of Korean won

	1997	1998	1999	2000	2001
Interest earning assets	7,379.1	12,131.3	23,835.0	32,764.4	36,710.1
Due from banks	449.5	1,048.7	2,665.7	1,800.8	1,440.2
Securities	1,883.9	3,532.5	6,852.9	10,627.5	11,059.0
Loans(Net of provision)	5,045.7	7,550.1	14,316.4	20,336.1	24,172.4
Others	0.0	0.0	0.0	0.0	38.5
Other revenue earning asset	225.2	165.3	425.3	715.7	1,178.1
Credit card receivable	93.8	99.6	117.2	262.3	722.4
Stock	131.4	65.7	308.0	453.5	455.6
Non-revenue earning asset	601.1	1,162.7	1,860.5	2,205.1	2,692.5
Total Assets	8,205.3	13,459.3	26,120.8	35,685.2	40,580.7
Interest bearing liabilities	7,299.5	11,971.6	23,406.1	32,554.8	37,171.0
Deposits	4,468.2	7,802.8	17,145.6	24,166.5	28,319.1
Borrowings	2,430.4	3,303.5	5,077.4	6,736.0	6,763.9
Debentures	339.2	619.5	948.8	1,401.2	1,772.9
Others	61.7	245.8	234.3	251.1	315.0
Non-interest earning liabilities	162.6	511.8	963.1	1,369.4	1,562.0
Shareholders' equity	743.2	975.9	1,751.6	1,761.0	1,847.8
Total liabilities & shareholders' equity	8,205.3	13,459.3	26,120.8	35,685.2	40,580.7
Revenue earning asset / interest bearing liability gap	304.7	325.0	854.2	925.3	717.2
Gap ratio(%)	3.71%	2.41%	3.27%	2.59%	1.77%
Leverage ratio(Times)	11.04	13.79	14.91	20.26	21.96

* Based on daily average balance

Note 1) Exclude Reserve deposits on BOK which is non-interest earning asset

Note 2) Interbank reconciliation funds are included in Non-revenue earning assets

Note 3) Interbank reconciliation funds are included in Non-interest bearing liabilities

A look at the fund management structure reveals that the ratio of interest-earning assets to total assets declined slightly by 1.36% to stand at 90.46% in FY01. Growth in the credit card business drove Other revenue-earning assets up 0.89% and Non-revenue earning assets up 0.45 % respectively. The composition of interest-earning assets also changed slightly in favor of loans. This reallocation was carried out in accordance with the Bank's strategy to build a portfolio more heavily weighted toward loan assets, which provide relatively higher rates of return. Of course, the decrease of securities and due from banks has necessitated greater emphasis on liquidity management. However, since the nation's financial crisis, the Bank has continued to install various systems and programs for managing liquidity and market risk, thereby enabling more effective liquidity control. As a result of the Bank's asset management strategy, loans accounted for 65.85% of all interest-earning assets, an increase of 3.78% year on year. Securities made up 30.13% of the interest-earning asset mix, down 2.31% from the previous year, and due from banks also dropped 1.58% points to 3.92% of the total.

As for the composition of overall funding, interest-bearing liabilities represented 91.60% of total liabilities and shareholder's equity, a slight increase from the 91.23% figure recorded in FY00. Bank deposits made up 76.19% of the interest-bearing liabilities, an increase of 1.96% from the previous year. Borrowings, on the other hand, were down slightly at 18.2% of interest bearing funding.

The increase in loans to SMEs during FY01 allowed for a greater reliance on borrowings from the Bank of Korea amounting to ₩1.0 trillion, compared with ₩489.4 billion for the previous year. The borrowings from the BOK are a source of low-cost funding with an interest rate of just 2.5% and have been used for loans to SMEs. The Bank's fund-raising and asset management strategy in FY01 resulted in a revenue earning asset to interest-bearing liability gap of ₩717 billion, or 1.77%, a decrease from the previous year. The asset-to-equity leverage ratio, meanwhile, increased slightly to 21.96 times.

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Loan-to-deposit Ratio and Loan-to-deposit Spread

The following table shows the composition of loans and deposits:

Table 5) Loans and Deposits based on average balance

For the years ended December 31, each year

In billions of Korean won

	1997	1998	1999	2000	2001
General loans	4,783.1	7,084.1	14,286.8	20,134.1	23,918.5
Won currency	3,871.0	5,709.7	11,920.2	17,840.5	21,887.9
Loans	2,889.7	3,990.7	8,250.9	12,946.0	17,538.1
Loans to corporate	2,268.7	3,167.2	6,202.1	8,287.5	9,746.5
Loans to householder	549.4	656.6	1,854.5	4,067.3	7,320.4
Loans to public enterprise	71.6	132.3	194.4	591.1	471.2
Notes bought	758.0	781.2	1,755.7	2,549.8	2,209.5
Advances for customers	9.5	39.0	179.7	181.8	105.5
Privately placed bonds	213.8	933.3	1,733.9	2,162.9	2,034.8
Foreign currency	912.1	1,374.4	2,366.6	2,293.6	2,030.6
Loans	476.4	689.8	1,281.4	968.6	1,167.9
Bills bought	435.7	684.6	1,052.9	1,302.8	862.7
Privately placed bonds	0.0	0.0	32.3	22.2	0.0
Loans for liquidity	342.2	545.0	435.7	780.9	832.4
Won currency	290.9	458.5	302.8	637.6	744.2
Call loans	206.8	39.5	245.9	442.0	687.4
Bond purchased under RP	84.1	419.0	56.9	195.6	56.8
Foreign currency	51.3	86.5	132.9	143.3	88.2
Call loans	51.3	86.5	132.9	143.3	88.2
Allowance for possible loan losses	-79.7	-113.7	-406.1	-578.8	-578.4
Total Loans	5,045.6	7,515.4	14,316.5	20,336.1	24,172.6
Deposits in won currency	4,427.3	6,930.4	16,301.7	23,495.8	27,148.7
Demand deposits	210.9	347.4	679.5	803.2	924.2
Saving deposits	700.1	949.5	2,638.9	4,582.0	4,910.1
Time deposits	904.8	3,289.5	9,872.9	14,781.3	17,512.1
Installment deposits	314.1	275.4	776.5	1,129.9	1,238.6
Mutual installment deposits	1,047.8	641.2	672.2	576.1	855.9
Certificates of deposits	1,249.6	1,427.4	1,661.7	1,623.3	1,707.8
Deposits in foreign currency	41.0	872.4	843.9	670.8	1,170.5
Total Deposits	4,468.3	7,802.8	17,145.6	24,166.6	28,319.2
Loan to Deposit Ratio	112.9%	96.3%	83.5%	84.1%	85.4%

* Based on daily average balance

Loans were up 18.9% year on year to reach ₩24.1 trillion in FY01. General loans totaled ₩23.9 trillion, 18.79% higher than in the previous year. Call loans, bonds purchased under repurchase agreements and other loans used for liquidity control came to ₩830 billion, an increase of 6.59% over FY00. In FY01, general loans represented about the same portion of total loans as in the previous term, increasing a mere 0.37%. The ratio of loans used for liquidity control to total loans, which stood at 6.8% in 1997 and 7.3% in 1998 due to the liquidity crunch, was down by 3.8% and 3.4% in FY00 and in FY01, respectively.

Won-denominated loans comprised 73.3% of all loans, 9.0% higher than in FY00. Importantly, 41.7% of these won-denominated loans went to households, 10.3% more than in the previous year. Loans to corporations, meanwhile, dropped 8.4% year on year.

Deposits in Won currency made up a slightly smaller portion of total deposits in FY01 than in the previous year. Foreign currency restrictions have eased considerably since the Korean financial crisis, and the private sector is now allowed to maintain foreign currency accounts. Subsequently, demand for foreign currency in the corporate sector has increased as companies require sufficient levels of foreign currency to hedge against fluctuating exchange

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rates. Faced with this new surge in demand, the Bank has actively sought to attract new foreign currency deposit accounts. A closer look at the Won-denominated deposits reveals that low-interest deposits such as demand and savings accounts increased ₩449.1 billion in FY01, expanding the Bank's low cost funding base. Time deposits, a stable source of funds for the Bank, also rose ₩2.7 trillion year on year.

Table 6) Loan to Deposit Spread

For the years ended December 31, each year

	1997	1998	1999	2000	2001
General loans	12.09%	15.54%	9.43%	8.95%	8.18%
Won currency	12.89%	16.61%	9.68%	8.99%	8.34%
Loans	12.45%	15.82%	10.19%	9.16%	8.24%
Loans to corporate	12.51%	16.06%	9.94%	8.85%	8.07%
Loans to householder	12.52%	15.75%	11.42%	9.97%	8.53%
Loans to public enterprise	9.83%	10.40%	6.41%	8.07%	7.38%
Notes bought	17.08%	18.10%	8.53%	7.69%	7.54%
Advances for customers	10.53%	9.74%	5.68%	3.80%	3.89%
Privately placed bonds	4.12%	18.99%	8.81%	9.94%	10.26%
Foreign currency	8.71%	11.07%	8.19%	8.66%	6.43%
Loans	8.27%	8.00%	6.86%	7.87%	5.73%
Bills bought	9.18%	14.17%	9.82%	9.28%	7.38%
Privately placed bonds	n.a.	n.a.	8.05%	7.21%	n.a.
Loans for liquidity control	13.62%	19.85%	5.07%	6.16%	4.91%
Won currency	14.44%	22.01%	4.95%	6.09%	4.96%
Call loans	14.56%	13.67%	4.84%	5.77%	4.92%
Bond purchased under RP	14.15%	22.79%	5.45%	6.80%	5.46%
Foreign currency	8.97%	8.44%	5.34%	6.49%	4.54%
Call loans	8.97%	8.44%	5.34%	6.49%	4.54%
Total	12.39%	16.08%	9.57%	9.10%	8.26%
Deposits in won currency	9.74%	11.74%	7.51%	6.74%	5.59%
Demand deposits	0.24%	0.43%	0.46%	0.44%	0.43%
Saving deposits	6.24%	7.18%	3.85%	3.76%	2.69%
Time deposits	10.59%	13.47%	8.66%	7.63%	6.21%
Installment deposits	8.85%	8.21%	9.58%	9.16%	8.95%
Mutual installment deposits	10.32%	10.34%	10.22%	8.45%	7.27%
Certificates of deposits	12.43%	14.85%	7.28%	7.89%	7.09%
Deposits in foreign currency	4.88%	7.03%	5.47%	5.84%	3.84%
Total Deposits	9.70%	11.21%	7.41%	6.71%	5.52%
Loan to Deposit Spread	2.69%	4.87%	2.16%	2.39%	2.74%

Turning to the loan-to-deposit spread, interest rates for both loans and deposits dropped with the steady downward trend in market rates during FY01. The Bank's average interest rate on loans dropped 0.84% to 8.26%. General loans received 8.18% in interest, down 0.77% from the previous year, while the interest rate on loans used for liquidity control dropped 1.25% to 4.91%.

The average interest rate on deposits dropped 1.19% to 5.52%, as the Bank strove to maintain higher net interest spreads in the midst of falling market rates. The interest rate for time deposits, which represent the largest segment of the Bank's total deposits, decreased 1.42% to 6.21%.

The changes in loan and deposit interest rates increased the loan-to-deposit spread 0.35% to 2.74%.

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Net Interest Spread and Net Interest Margin

The following table details the net interest spread and net interest margin.

Table 7) Net Interest Spread and Net Interest Margin

For the years ended December 31, each year

	1997	1998	1999	2000	2001
Interest earning assets	12.38%	14.85%	9.55%	9.02%	7.87%
Due from banks	11.17%	8.50%	6.94%	8.07%	6.02%
Securities	12.65%	13.27%	10.10%	8.82%	7.13%
Loans	12.39%	16.08%	9.57%	9.10%	8.26%
Interest bearing liabilities	10.29%	11.61%	7.49%	6.95%	5.71%
Deposits	9.70%	11.21%	7.41%	6.71%	5.52%
Borrowings	11.38%	12.07%	6.93%	6.93%	5.58%
Debentures	8.58%	9.31%	9.20%	10.15%	9.02%
Others	19.45%	23.68%	19.08%	11.71%	6.79%
Net Interest Spread	2.09%	3.25%	2.06%	2.07%	2.17%
Net Interest Margin	2.20%	3.40%	2.19%	2.12%	2.10%

The Bank's NIS increased 0.1% to reach 2.17% which marks an increase for the second consecutive year. This increase is partly attributable to Hana's efforts in attracting low interest-bearing deposits to obtain low-cost funding. The increase also reflects Hana's effective loan pricing, which appropriately reflects embedded risk levels. The variance of interest rates on loans and deposits also widened to 2.74% in FY01 from 2.39% in FY00.

However, due to an overall decline in market interest rates, the Securities to total funding spread decreased 0.45% from 1.87% to 1.42% by year's end. Despite these challenging market conditions, the bank recorded ₩118.2 billion in profits due to trading and capital gains from investment securities. These results are further explained in the following sections.

As for NIM, which is presented in table 7), according to Korean GAAP, the Bank recorded a marginal decrease from the previous year's level. While the NIS actually increased year on year, NIM fell due to a net decrease of ₩670.5 billion in the gap between interest-earning assets and interest-bearing liabilities in FY01, to a negative gap of ₩460.9 billion in FY01 from a positive gap of ₩209.6 billion for FY00. Expanding credit card operations for the year caused an increase in the average balance of credit card receivables thereby diminishing the relative amount of interest-earning assets included in total assets, due to its exclusion under Korean GAAP. However, when considering the sizeable increase in income from credit card related fees and commissions, we can conclude that the overall financial standing of Hana Bank has actually improved. The following table explains the different estimations of NIM when applying the FSS standard and Korean GAAP respectively.

Table 8) Reconciliation of NIM between FSS guideline and Korean GAAP

For the years ended December 31, each year

In billions of Korean won

	1997	1998	1999	2000	2001
NIM under Korean GAAP	2.20%	3.40%	2.19%	2.12%	2.10%
Net interest income	162.6	412.2	523.0	693.6	769.9
Interest earning assets	7,379.1	12,131.3	23,835.0	32,764.4	36,710.1
Adjustment					
Interest earning assets adjustment	189.2	256.5	425.4	653.0	721.5
Credit card receivable	93.8	99.6	117.2	262.3	722.4
Others	95.4	156.9	308.2	390.7	-0.9
Interest income adjustment	10.7	11.0	1.3	-1.0	33.0
Income from credit card operation	18.3	22.4	28.1	47.2	88.8
Deposit insurance fee	-0.6	-4.1	-9.1	-18.6	-24.4
Contribution to credit guarantee fee	-8.9	-12.2	-23.9	-33.1	-35.5
Others	1.9	4.9	6.2	3.5	4.1
NIM under FSS guideline	2.29%	3.42%	2.16%	2.07%	2.14%
Net interest income	173.3	423.2	524.3	692.6	802.9
Interest earning assets	7,568.3	12,387.7	24,260.5	33,417.3	37,431.7

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2. Fees and Commission Income

Trends of Fees and Commission Income

Fees and commission income, which are part of general operating income, totaled ₩258.5 billion in FY01, up 79.14% year on year. Table 9 below shows that this increase was due in large part to a ₩41.6 billion increase in credit card fees and ₩79.4 billion increase in income from trust operations. The fee and commission income to general operating income ratio increased by 6.5% to reach 24.5%.

Here is a more detailed look:

Table 9) Fees and commission

For the years ended December 31, each year

In billions of Korean won

	1997	1998	1999	2000	2001
Fees from credit card operation	18.3	22.4	28.1	47.2	88.8
Fees from Guarantees & Acceptance	12.8	14.2	14.3	9.0	8.6
Other fee income in won currency	3.0	4.1	14.7	31.2	25.7
Other fee income in foreign currency	7.1	10.3	13.2	24.0	23.3
Fee income from Trust operation	26.4	-9.5	138.6	32.8	112.2
Total fee income	67.5	41.6	208.9	144.3	258.5
Fee income / General operating income	32.1%	8.8%	26.9%	18.0%	24.5%

Credit Card Business Operation

Net credit card fees increased 85.5% year on year to total ₩71.4 billion. Table 10 breaks down this total:

Table 10) Fee income from credit card operation

For the years ended December 31, each year

In billions of Korean won

	1997	1998	1999	2000	2001
Daily average Credit Card Receivable	93.8	99.6	116.4	175.3	399.4
Credit card receivable	31.1	38.1	52.1	101.0	244.5
Cash advance	23.0	21.9	23.7	39.3	103.3
Credit card loan	39.7	39.6	40.6	34.9	51.6
Others	0.1	0.1	0.0	0.0	0.1
Net fee income from credit card operation	18.3	22.4	28.1	38.5	71.4
Fee revenue	19.8	25.7	36.7	55.6	112.0
Revenue from credit card receivable	7.4	10.5	20.2	26.4	55.3
Revenue from cash advance	5.2	6.2	6.9	12.0	25.9
Revenue from credit card loans	5.2	7.2	6.6	4.5	5.9
Other revenue	2.0	1.9	3.0	12.8	24.9
Fee expenses	1.5	3.3	8.7	17.1	40.5
Return on credit card receivable	19.5%	22.5%	24.1%	22.0%	17.9%

Fee revenue from credit card operations in FY01 came to ₩112 billion, 101% higher than in the previous term. A surge in credit card sales drove revenue from credit card receivables up 109.57% to ₩55.3 billion. Greater use of the cash advance service brought related revenue up 115.8% to total ₩25.9 billion. Credit card fee expenses were also 136.8% higher in FY01. This increase was due to greater marketing outlays to promote the credit card business. Although marketing expenses are projected to steadily increase until FY02, they are expected to stabilize once Hana Bank establishes a solid market presence after FY03. In the meantime, due to increased competition within the credit card industry, yields on credit card receivables have decreased slightly to 17.89%.

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Table 11) Credit Card Operation Data

As of December 31, each year

In billions of Korean won

	1997	1998	1999	2000	2001
Number of credit card issued	224,585	144,045	304,873	689,722	1,355,946
Household	218,842	139,209	289,849	664,238	1,270,654
Corporate	5,743	4,836	15,024	25,484	85,292
Sales volume	230.0	277.5	620.5	1,259.5	2,628.2
Number of Merchant	28,096	17,252	44,086	54,428	71,694
Overdue ratio	3.83%	1.77%	1.11%	1.39%	2.10%

Expansion of credit card operations was a managerial priority during FY01, and the number of credit cards in issuance surged 96.6% to reach 1,355,946 by the end of the year. Credit card transaction volume was also up a healthy 108.7% year on year to ₩2.6 trillion. Importantly, the delinquency ratio remained around 2% despite the rapid growth in cardholders. This was one of the lowest figures for any Korean bank.

Recent rapid growth in the credit card business and household loan market has raised concerns over potential defaults in the retail sector. Hana Bank, too, is very cautious about its exposure to credit card debt and household loans.

To date, the Bank's credit review processes reveal that indications of potential default on retail loans remain marginal. Even in the event that defaults begin to occur, Hana Bank's credit card credit portfolio can still be considered sounder than that of its competitors.

Credit card receivables can be broken down into general purchases on credit(61.2%), cash advances(25.9%) and card loans(12.9%). In general, credit ratings of cardholders that require cash advances are worse than others. Given that Hana's competitors extend a greater proportion of this type of credit, it is clear that the quality of the Bank's credit card receivables is superior.

Table 12) Fee income from purchase card operation

Here is a breakdown of the purchase card operation:

As of December 31, each year

In billions of Korean won

	1999	2000	2001
Purchase card receivable	0.8	87.0	323.0
Fee income from purchase card operation	0.0	8.7	17.3
Revenue from purchase card receivable	0.0	8.7	18.0
Fee expenses related to purchase card	0.0	0.0	0.7
Return on credit card receivable	1.53%	9.97%	5.36%
Number of purchase card customers - Main contractor	15	87	202
Number of purchase card customers - Main contractor+Sub contractor	882	15,297	45,645

The Bank introduced purchase cards in 1999, and they are seen to be the replacement for the promissory note system currently in place. The nominal rate of return on purchase card receivables is lower than that for other products handled by the Bank. However, by encouraging customers to use the purchase card as their main settlement instrument, the Bank has been able to increase its access to low cost deposits held by purchase card contractors and subcontractors. Revenues from overall transactions with these clients has been higher than revenues gained from other businesses.

In 1998, the Bank's purchase card operation involved 15 main contractors and 882 sub-contractors, but 202 main contractors and 45,645 sub-contractors were using this service in 2001. This skyrocketing growth has led to a total purchase card receivable of ₩323 billion.

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Trust Business

Net income from trust operations totaled ₩112.2 billion in FY01, 79.4 billion more than in the previous term. Performance results are detailed in Table 13 below:

Table 13) Fee income from trust operation

For the years ended December 31, each year

In billions of Korean won

	1997	1998	1999	2000	2001
Fees from trust operation	43.9	47.1	171.6	163.0	111.4
Losses from trust operation	-42.1	-87.3	-42.9	-133.7	0.0
Fees on early termination of trust account	24.5	30.7	10.0	3.5	0.8
Fee income from trust business operation	26.4	-9.5	138.6	32.8	112.2
Average Trust balance	10,277.4	9,975.6	14,235.7	12,249.7	9,319.7
Trust management fee ratio	0.26%	-0.09%	0.97%	0.27%	1.20%

Fees from trust operations were down ₩51.6 billion to ₩111.4 billion due to a decrease of trust deposits. The slumping Korean stock market since 1999 and the bankruptcy of the Daewoo Group forced investors to concentrate more on safety rather than profitability. Consequently, depositors moved their capital from trust accounts to bank accounts. In addition, the prohibition to the sale of cost method accounting trusts, which generate relatively high trust management fees, by the FSS led to a drop in return on trust accounts.

The prohibition of new cash flow to cost-method trust accounts may have lowered income from trust operation, but the risk inherent in managing the cost-method trust accounts was reduced as well. This caused losses from trust operation to drop ₩133.7 billion year on year. The liquidation of interest and principle guaranteed trusts eliminated all factors that generate losses from trust operations.

As a result, income from trust business operations increased by ₩79.4 billion to reach ₩112.2 billion in FY01. Total trust management fee rate rose 0.93% to 1.2% for the year.

Table 14) Loan receivables classification and allowance in trust account

As of December 31, each year

In billions of Korean won

	1997	1998	1999	2000	2001
Normal	7,682.6	5,106.5	6,024.1	3,402.4	2,361.9
Precautionary	463.0	1,119.6	804.3	185.5	62.9
Substandard	79.8	216.1	775.6	235.7	55.9
Doubtful	74.3	58.9	44.0	71.9	32.4
Estimated Loss	0.7	1.4	54.9	22.0	33.0
Total credits	8,300.4	6,502.5	7,702.9	3,917.5	2,546.1
Allowance for valuation of Receivables	14.9	117.1	327.2	165.2	47.5
Provision for allowance	10.4	116.1	108.6	38.1	-9.9
Asset soundness ratio					
Precautionary and below ratio	7.44%	21.47%	21.79%	13.15%	7.23%
Substandard and below credit ratio	1.86%	4.25%	11.35%	8.41%	4.76%
Coverage ratio against substandard and below	9.60%	42.36%	37.41%	50.12%	39.16%
Provision/Total Credits	0.12%	1.79%	1.41%	0.97%	-0.39%

Turning to the asset quality of trust account loans which are also included in total credit under FSS guidelines, trust products belong to one of three general classifications: principle & interest guaranteed trusts, principle guaranteed trusts, and non-guaranteed trusts. The Financial Supervisory Service has prohibited the formation of any new principle & interest guaranteed trusts or principle guaranteed trusts. In the future, the only form of trust product allowed will be non-guaranteed trusts which operate based on the performance of the trust fund.

With the non-guaranteed and performance based trust, the Bank does not bear any liability even when losses on principle of the trust fund are incurred. In other words, the burden of losses is shifted to the investor. In the future, trust accounts will be completely sound, with no negative effect on the Bank's profitability. However, the current liquidation of principle & interest guaranteed trusts could contribute to some losses in the short term.

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The quality of the trust loans has improved, from 8.41% in FY00 to 4.76% in FY01 in terms of substandard and below credit ratio, and from 13.15% in FY00 to 7.23% in FY01 in terms of precautionary and below credit ratio.

However, the allowance coverage ratio against substandard and below credits also went down 10.96% to 39.16% as a result of huge write-offs and sell-offs of bad assets. The process of liquidating assets rated doubtful and below required the Bank to reduce the allowance.

Other fee income

Hana Bank's continued efforts to diversify revenue sources in FY01 elevated fee income 64.3% year on year to ₩66.7 billion. However, fee expenses also rose ₩31.7 billion to ₩41.0 billion. In order to promote household loans, the Bank has exempted customers from paying collateral perfection fees and introduced larger commissions to loan brokers, thereby increasing related marketing expenses. On the other hand, marketing expenses that have risen along with the growth in household loans are expected to subside in FY02 as the bank achieves a better balance in the overall loan portfolio.

Table 15) Other fee income in won currency

For the years ended December 31, each year

In billions of Korean won

	1997	1998	1999	2000	2001
Other fee revenue in won currency	4.9	8.0	24.7	40.6	66.7
Fees from M&A advisory service	0.0	0.0	5.2	4.1	6.1
Fees from syndicate coordination service	0.0	0.0	5.4	10.5	10.3
Fees from CLO operation	0.0	0.0	0.0	0.0	6.4
Fees on allied service	0.0	0.0	0.0	0.8	4.0
Fees received as Agency	0.0	0.0	1.4	3.2	3.3
Fees from ABS operation	0.0	0.0	0.0	3.4	4.5
Fees related loan product	0.0	0.0	0.6	0.5	7.4
Fees on remittance service	3.0	3.9	7.4	8.9	11.2
Fees on CD and ATM	0.9	1.2	3.3	5.8	8.3
Others	1.1	2.9	1.5	3.3	5.2
Fee expenses in won currency	-1.9	-3.8	-10.0	-9.3	-41.0
Fee expenses related to promoting household loan	0.0	0.0	0.0	-0.4	-29.1
Others	-1.9	-3.8	-10.0	-8.9	-11.9
Net of other fee income in won currency	3.0	4.1	14.7	31.2	25.7

Fee income from collateralized loan obligations is a new fee revenue source introduced in FY01. The business generated ₩6.4 billion in revenue during its first year of operation. The Bank has also worked hard to develop fee income from merger and acquisition advisory services over the past three years, and this effort paid off in FY01 with ₩6.1 billion in net revenue. Service fees for coordinating syndicated loans came to ₩10.3 billion.

The Bank has also worked to create new revenue from various loan-related fees. Loan product-related fees jumped ₩6.9 billion year on year to reach ₩7.4 billion. Fees from money transfers and CD/ATM use were also up 25.8% and 43.1%, to total ₩11.2 billion and ₩8.3 billion, respectively.

Refer to table 15 for details on fees from CLO, M&A advisory and syndicated loan coordination services.

MANAGEMENT DISCUSSION AND ANALYSIS

Table 16) New fee income source

For the years ended December 31, each year

In billions of Korean won

	1999	2000	2001
CLO			
Number of Deals	0	0	5
Deal Amount	0.0	0.0	800.0
Fee income	0.0	0.0	6.4
M&A advisory service			
Number of Deals	4	1	3
Deal Amount	1,287.6	173.1	418.5
Fee income	5.2	4.1	6.1
Syndicate loan coordinate service			
Number of Deals	3.0	4.0	9.0
Deal Amount	440.0	1,215.0	1,069.6
Fee income	5.1	9.1	10.3
Interest Income	0.3	1.4	1.4

The amount of foreign currency-denominated fees received fell slightly year on year to ₩23.3 billion because of the reduction in import and export activities during FY01. Fee income related to letters of credit was down ₩5.2 billion to ₩19 billion, but other fee revenue in foreign currency increased by ₩4.6 billion to reach ₩10.8 billion.

Details of other fee income in foreign currency can be found in the following table:

Table 17) Other fee income in foreign currency

For the years ended December 31, each year

In billions of Korean won

	1997	1998	1999	2000	2001
Other fee revenue in foreign currency	8.5	13.0	20.4	30.4	29.8
Fee income related to L/C	6.6	10.8	15.5	24.2	19.0
Others	1.9	2.2	4.8	6.2	10.8
Fee expenses in foreign currency	-1.4	-2.7	-7.2	-6.4	-6.6
Net of other fee income in won currency	7.1	10.3	13.2	24.0	23.3

3. Income from trading and evaluation

The following section examines trading income related to trading instruments such as stocks, bonds derivatives, and foreign exchange. The improving Korean stock market brought ₩39.5 billion in income from disposition and evaluation of trading stocks. The Bank has not considered stock trading as a mainstay business and has adopted a conservative approach to its trading activities. In the future, trading of stock will be managed tightly to minimize the effect on the overall income of the Bank.

The income figures for trading bonds, derivatives, and foreign exchange have not changed materially from the previous year. Details can be found in Table 18.

Table 18) Income from trading and evaluation

As of December 31, each year

In billions of Korean won

	1997	1998	1999	2000	2001
Income from trading stocks	-45.3	14.4	54.3	-39.2	39.5
Income from trading bonds	8.6	-15.5	-7.6	11.7	8.7
Income from Derivatives	4.7	0.2	0.5	19.1	21.2
Income from Foreign exchange trading	19.6	34.9	26.5	14.9	14.5
Total	-12.5	34.0	73.8	6.5	83.8

MANAGEMENT DISCUSSION AND ANALYSIS

4. Other general operating income

Table 19) Other general operating income

For the years ended December 31, each year

In billions of Korean won

	1997	1998	1999	2000	2001
Deposit insurance fee	-0.6	-4.1	-9.1	-18.6	-24.4
Average deposits	4,427.3	6,930.4	16,301.7	23,495.8	27,148.7
Insurance fee rate	0.01%	0.06%	0.06%	0.08%	0.09%
Contribution to Credit Guarantee Fund	-8.9	-12.2	-23.9	-33.1	-35.5
Average loan receivable to corporate	4,233.7	6,427.5	12,432.3	16,066.8	16,598.1
Contribution rate	0.21%	0.19%	0.19%	0.21%	0.21%
Other general operating income	2.1	0.1	3.0	7.9	4.8
Net of other general operating income	-7.4	-16.2	-30.0	-43.8	-55.1

Table 19 lists deposit insurance fees and contributions to the credit guarantee fund as part of other general operating income. Korean law requires Banks to pay for insurance to protect depositors. Hana Bank's growing deposit portfolio will increase the insurance expense proportionately. Currently, the average deposit insurance fee applied in Korea is 0.1%.

Korean law dictates that banks contribute 0.3% of corporate loans to the credit guarantee fund. The growth in the Bank's corporate financing loans will increase the amount paid.

IV. General and administrative expenses

Table 20) Selling, General and Administrative expenses

As of December 31, each year

In billions of Korean won

	1997	1998	1999	2000	2001
Salaries and wages	46.5	53.7	126.1	134.9	149.2
Retirement benefits	10.5	12.8	9.7	12.1	14.5
Fringe benefits	21.4	24.2	17.7	23.9	25.4
Depreciation	15	14.7	32.1	38.8	42.7
Taxes	7.2	12.7	20.5	22.7	37.9
Others	42	49.7	92.9	108.2	126.8
Total general and administrative expenses	142.6	167.8	299	340.6	396.5
Cost - Income ratio	67.84%	35.58%	38.55%	42.54%	37.51%

The Bank is managing G&A expenses on a cost-income ratio, which is targeted at 35% over the long term. Every effort will be made to reach this goal. G&A expenses grew 16.4% year on year to reach ₩396.5 billion in FY01. However, the increase in general operating income improved the cost-income ratio 5.03% to reach 37.51%, one of the best levels among Korea's nationwide commercial banks.

MANAGEMENT DISCUSSION AND ANALYSIS

V. Asset quality and loan loss provision

Table 21) Asset soundness of Banking accounts

As of December 31, each year	In billions of Korean won				
	1997	1998	1999	2000	2001
Normal	7,780.3	7,673.4	16,414.7	24,437.5	28,926.0
Precautionary	493.5	1,390.7	1,115.0	860.0	562.3
Substandard	71.1	132.5	935.3	945.2	423.5
Doubtful	72.9	49.0	377.2	392.1	169.1
Estimated Loss	2.0	4.6	98.1	46.8	68.1
Total credits to be provisioned	8,419.8	9,250.2	18,940.3	26,681.6	30,149.0
Allowance for possible credit losses	90.1	239.4	705.0	861.2	451.8
Bad debt expenses for each period	15.5	127.8	521.6	395.8	270.2
Asset soundness ratio (unit: %)					
Precautionary and below ratio	7.60	17.05	13.33	8.41	4.06
Substandard and below credit ratio	1.73	2.01	7.45	5.19	2.19
Coverage ratio	61.71	128.64	49.98	62.22	68.38
Bad debt expenses/Total credits	0.18	1.38	2.75	1.48	0.90

As stated elsewhere, the Bank's asset quality has improved steadily ever since 1999, when asset quality was classified according to FLC standards. During FY01, the Bank reduced its substandard and below credit by ₩723.4 billion to just ₩660.7 billion. To achieve this result, ₩421.3 billion of substandard and below credit was written off and an additional ₩179.6 billion was written down as part of a loan restructuring program. As a result, the substandard and below credit ratio fell 3% to 2.19% of total outstanding credit.

Stringent management of precautionary credit reduced this category ₩297.7 billion to ₩562.3 billion, and the precautionary and below credit ratio was lowered 4.35% from 8.41% in FY00 to just 4.06% in FY01. Asset quality targets for the future include a substandard and below credit ratio of 2% or below for corporate loans and no more than 1% for household loans. The goal for precautionary and below rated credits is set at 3.5% or below.

Meanwhile, bad debt expense was ₩270.2 billion in FY01 to cover the increase in household loans and the elimination of existing bad debt. This ₩270.2 billion figure covers 0.9% of the Bank's total loan portfolio, reflecting the steady drop in the Bank's credit risk since 1999. Moreover, the Korean economy has stabilized, lowering the risk premium applied to normal credit to just 0.5%.

The loan loss provision, which stood at ₩451.8 billion at year's end, is sufficient to cover 68.38% of all substandard and below credit.

VI. Non-operating income

Table 22) Non-operating Income

As of December 31, each year	In billions of Korean won				
	1997	1998	1999	2000	2001
Net of income from disposition and valuation	0.0	-2.6	119.4	79.0	70.0
Income from Investment stocks	0.0	-4.5	88.5	-64.7	22.1
Income from Investment bonds	0.0	2.0	30.9	143.7	47.9
Income from sales of Loans	-1.0	-25.4	9.3	-4.8	3.2
Restructuring expenses	0.0	0.0	0.0	0.0	-7.1
Others	2.0	-18.3	2.5	4.6	20.2
Net of non-operating income	1.0	-46.2	131.3	78.8	86.3

In accordance with Korean GAAP, investment securities have been classified as either available for sale ("AFS") or held to maturity ("HTM"). Recognition methods used to record any gains from these securities differ from those used for trading securities.

Any income gained from the disposition of investment securities classified as AFS is recorded as non-operating income within the I/S. Unrealized gains or losses of AFS securities are evaluated by using MTM and are recorded as capital adjustment items within the B/S only. The exception is for cases when AFS

MANAGEMENT DISCUSSION AND ANALYSIS

securities lose a significant portion of their acquisition cost. In these instances, the decline in value is recorded as non-operating loss within the I/S. As for investment securities classified as HTM, the Cost method is applied for evaluation. Also, in cases when HTM securities face a rapid decline in value, they are subject to the same methods of evaluation as ASF securities and are recorded as Non-operating loss within the I/S.

Applying the evaluation methods mentioned above, the Bank experienced a marginal decrease in the net income from disposition and evaluation of investment securities from the previous year to reach ₩70 billion in FY02. While the income from investment stocks improved to ₩22.1 billion, continuous declines in the market interest rate caused the income from investment bonds to decrease year on year.

During FY01, as part of corporate restructuring efforts, 65 of our employees were laid off, whereby the Bank incurred related severance costs of ₩7.1 billion.

VII. Du Pont Analysis

1. NIM analysis

Table 23) Net Interest Income after G&A expenses and Provisioning

As of December 31, each year	unit : %				
	1997	1998	1999	2000	2001
Net Interest Margin(%)	2.20	3.40	2.19	2.12	2.10
Net interest income	162.6	412.2	523.0	693.6	769.9
Interest earning assets	7,379.1	12,131.3	23,835.0	32,764.4	36,710.1
G &A expenses to IEA ratio	1.93	1.38	1.25	1.04	1.08
G &A expenses	142.6	167.8	299	340.6	396.5
Interest earning assets	7,379.1	12,131.3	23,835.0	32,764.4	36,710.1
Pre-provisioning NIM	0.27	2.01	0.94	1.08	1.02
Bad debt expenses to IEA ratio	0.21	1.05	2.19	1.21	0.74
Bad debt expenses	15.5	127.8	521.6	395.8	270.2
Interest earning assets	7,379.1	12,131.3	23,835.0	32,764.4	36,710.1
NIM after G&A expenses and provision	0.06	0.96	-1.25	-0.13	0.28

* Based on daily average balance

The following explains the NIM when figuring in factors such as G&A expenses and risk premiums. Although Hana Bank has been known as having a low NIM compared to other domestic banks, when including factors such as G&A expenses and the Risk premium on its loan assets, Hana's NIM actually becomes one of the highest in the local banking industry. After having established a credit review system based on FLC in 1999, loan pricing has been conducted to reflect inherent risk levels. Also, our cost-income ratio has been stringently managed and maintained to make full usage of G&A expenses. Owing to these efforts, the Bank's NIM after G&A expenses and loan loss provision increased by 0.41% to reach 0.28% in FY01.

Upon applying the FLC standard in measuring fully diluted NIM, the Bank has experienced annual increases in NIM from -1.25% in 1999, to -0.13% in 2000, and 0.28% in 2001. These steady improvements indicate that our NIM has reached a level where net interest income by itself is more than sufficient to cover G&A expenses and loan loss provisions. When considering that the Bank had put aside an extraordinary amount of LLRs in FY01 to restructure outstanding NPLs, Hana's fully diluted NIM for the near future is set to continuously increase.

MANAGEMENT DISCUSSION AND ANALYSIS

2. Du pont analysis

Table 24) Du Pont analysis

As of December 31, each year

unit : %

	1997	1998	1999	2000	2001
Interest income ratio	1.98	3.06	2.00	1.94	1.90
Fee income ratio	0.82	0.31	0.80	0.40	0.64
Trading Income ratio	-0.15	0.25	0.28	0.02	0.21
Other income ratio	-0.09	-0.12	-0.11	-0.12	-0.14
Operating income ratio	2.56	3.50	2.97	2.24	2.60
Non operating income ratio	0.01	-0.34	0.50	0.27	0.21
Gross income ratio	2.57	3.16	3.47	2.51	2.82
SG&A/Asset	-1.74	-1.25	-1.14	-0.95	-0.98
LLP ratio	-0.19	-0.95	-1.51	-1.46	-0.67
Tax ratio	-0.12	-0.14	-0.26	-0.04	-0.37
Gross expense ratio	-2.04	-2.34	-2.92	-2.45	-2.02
ROAA	0.53	0.82	0.55	0.06	0.80
Equity/Assets	9.06	7.25	6.71	4.93	4.55
RoAE	5.85	11.35	8.24	1.16	17.60
Equity excluding preferred share/Assets	9.06	7.25	4.90	4.01	3.99
RoAE excluding preferred share	5.85	11.35	11.28	1.43	20.09

* Based on daily average balance

Next, we will examine the main factors contributing to the Bank's ROA and ROE performance.

The Bank's operating income ratio in FY01 was 2.60%, a 0.36% increase year on year. Non-operating income ratio decreased marginally from the previous year's level to reach 0.21%. These results pushed the Gross income ratio to 2.82%, a 0.31% increase from FY01.

The ratio for G&A expenses over total assets increased to 0.98% and due to a higher amount of recorded profits, the tax ratio also climbed by 0.33% to reach 0.37% in FY01.

However, the LLP ratio recorded a sharp decrease to reach 0.67% in 2001.

Due to these operating results, the Bank's ROA increased by 0.74% to 0.80% and ROE excluding preferred shares rose by 18.66% to reach 20.09%.

MANAGEMENT DISCUSSION AND ANALYSIS

VIII. Other information

Table 25) BIS capital adequacy ratio

As of December 31, each year

In billions of Korean won

	1997	1998	1999	2000	2001
Tier 1	698.8	864.8	1,868.4	1,715.4	2,031.3
Tier 1 from common share	698.8	864.8	1,395.6	1,380.0	1,833.3
Tier 1 from preferred share issued to KIDC	0.0	0.0	472.8	335.4	198.0
Tier 2	318.6	569.2	735.5	1,041.2	1,021.2
Provision	94.6	136.8	99.9	172.1	161.9
Lower tier 2	224.0	432.4	635.6	857.7	859.4
Upper tier 2	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	11.5	0.0
Subsidiary investment deduction	-2.0	0.0	-41.3	0.0	-14.9
Total BIS capital	1,015.4	1,434.1	2,562.6	2,756.6	3,037.7
RWA	10,931.7	10,944.6	20,778.8	26,382.3	29,525.9
BIS CAR	9.29%	13.10%	12.33%	10.45%	10.29%
Tier 1	6.39%	7.90%	8.99%	6.50%	6.88%
Tier 1 exclude preferred share issued to KIDC	6.39%	7.90%	6.72%	5.23%	6.21%
Tier 2	2.91%	5.20%	3.54%	3.95%	3.46%

REPORT OF INDEPENDENT ACCOUNTANTS

SAMIL ACCOUNTING CORPORATION

SAMIL ACCOUNTING CORPORATION

Samil Accounting corporation
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To the Board of Directors and Shareholders of Hana Bank

We have audited the accompanying balance sheets of Hana Bank ("the Bank") as of December 31, 2001 and 2000, and the related statements of income, appropriations of retained earnings and cash flows for the years then ended, expressed in Korean Won. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hana Bank as of December 31, 2001 and 2000, and the results of its operations, the changes in its retained earnings, and its cash flows for the years then ended, in conformity with financial accounting standards generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw attention to Note 14 to the financial statements which states that the operations of the Bank have been affected, and may continue to be affected for the foreseeable future, by the general unstable economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these uncertainties of the financial position of the Bank as of balance sheet date cannot presently be determined.

The amount expressed in U.S. Dollars are provided solely for the convenience of the users of the financial statements and have been translated on the basis set forth in note 3 to the financial statements.

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



Seoul, Korea
January 26, 2002

NON-CONSOLIDATED BALANCE SHEETS (Banking Accounts)

As of December 31, 2001 and 2000

	In Millions of Korean Won		In Thousands of U.S.Dollars (Note 3)	
	2001	2000	2001	2000
ASSETS				
Cash and due from banks (Note 4)	₩ 2,482,063	₩ 3,094,397	US\$ 1,871,701	US\$ 2,333,457
Trading securities (Note 5)	454,137	584,454	342,461	440,731
Investment securities (Note 6)	11,340,725	11,334,040	8,551,938	8,546,897
Loans (Note 7)	29,355,490	25,608,631	22,136,709	19,311,237
(Allowance for possible loan losses)	(428,052)	(821,171)	(322,790)	(619,238)
(Present value discounts)	(7,291)	(48,598)	(5,498)	(36,647)
Property, plant and equipment (Note 8)	605,643	558,485	456,710	421,148
(Accumulated depreciation)	(187,871)	(158,318)	(141,672)	(119,386)
Intangible assets (Note 8)	769	678	580	511
Guarantee deposits	306,377	302,181	231,036	227,872
Accounts receivable	208,687	209,805	157,369	158,212
Accrued income	343,664	441,527	259,154	332,951
Prepaid expenses	27,370	178,095	20,639	134,300
Deferred income tax assets (Note 22)	16,010	126,017	12,073	95,028
Other	784,083	363,926	591,270	274,434
Total assets	₩ 45,301,804	₩ 41,774,149	US\$ 34,161,680	US\$ 31,501,507
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits (Note 9)	₩ 33,450,073	₩ 28,753,289	US\$ 25,224,397	US\$ 21,682,594
Call money	690,129	335,553	520,420	253,037
Borrowings (Note 10)	3,259,256	2,663,857	2,457,776	2,008,790
Bonds sold on repurchase agreements	190,804	1,359,705	143,883	1,025,341
Bills sold	696,239	2,409,511	525,027	1,816,990
Due to Bank of Korea in foreign currencies	26,600	237,155	20,059	178,836
Debentures (Note 11)	1,942,531	1,771,066	1,464,845	1,335,545
Reserve for possible losses of acceptances and guarantees (Note 12)	23,727	40,001	17,892	30,164
Due to trust accounts	1,227,522	806,948	925,663	608,512
Unearned income	80,939	110,556	61,036	83,369
Accrued expenses	769,822	896,822	580,516	676,286
Accounts payable	197,253	211,842	148,747	159,749
Other	818,251	419,449	617,036	316,304
Total liabilities	43,373,146	40,015,754	32,707,297	30,175,517
Commitments and contingencies (Note 14)				
Common stock, par value : ₩5,000, authorized : 500 million shares, issued and outstanding : 131,107,888 shares in 2001 and 124,363,180 shares in 2000 (Notes 15)	655,539	621,816	494,336	468,906
Preferred stock, par value : ₩5,000, non-cumulative, non-participating preferred stock, authorized : 250 million shares, issued and outstanding : 39,602,000 shares in 2001 and 67,081,000 shares in 2000 (Note 15)	198,010	335,405	149,318	252,926
Capital surplus (Note 16)	408,956	400,797	308,390	302,238
Retained earnings (Note 17)	628,121	363,938	473,660	274,442
Capital adjustments (Note 6)	38,032	36,439	28,679	27,478
Total shareholders' equity	1,928,658	1,758,395	1,454,383	1,325,990
Total liabilities and shareholders' equity	₩ 45,301,804	₩ 41,774,149	US\$ 34,161,680	US\$ 31,501,507

The accompanying notes are integral parts of these statements.

NON-CONSOLIDATED STATEMENTS OF INCOME (Banking Accounts)

For the years ended December 31, 2001 and 2000

	In Millions of Korean Won		In Thousands of U.S.Dollars (Note 3)	
	2001	2000	2001	2000
Operating revenue				
Interest income :				
Interest on due from banks	₩ 86,721	₩ 145,322	US\$ 65,395	US\$ 109,586
Interest on securities	787,963	937,566	594,196	707,010
Interest on loans	1,996,510	1,850,976	1,505,550	1,395,804
Other	19,393	20,960	14,625	15,806
	2,890,587	2,954,824	2,179,766	2,228,206
Commission income	235,934	147,809	177,916	111,461
Other operating income :				
Gain on disposition of trading securities	27,169	25,777	20,488	19,438
Gain on valuation of trading securities	35,007	740	26,398	558
Dividend on securities	6,668	8,389	5,028	6,326
Gain on foreign currency trading	88,468	194,387	66,713	146,586
Fees from trust accounts	111,358	163,024	83,974	122,935
Gain on derivatives	179,397	103,053	135,282	77,711
Other	17,705	12,628	13,351	9,523
	465,772	507,998	351,234	383,077
	3,592,293	3,610,631	2,708,916	2,722,744
Operating expense				
Interest expenses :				
Interest on deposits	1,562,176	1,622,627	1,178,022	1,223,608
Interest on borrowings	377,166	466,958	284,418	352,129
Interest on debentures	159,894	142,211	120,575	107,240
Other	21,451	29,426	16,176	22,190
	2,120,687	2,261,222	1,599,191	1,705,167
Commission expenses	88,458	32,602	66,705	24,585
Other operating expenses :				
Loss on disposition of trading securities	12,592	37,562	9,496	28,325
Loss on valuation of trading securities	1,450	16,491	1,093	12,436
Loss on foreign currency trading	73,973	179,498	55,783	135,358
Bad debt expense	287,918	534,236	217,116	402,863
Loss on derivatives	158,216	83,984	119,309	63,331
Other	62,147	185,959	46,864	140,230
	596,296	1,037,730	449,661	782,543
General and administrative expenses (Note 20)	396,487	340,633	298,988	256,868
	3,201,928	3,672,187	2,414,545	2,769,163
Operating income (loss)	₩ 390,365	₩ (61,556)	US\$ 294,371	US\$ (46,419)
Non-operating income (Note 21)	₩ 132,251	₩ 194,284	US\$ 99,729	US\$ 146,508
Non-operating expenses (Note 21)	45,936	115,486	34,640	87,087
Ordinary income	476,680	17,242	359,460	13,002
Extraordinary gain	-	15,836	-	11,942
Extraordinary loss	-	-	-	-
Income before income taxes	476,680	33,078	359,460	24,944
Income tax expense (Note 22)	151,411	12,577	114,178	9,484
Net income (Note 23)	₩ 325,269	₩ 20,501	US\$ 245,282	US\$ 15,460

(Ordinary income per share : for current year: ₩2,457, for prior year: ₩43)

Earning per share for current year: ₩2,457, for prior year: ₩124

Diluted ordinary income per share for current year: ₩1,896, for prior year: ₩42

Diluted earnings per share for current year: ₩1,896, for prior year: ₩109)

The accompanying notes are an integral part of the financial statements.

NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS (Banking Accounts)

For the years ended December 31, 2001 and 2000
 Dates of Appropriations : March 16, 2002 and March 10, 2001

	In Millions of Korean Won		In Thousands of U.S.Dollars (Note 3)	
	2001	2000	2001	2000
Unappropriated retained earnings at end of year				
Carried over from prior year	₩ 138	₩ 140	US\$ 104	US\$ 106
Cumulative effect from				
Accounting changes	-	(38,369)	-	(28,934)
Decrease from equity method valuation	(5,542)	-	(4,179)	-
Net income	325,269	20,501	245,282	15,460
	319,865	(17,728)	241,207	(13,368)
Transfer from voluntary reserves				
Reserve for overseas investment	-	12,200	-	9,200
Reserve for future dividends	-	12,000	-	9,049
Other appropriations	-	26,200	-	19,757
	-	50,400	-	38,006
Appropriations of retained earnings				
Legal reserve	32,600	2,100	24,583	1,584
General purpose contingency reserve	231,600	-	174,648	-
Cash dividends				
(4% for common stock and 1% or 2% for preferred stock in 2001. 4% for common stock and 1% or 2% for preferred stock in 2000.)	29,322	30,434	22,111	22,950
Stock Dividends				
(4% for common stock in 2001.)	26,222	-	19,774	-
	319,744	32,534	241,116	24,534
Unappropriated retained earnings to be carried over to subsequent year	₩ 121	₩ 138	US\$ 91	US\$ 104

The accompanying notes are an integral part of these statements.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (Banking Accounts)

For the years ended December 31, 2001 and 2000

	In Millions of Korean Won		In Thousands of U.S.Dollars (Note 3)	
	2001	2000	2001	2000
Cash provided (used in) operating activities :				
Net income	₩ 325,269	₩ 20,501	US\$ 245,282	US\$ 15,460
Items not affecting operating cash flows :				
Depreciation and amortization	42,828	38,963	32,296	29,382
Provision for possible loan losses	287,918	534,236	217,116	402,863
Provision for severance benefits	14,451	12,077	10,897	9,107
Unrealized loss (gain) on securities, net	(62,995)	78,760	(47,504)	59,392
Gain on securities transactions, net	(55,159)	(130,190)	(41,595)	(98,175)
Unrealized loss (gain) on derivatives	(6,500)	16,211	(4,902)	12,224
Reversal of reserve for possible losses on acceptances and guarantees	(17,705)	(12,628)	(13,351)	(9,523)
Payment of retirement benefits	(3,199)	(1,594)	(2,412)	(1,202)
Loss (Gain) on sales of loans, net	(3,231)	4,763	(2,436)	3,592
Changes in accrual basis accounts, net	(55,956)	(2,399,888)	(42,196)	(1,809,734)
Other	(2,470)	(15,915)	(1,862)	(12,001)
	463,251	(1,854,704)	349,333	(1,398,615)
Cash provided by (used in) investing activities :				
Decrease (Increase) in trading securities	178,450	(3,144)	134,568	(2,371)
Decrease (Increase) in investment securities	181,792	(1,994,299)	137,088	(1,503,883)
Increase in premises and equipment	(60,525)	(67,393)	(45,642)	(50,820)
Increase in intangible assets	(175)	(538)	(132)	(406)
Increase in guarantee deposits	(4,196)	(3,066)	(3,164)	(2,312)
Decrease (Increase) in accounts receivables	1,118	(199,952)	843	(150,782)
	₩ 296,464	₩ (2,268,392)	US\$ 223,561	US\$ (1,710,574)
Cash provided by (used in) financing activities:				
Increase (Decrease) in borrowings	₩ 595,399	₩ (140,807)	US\$ 448,986	US\$ (106,181)
Increase (Decrease) in bills sold	(1,713,272)	1,728,007	(1,291,963)	1,303,074
Increase in debentures	210,016	847,638	158,371	639,196
Increase (Decrease) in domestic exchanges payable	335,512	9,357	253,006	7,056
Increase (Decrease) in foreign exchanges payable	(12,803)	42,250	(9,655)	31,860
Issuance of new stock for cash	-	126,013	-	95,025
Increase (Decrease) in bonds sold on repurchase agreements	(1,168,901)	319,692	(881,458)	241,077
Decrease in due to Bank of Korea in foreign currencies	(210,555)	(178,382)	(158,777)	(134,516)
Increase in call money	354,576	212,818	267,383	160,484
Increase in due to trust accounts	420,574	396,168	317,151	298,747
Increase (Decrease) in accounts payable	(14,589)	192,351	(11,001)	145,050
Extinguishment of preferred stock	(137,395)	-	(103,608)	-
Cash dividends	(30,434)	(52,088)	(22,950)	(39,279)
Other	(177)	-	(135)	-
	(1,372,049)	3,503,017	(1,034,650)	2,641,593
Net decrease in cash	(612,334)	(620,079)	(461,756)	(467,596)
Cash and cash equivalents at beginning of the year	3,094,397	3,714,476	2,333,457	2,801,053
Cash and cash equivalents at end of the year	₩ 2,482,063	₩ 3,094,397	US\$ 1,871,701	US\$ 2,333,457
Cash	₩ 989,415	₩ 754,144	US\$ 746,109	US\$ 568,693
Foreign currencies	31,746	34,058	23,939	25,683
Due from Banks	1,127,061	1,793,895	849,906	1,352,760
Due from Banks in foreign currencies	333,841	512,300	251,747	386,321

The accompanying notes are an integral part of these statements.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

1. The Bank:

Hana Bank ("the Bank") was incorporated in 1971 as Korea Investment and Finance Corporation under the Commercial Code of the Republic of Korea to provide financing services as a financial intermediary. On September 20, 1972, the Bank was granted approval by the Ministry of Finance (presently the Ministry of Finance and Economy) to operate under the short-term Financing Business Law.

On June 29, 1991, the Bank was granted approval by the Ministry of Finance to engage in banking activities and the Bank's name was changed to Hana Bank. It became a nationwide commercial bank in July 1991.

On June 29, 1998, the Bank purchased certain assets and assumed most of the liabilities of Choong-Chung Bank by the order of the Financial Supervisory Commission. As of January 1, 1999, the Bank completed a merger with Boram Bank.

The Bank is engaged in the commercial banking business under the Banking Act, in the trust business under the Trust Business Act, in the foreign exchange transaction business and in other related businesses.

On June 5, 1972, the Bank listed its shares on the Korean Stock Exchange. On February 12, 1973, the Bank was registered as a foreign capital invested company under the Foreign Capital Inducement Law. The Bank's common stock and preferred stock outstanding as of December 31, 2001 are ₩655,539 million and ₩198,010 million, respectively.

In accordance with its Articles of Incorporation, the Bank is authorized to issue convertible bonds and bonds with stock warrants to investors other than shareholders in amounts up to ₩200 billion each. As of December 31, 2001 and 2000, the Bank has issued convertible bonds in the amount of ₩49,998 million and ₩87,789 million, respectively (see Note 11).

2. Summary of Significant Accounting Policies:

The significant accounting policies followed by the Bank in the preparation of its financial statements are summarized below.

Basis of Financial Statement Presentation

The official accounting records of the Bank are maintained in Korean won in accordance with the relevant laws and regulations of the Republic of Korea.

The Bank operates both a commercial banking business and a trust business in which the Bank, as a fiduciary, holds and manages the property of others. Under the Trust Business Act, the trust funds are accounted for and reported separately from the Bank's own commercial banking business.

The Bank maintains its official accounting records in Korea Won and prepares statutory financial statements in Korean language in conformity with the accounting principles generally accepted in Republic of Korea. Certain accounting principles applied by the bank that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles practices. The accounting financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements.

The preparation of financial statements in conformity with financial accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

Recognition of Interest Income

Interest income on loans and investments is recognized on an accrual basis. However, the interest income on loans overdue or dishonored is recognized on a cash basis, except for those secured and guaranteed by financial institutions, which is recognized on a cash basis. As of December 31, 2001 and 2000, accrued interest incomes not recognized in the financial statements are ₩27,032 million and ₩73,596 million, respectively.

Allowance for possible loan losses

From 1999, the Bank adopted a method of corporate loan classification for calculating the allowance for possible loan losses by incorporating the borrowers' future debt service capacity ("Forward Looking Criteria (FLC)"). This credit rating model considers the financial and non-financial factors of borrowers and classifies borrowers' credit risk by seventeen ratings. Provisions are determined by applying the following minimum percentages to the various credit ratings:

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

Loan classifications	Provision percentages
Normal	0 ~ 1.6%
Precautionary	2%
Substandard	20%
Doubtful	50%
Estimated loss	100%

Household and credit card loans are classified based on the delinquent periods, value of collateral, and reasonably estimated collectibility.

Securities

All securities are initially carried at cost including incidental expenses, determined by the moving average method. Securities are subsequently valued as described below.

Marketable securities held for short-term capital gain purposes are classified as trading securities. Other securities are classified as investment securities.

- Trading securities

Trading securities are marketable securities held for short-term trading and carried at their market values at the balance sheet date. Unrealized gains and losses on trading securities are included in current operations.

- Investment securities

Investments in marketable equity securities of non-controlled investees are carried at fair value. Temporary changes in fair value are accounted for in the capital adjustment account, a component of stockholders' equity. Declines in fair value which are anticipated to be permanent are recorded in current operations after eliminating any previously recorded capital adjustment for temporary changes. Subsequent recoveries or other future changes in fair value are recorded in current operations up to the original book value just before decline.

Investments in non-marketable equity securities of non-controlled investees are carried at cost, except for declines in the Bank's proportionate ownership of the underlying book value of the investee which are anticipated to be permanent, which are recorded in current operations. The amounts of such losses recognized for the years ended December 31, 2001 and 2000 are ₩1,518 and ₩39,633 million, respectively. Subsequent recoveries are also recorded in current operations up to the original cost of the investment.

Investments in equity securities of companies over which the Bank exerts significant control or influence (controlled investees) are recorded using the equity method. Differences between the initial purchase price and the Bank's initial proportionate ownership of the net book value of the investee are amortized within 20 years using the straight-line method. Under the equity method, the Bank records changes in its proportionate ownership of the book value of the investee as current operations, capital adjustments or adjustments to retained earnings, depending on the nature of the underlying change in book value of the investee.

Premiums and discounts on debt securities are amortized over the life of the debt using the effective interest method. Investments in debt securities which the Bank has the intent and ability to hold to maturity are generally carried at cost, adjusted for the amortization of discounts or premiums (amortized cost). Declines in the fair value of debt securities which are anticipated to be permanent are recorded in current operations. The amounts of such losses recognized for the years ended December 31, 2001 and 2000 are ₩5,526 million and ₩16,200 million, respectively. Subsequent recoveries are also recorded in current operations up to the amortized cost of the investment.

Other investments in debt securities are carried at fair value. Temporary differences between fair value and amortized cost are accounted for in the capital adjustment account. Declines in fair value which are anticipated to be permanent are recorded in current operations after eliminating any previously recorded capital adjustment for temporary changes. Subsequent recoveries or other future changes in fair value are recorded in the capital adjustment account.

Property, plant and Equipment

Property, plant and equipment are recorded at cost. Routine maintenance and repairs are charged to expense as incurred. Expenditure that enhances the value or extend the useful economic life of the facilities involved is treated as additions to property, plant and equipment.

Depreciation is computed using the declining-balance method (the straight-line method for buildings) over the estimated useful lives of the assets as described below.

	Estimated Useful Life-years
Buildings, structures and Auxiliary facilities	50
Vehicles, furniture and Fixtures	5
Structures in leased offices used for business purposes	5

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

Intangible Assets

Trademarks and goodwill are stated at cost, net of accumulated amortization. Goodwill and trademarks are amortized using the straight-line method over five years.

Present Value Discounts

If the present value of a loan is different from the book value due to the rescheduling of terms as agreed by the related parties (as in the case of court receivership, court mediation or workout), the present value discount on the loan is offset against the allowance for possible loan losses, if available, or charged to current expenses.

The difference between book value and present value is recorded as 'present value discounts' in the balance sheet and amortized to current earnings over the related period using the effective interest rate method.

New Stock Issuance Costs and Debenture Issuance Costs

New stock issuance costs and debenture issuance costs are deducted from paid-in capital in excess of par value and the amounts of debenture issuance, respectively. Debenture issuance costs are amortized as interest expense over the redemption term using the effective interest rate method.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Korean Won using the exchange rates of ₩1,326.10:US\$1 and ₩1,259.70:US\$1 in effect as of December 31, 2001 and 2000, respectively. Resulting translation gains and losses are charged to current operations.

Bonds Purchased on Resale Agreements and Bonds Sold on Repurchase Agreements

Bonds purchased under resale agreements and bonds sold under repurchase agreements are included in assets and liabilities in the accompanying balance sheet.

Accrued Severance Benefits

Directors and employees with more than one year of service are entitled to receive a lump-sum payment upon termination of their employment with the Bank, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amounts to be paid if all eligible employees and directors were to terminate their employment as of the balance sheet date. Actual payments of severance benefits for the years ended December 31, 2001 and 2000 were ₩10,305 million (including ₩7,106 million for early retirement) and ₩1,594 million, respectively.

Reserve for Possible Losses on Acceptances and Guarantees

Acceptances and guarantees outstanding do not appear on the balance sheet, but are presented as off-balance sheet items in the notes to the financial statements.

The Bank provides a minimum provision of 20% of guaranteed amounts for companies classified as "substandard," 50% for "doubtful," and 100% for "estimated loss." The Bank records the provision as a reserve for possible losses on acceptances and guarantees in the liabilities section of the balance sheet (see Note 12).

Income Tax Expenses

Deferred taxes represent the tax effects of the different tax and financial account bases of assets and liabilities, and are recorded at enacted tax rates which are expected to be in effect when the temporary differences reverse. The provision for income taxes represents taxes currently payable for the year plus the change in the net deferred tax balance from the previous balance sheet date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Gain (Loss) on Prior Period Adjustments

Prior period adjustments are charged to retained earnings carried over from prior year.

Derivative Financial Instruments

Derivative financial instruments include futures, forwards and swap contracts, and are principally linked to interest rates, foreign currency exchange rates or equity indices.

In accordance with revised financial accounting standards related to derivatives accounting, effective January 1, 2000, the Bank recorded the fair values of rights and obligations related to derivatives contracts on the balance sheet as assets and liabilities and recognized the related gains or losses in the income statement. However, the effective portions of the unrealized gains or losses arising from "cash flow" hedge derivative financial instruments are deferred and recorded in capital adjustments.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

Translation of Financial Statements of Overseas Branches

Accounts and records of the overseas branches are maintained in foreign currencies. In translating financial statements of overseas branches, the Bank applied the appropriate rate of exchange at balance sheet date.

Stock Options

The Bank applies the fair value method in calculation of fair value of stock options and allocates it over the period from the option grant date to the exercise date and charges it to operations (see Note 18).

Operations of the Trust Accounts

The Bank recognizes, in accordance with the Trust Business Act, trust fees from the banking accounts as income from trust operations. If losses are incurred on trust accounts that have guarantee of principal repayment trust terms, the losses are recognized as a loss from trust operations.

3. United States Dollar Amounts :

The Bank operates primarily in Korean Won and its official accounting records are maintained in Korean Won. The U.S. Dollar amounts are provided herein as supplementary information solely for the convenience of the reader. All Won amounts are expressed in U.S. Dollars at the rate of ₩1,326.10:US\$1, the base exchange rate on December 31, 2001. This presentation is not required by or in accordance with Korean or United States generally accepted accounting principles, and should not be constructed as a representation that the Won amounts shown could be converted in or settled in U.S. Dollars at this or any other rate.

The 2000 U.S. Dollar amounts, which had been previously expressed at the rate published on December 31, 2000, have been restated to reflect the exchange rate in effect on December 31, 2001.

4. Cash and Due from Banks :

Cash and due from banks as of December 31, 2001 and 2000 are summarized as follows :

	Millions of Won	
	2001	2000
Cash on hand	₩ 989,415	₩ 754,144
Foreign currencies	31,746	34,058
Due from banks in Won	1,127,061	1,793,895
Due from banks in foreign currencies	333,841	512,300
	₩ 2,482,063	₩ 3,094,397

Due from banks in Won and foreign currencies as of December 31, 2001 and 2000 comprise the following :

	Annual interest rate (%) of 2001	Millions of Won	
		2001	2000
Checking accounts	-	₩ 226,829	₩ 740,668
Certificates of deposits	4.10 ~ 5.65	681,516	790,694
Time deposits	4.70 ~ 7.10	55,316	22,472
Other deposits	0.00 ~ 10.14	163,400	240,061
		1,127,061	1,793,894
Due from banks in foreign currencies	2.46 ~ 4.66	333,841	512,300
		₩ 1,460,902	₩ 2,306,194

Checking accounts deposited in the Bank of Korea represent reserves required and restricted for the payment of deposits under the Bank of Korea Act. Furthermore, as of December 31, 2001 and 2000, ₩453 million and ₩580 million, respectively, of other deposits are restricted as to withdrawal under agreements with counterparties.

As of December 31, 2001 and 2000, ₩77,083 and ₩30,427 million, respectively, of due from banks in foreign currencies are reserved at the Bank of Korea under the Bank of Korea Act for the settlement with foreign banks.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

The term structures of due from banks outstanding as of December 31, 2001 are as follows (millions of Won) :

Term Structures	Due from Banks in Won currency	Due from Banks in foreign currencies	Total
Within 1 month	₩ 224,665	₩ 211,508	₩ 436,173
1 ~ 3 months	392,272	117,360	509,632
3 ~ 6 months	235,480	4,973	240,453
6 months ~ 1 year	47,815	-	47,815
1 ~ 3 years	-	-	-
3 ~ 5 years	-	-	-
More than 5 years	226,829	-	226,829
	₩ 1,127,061	₩ 333,841	₩ 1,460,902

5. Trading Securities:

Trading securities as of December 31, 2001 and 2000 comprise the following (millions of Won) :

1) As of December 31, 2001

	Annual interest Rate (%)	Acquisition Cost(*)	Carrying Value
Equity securities	-	₩ 69,458	₩ 103,887
Government and public bonds	5.64 ~ 5.86	39,453	39,153
Debentures issued by financial Institutions	4.64 ~ 6.81	311,092	310,023
Corporate bonds	-	-	-
Securities denominated in Foreign currencies	11.87	955	1,074
		₩ 420,958	₩ 454,137

2) As of December 31, 2000

	Annual interest Rate (%)	Acquisition Cost(*)	Carrying Value
Equity securities	-	₩ 64,619	₩ 48,369
Government and public bonds	7.00 ~ 9.39	165,179	165,315
Debentures issued by financial Institutions	6.63 ~ 7.80	226,816	227,187
Corporate bonds	1.00 ~ 10.00	123,216	123,611
Securities denominated in Foreign currencies	0.25 ~ 13.75	20,194	19,972
		₩ 600,024	₩ 584,454

(*) Prior year's closing book balances of securities or acquisition costs for securities purchased for current period.

The information about trading securities by industry as of December 31, 2001 and 2000 is summarized as follows :

Industry	2001		2000	
	Millions of Won	Ratio(%)	Millions of Won	Ratio (%)
Financial business	₩ 344,058	75.76	₩ 246,778	42.22
Public administration	39,153	8.62	274,104	46.90
Manufacturing	-	-	56,017	9.58
Wholesale and retail	-	-	5,433	0.93
Other	70,926	15.62	2,122	0.37
	₩ 454,137	100.00	₩ 584,454	100.00

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

6. Investment Securities:

Investment securities as of December 31, 2001 and 2000 comprise the following (millions of Won) :

	Annual interest rate (%)	Carrying value	
		2001	2000
Stocks and equity investments	-	₩ 502,514	₩ 312,570
Government and public bonds	5.00 ~ 11.95	867,200	818,350
Debentures issued by financial Institutions	3.99 ~ 10.05	3,548,694	4,683,839
Corporate bonds	1.00 ~ 25.00	4,458,129	4,455,177
Beneficiary certificates	-	994,159	416,203
Securities denominated in foreign currencies	2.00 ~ 11.00	914,465	642,631
Other	5.43 ~ 7.77	55,564	5,270
		₩ 11,340,725	₩ 11,334,040

As of December 31, 2001, ₩1,626,432 million of the investment securities are restricted as collateral for borrowings from the Bank of Korea and other financial institutions.

Stocks and equity investments as of December 31, 2001 and 2000 are as follows (millions of Won) :

	2001		2000	
	Ownership (%)	Carrying value	Ownership (%)	Carrying value
Investments using the equity method				
Hana Securities	54.97	₩ 136,083	54.77	₩ 133,347
Hana Research	100.00	2,001	100.00	2,001
Hana Allianz	50.00	14,859	50.00	15,000
		152,943		150,348
Marketable equity securities		181,546		48,384
Non-marketable equity securities		137,722		95,089
Other investments		30,303		18,749
		₩ 502,514		₩ 312,570

Investment securities valued by the equity method as of December 31, 2001 are summarized as follows (millions of Won) :

	Acquisition Cost	Gain (Loss) on equity method (*)	Current period adjustment		Carrying value
			Capital adjustment	Retained earnings	
Hana Securities	₩ 119,196	₩ 22,485	₩ (56)	₩ (5,542)	₩ 136,083
Hana Research	2,001	-	-	-	2,001
Hana Allianz	15,000	(79)	(62)	-	14,859
	₩ 136,197	₩ 22,406	₩ (118)	₩ (5,542)	₩ 152,943

(*) Net asset values of investees are calculated by using the most recent financial information of the subsidiaries.

Details of marketable equity securities as of December 31, 2001 comprise the following (millions of Won) :

Company	Number of Stocks	Ownership (%)	Acquisition cost	Carrying value
39 Shopping	240,000	2.91	₩ 3,384	₩ 8,628
SK Securities	6,059,106	1.89	8,846	14,481
Hankang Debt Restructuring Fund	2,080,000	1.64	5,606	6,791
Shinwon	2,619,200	1.64	1,740	2,383
Namkwang Engineering & Construction Co., Ltd.	2,900,000	15.06	3,997	14,007
Ssangyoung Engineering & Construction Co. Ltd.	4,322,200	3.50	1,513	2,118
Ssangyung Motor Co.	3,513,800		2,108	3,900
KIS Information	148,350	3.53	1,528	1,654
INI Steel Co., Ltd.	1,610,634	1.32	6,443	6,362
Hyundai Engineering & Construction Co., Ltd.	25,706,513	5.31	128,533	83,546
Others			45,310	37,676
			₩ 209,008	₩ 181,546

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

SK Securities were acquired as a result of a total return swap contract that the Boram Bank had entered into with SK Securities in 1997. The Bank is restricted to dispose of the securities within 2 years of the acquisition.

The securities of Hyundai Engineering & Construction (HEC) were acquired at the price of ₩5,000 per share and are restricted as to disposal until December 31, 2003 according to the debt-equity swap contract, which was initiated by the creditors to relieve current financial difficulties of HEC

Details of non-marketable equity securities as of December 31, 2001 comprise the following (millions of Won) :

Company	Number of Stocks	Ownership (%)	Carrying value
Corporation Restructuring Fund	3,760,000	3.13	₩ 39,225
Samsung Life Insurance Co.	47,700	0.24	15,836
Korea Securities Finance Corporation	1,247,653	1.83	8,250
LG Capital	574,352	0.82	4,113
Korea Asset Management Co.	500,000	1.78	2,507
Iffcom, Ltd.	33,000	3.01	1,980
B.C Card	87,120	1.98	1,331
KIS Information	229,544	4.31	1,455
Shindo Venture Capital Co.	100,000	10.00	1,054
Oasis Venture Capital Co.	200,000	10.00	1,000
Ezville Inc.	200,000	10.00	1,000
Dongbu Electronic	4,000,000	5.22	20,006
Korea Housing Guarantee Insurance	16,882,000	2.91	16,882
Other			23,083
			₩ 137,722

Debt securities as of December 31, 2001 and 2000 comprise the following (millions of Won) :

1) As of December 31, 2001

	Acquisition Cost (*)	Adjustment value (**)	Carrying Value
Available-for-sale securities			
Government and public bonds	₩ 745,834	₩ 747,463	₩ 743,122
Debentures issued by financial institutions	2,996,967	2,985,727	2,990,512
Corporate bonds	3,943,473	3,921,044	3,936,605
Securities denominated in foreign currencies	809,628	816,512	834,023
	8,495,902	8,470,746	8,504,262
Held-to-maturity securities			
Government and public bonds	127,217	124,078	124,078
Debentures issued by financial institutions	558,876	558,182	558,182
Corporate bonds	523,912	521,524	521,524
Securities denominated in foreign currencies	81,242	80,069	80,069
	1,291,247	1,283,853	1,283,853
	₩ 9,787,149	₩ 9,754,599	₩ 9,788,115

2) As of December 31, 2000

	Acquisition Cost (*)	Adjustment value (**)	Carrying Value
Available-for-sale securities			
Government and public bonds	₩ 786,946	₩ 789,682	₩ 818,247
Debentures issued by financial institutions	4,653,396	4,658,826	4,683,839
Corporate bonds	4,392,992	4,377,271	4,445,227
Securities denominated in foreign currencies	717,800	713,474	642,631
	10,551,134	10,539,253	10,589,944
Held-to-maturity securities			
Government and public bonds	103	103	103
Corporate bonds	9,950	9,950	9,950
	10,053	10,053	10,053
	₩ 10,561,187	₩ 10,549,306	₩ 10,599,997

(*) Prior year's closing book balances of securities or acquisition costs for securities purchased for current period

(**) Adjusted value after amortization of discounts or premiums (amortized cost)

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

Details of gains (losses) on valuation of investment securities appropriated in capital adjustments as of December 31, 2001 and 2000 are as follows (millions of Won) :

Account name	Amount	
	2001	2000
Stocks and equity investments	₩ (70,047)	₩ (45,370)
Government and public bonds	15,222	25,937
Debentures issued by financial institutions	16,186	21,813
Corporate bonds	53,744	53,002
Other securities	(8,295)	(16,664)
Securities denominated in foreign currencies	(1,571)	(2,859)
	₩ 5,239	₩ 35,859

The information about investment securities by currency and country as of December 31, 2001 and 2000 is summarized as follows (millions of Won) :

1) As of December 31, 2001

Origination Country	Domestic currency		Foreign currency	
		Ratio (%)		Ratio (%)
Korea	₩ 10,426,260	100.00	₩ 876,652	95.87
U.S.A.	-	-	6,896	0.75
Hong Kong	-	-	26,522	2.90
Singapore	-	-	4,287	0.47
Other	-	-	108	0.01
	₩ 10,426,260	100.00	₩ 914,465	100.00

2) As of December 31, 2000

Origination Country	Domestic currency		Foreign currency	
		Ratio (%)		Ratio (%)
Korea	₩ 10,690,391	99.99	₩ 630,021	98.04
China	-	-	1,095	0.17
U.S.A.	1,018	0.01	-	-
Other	-	-	11,515	1.79
	₩ 10,691,409	100.00	₩ 642,631	100.00

The information about investment securities by industry as of December 31, 2001 and 2000 is summarized as follows (millions of Won) :

Industry	2001		2000	
	Millions of Won	Ratio (%)	Millions of Won	Ratio (%)
Financial business	₩ 5,842,684	51.52	₩ 6,012,097	53.04
Public administration	4,607,556	40.63	4,140,833	36.53
Manufacturing	396,780	3.50	751,638	6.63
Construction	151,418	1.33	63,515	0.56
Wholesale and retail	92,059	0.81	208,184	1.84
Other	250,228	2.21	157,773	1.40
	₩ 11,340,725	100.00	₩ 11,334,040	100.00

The information about investment securities by classification as of December 31, 2001 is summarized as follows (millions of Won) :

	2001	
	Millions of Won	Ratio (%)
Stocks	₩ 472,584	4.17
Fixed rate bonds	7,769,363	68.51
Floating rate bonds	1,822,426	16.07
Convertible bonds	251,890	2.22
Beneficiary certificates	994,159	8.76
Other	30,303	0.27
	₩ 11,340,725	100.00

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

The term structures of held-to-maturity securities as of December 31, 2001 are as follows (millions of Won) :

Term Structures	Government and public bonds	Debentures issued by financial institutions	Corporate bonds	Total
Within 1 month	₩ 4,287	₩ -	₩ 19,892	₩ 24,179
1 ~ 3 months	10,032	-	1,322	11,354
3 ~ 6 months	-	5,268	5,304	10,572
6 months ~ 1 year	-	211,373	-	211,373
1 ~ 3 years	115,141	368,533	474,594	958,268
3 ~ 5 years	12,166	-	55,941	68,107
Thereafter	-	-	-	-
	₩ 141,626	₩ 585,174	₩ 557,053	₩ 1,283,853

7. Loans:

Loans as of December 31, 2001 and 2000 comprise the following :

	Millions of Won	
	2001	2000
Loans in Won currency		
Corporate loans	₩ 10,422,952	₩ 8,640,822
Household loans	10,514,488	5,338,278
Others	297,635	1,391,029
	21,235,075	15,370,129
Loans in foreign currencies	997,374	1,007,425
Bills purchased in Won currency	2,187,416	3,471,909
Bills purchased in foreign currencies	850,421	1,246,377
Advances for customers	41,131	171,589
Factoring receivables	76,255	118,568
Credit card loans	1,003,496	440,438
Bonds purchased on resale agreements	-	820,000
Call loans	1,028,515	767,364
Privately-placed debentures	1,935,807	2,194,832
	₩ 29,355,490	₩ 25,608,631

The information about loans in Won currency (including bills purchased and factoring receivables) and loans in foreign currencies by industry as of December 31, 2001 and 2000 is summarized as follows (millions of Won) :

1) As of December 31, 2001

Industry	Loans in Won currency	Loans in foreign currencies	Total	Ratio (%)
Manufacturing	₩ 6,502,965	₩ 313,833	₩ 6,816,798	27.8
Wholesale & retail	1,440,511	103,988	1,544,499	6.3
Financial business	992,396	338,611	1,331,007	5.4
Construction	1,134,108	50,047	1,184,155	4.8
Household	10,514,501	-	10,514,501	42.9
Real estate & renting	361,191	14,587	375,778	1.6
Public & Other	2,543,593	176,308	2,719,901	11.2
	₩ 23,489,265	₩ 997,374	₩ 24,486,639	100.0

2) As of December 31, 2000

Industry	Loans in Won currency	Loans in foreign currencies	Total	Ratio (%)
Manufacturing	₩ 6,472,709	₩ 857,818	₩ 7,330,527	36.7
Wholesale & retail	1,498,747	1,377	1,500,124	7.5
Financial business	782,523	76,269	858,792	4.3
Construction	1,413,763	23,934	1,437,697	7.2
Household	5,337,042	-	5,337,042	26.7
Real estate & renting	232,309	-	232,309	1.2
Public & Other	3,223,513	48,027	3,271,540	16.4
	₩ 18,960,606	₩ 1,007,425	₩ 19,968,031	100.0

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

The information about loans in foreign currencies by country as of December 31, 2001 and 2000 is summarized as follows :

Origination Country	2001		2000	
	Millions of Won	Ratio (%)	Millions of Won	Ratio (%)
Korea	₩ 900,050	90.2	₩ 965,530	95.8
U.S.	72,929	7.3	-	-
Indonesia	-	-	23,493	2.3
Hong Kong	16,783	1.8	4,640	0.5
China	4,399	0.4	7,658	0.8
Turkey	3,213	0.3	-	-
Other	-	-	6,104	0.6
	₩ 997,374	100.0	₩ 1,007,425	100.0

The term structures of loans in Won currency (including bills purchased and factoring receivables), loans in foreign currencies and bills purchased in foreign currencies as of December 31, 2001 are summarized as follows (millions of Won) :

Term Structures	Loans In Won currency	Loans in foreign currencies	Bills purchased in foreign currencies	Total
Within 1 month	₩ 1,190,367	₩ 55,468	₩ 478,404	₩ 1,724,239
1 ~ 3 months	3,201,439	173,408	251,860	3,626,707
3 ~ 6 months	3,968,244	238,944	87,875	4,295,063
6 months ~ 1 year	6,657,995	204,401	9,577	6,871,973
1 ~ 3 years	5,739,473	202,264	56	5,941,793
3 ~ 5 years	1,717,651	35,637	-	1,753,288
More than 5years	1,014,096	87,252	22,650	1,123,998
	₩ 23,489,265	₩ 997,374	₩ 850,422	₩ 25,337,061

As of December 31, 2001, the details of classification of loans and allowance for possible loan losses are as follows (millions of won) :

1) Classification of loans

	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total (**)
Loans in Won Currency (*)	₩ 22,346,459	₩ 439,974	₩ 319,275	₩ 92,749	₩ 34,830	₩ 23,233,287
Loans in foreign Currencies	895,141	58,497	43,736	-	-	997,374
Bills purchased In foreign currency	839,374	707	6,459	6,366	9,824	862,730
Advances to Customers	8,870	33	5,694	22,809	1,699	39,105
Credit card loans	958,800	25,812	61	10,386	8,437	1,003,496
Privately-placed Debentures	1,832,640	25,110	45,542	30,492	1,105	1,934,889
Other	10,628	182	2,478	378	1,209	14,875
	₩ 26,891,912	₩ 550,315	₩ 423,245	₩ 163,180	₩ 57,104	₩ 28,085,756

2) Allowance for possible loan losses

	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Loans in Won Currency	₩ 113,898	₩ 18,794	₩ 77,659	₩ 67,674	₩ 34,830	₩ 312,855
Loans in foreign Currencies	6,454	1,734	13,845	-	-	22,033
Bills purchased In foreign currency	2,818	15	1,293	3,183	9,824	17,133
Advances to Customers	66	1	1,138	11,405	1,699	14,309
Credit card loans	4,587	518	12	5,193	8,437	18,747
Privately-placed Debentures	10,072	2,090	12,498	15,246	1,105	41,011
Other	64	7	495	189	1,209	1,964
	₩ 137,959	₩ 23,159	₩ 106,940	₩ 102,890	₩ 57,104	₩ 428,052

(*) Including bills purchased and factoring receivables

(**) Net of present value discounts and excluding bonds purchased on agreements of repurchase, call loans and inter-bank loans

In accordance with Korean banking regulations, certain amount of account receivables and suspense receivables is included in the classification of loans above.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

Details of changes in the allowance for possible loan losses for the years ended December 31, 2001 and 2000 are as follows (millions of won) :

Details of changes	Millions of Won	
	2001	2000
Beginning balance	₩ 821,171	₩ 655,096
Offset with present value discounts	29,162	(43,404)
Transfer to allowances for acceptances and guarantees	(28,589)	(250)
Debt - equity swap	(57,114)	-
Repurchase loans from KAMCO	1,607	8,369
Sales of non-performing loans	(108,711)	-
Write-offs	(545,131)	(403,200)
Remission of loans	(22,922)	(20,470)
Collection of previously written-off receivables	45,085	78,165
Changes of currency exchange rate	5,575	12,629
Provision for possible loan losses	287,918	534,236
Other	1	-
Closing balance	₩ 428,052	₩ 821,171

Historical ratios of allowance for possible loan losses to total loans for the most recent three years are as follows (millions of Won) :

	2001.12.31	2000.12.31	1999.12.31
Loans (*)	₩ 28,085,756	₩ 23,786,995	₩ 16,583,539
Allowance for possible loan losses	428,052	821,171	655,096
Ratios	1.52 %	3.45 %	3.95 %

(*) Loans include certain amount of suspense receivables and does not include bonds purchased on agreements of repurchase, call loans, inter-bank loans. Details of restructured loans, excluding the loans provided to Daewoo Group companies, due to changes in contractual terms as of December 31, 2001 are as follows (millions of won) :

	Changes in contractual terms										
	Outstanding loans	Extension of due date	Reduction of principal	Convertible investment	Converted to equity securities	Convertible bonds	Reduction of interest rate	Present value discounts	Restructured value	Losses from restructuring	
Workout	₩ 342,957	₩ 38,019	₩ -	₩ 30,554	₩ 84,405	₩ 34,737	₩ 150,731	₩ 4,511	₩ 188,750	₩ 4,511	
Court receivership	53,010	-	5,395	-	4,309	297	42,271	737	42,272	6,132	
Court mediation	9,401	8,561	-	-	-	-	727	113	9,288	113	
Other	484,337	144,403	-	56,604	232,554	39,000	11,726	50	156,129	50	
	₩ 889,705	₩ 190,983	₩ 5,395	₩ 87,158	₩ 321,268	₩ 74,034	₩ 205,456	₩ 5,411	₩ 396,439	₩ 10,806	

As of December 31, 2001, loans including confirmed acceptances and guarantees to Daewoo Group companies are ₩82,268 million, of which present value discounts and reserves for possible loan losses are ₩1,880 million and ₩38,266 million, respectively.

During 2001 and 2000, the changes in present value discounts due to changes in the contractual terms related to troubled debt restructuring, are as follows (millions of Won) :

Changes in details	Amount	
	2001	2000
Beginning balance	₩ 48,598	₩ 24,590
Amortized amount (interest income)	(12,145)	(19,396)
Offset with allowance for possible loan losses	(29,162)	43,404
Ending balance	₩ 7,291	₩ 48,598

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

8. Property, Plant and Equipment & Intangible Assets:

Property, plant and equipment & intangible assets as of December 31, 2001 and 2000 are summarized as follows (millions of Won) :

1) As of December 31, 2001

	Acquisition Cost		Accumulated Depreciation		Net book value	
Property, plant and equipment						
Land	₩	180,588	₩	-	₩	180,588
Buildings, structures and Auxiliary facilities		231,783		58,634		173,149
Vehicles, furniture and fixtures		193,272		129,237		64,035
		605,643		187,871		417,772
Intangible assets		769		-		769
	₩	606,412	₩	187,871	₩	418,541

2) As of December 31, 2000

	Acquisition Cost		Accumulated Depreciation		Net book value	
Property, plant and equipment						
Land	₩	170,670	₩	-	₩	170,670
Buildings, structures and Auxiliary facilities		216,122		49,692		166,430
Vehicles, furniture and fixtures		171,693		108,626		63,067
		558,485		158,318		400,167
Intangible assets		678		-		678
	₩	559,163	₩	158,318	₩	400,845

The Banking Act does not permit the Bank to own real estate in excess of the Bank's shareholders equity.

In accordance with the bank supervisory regulations, the Bank's Properties, plant and equipment, except for land, are covered by insurance policies against fire and other casualty losses up to ₩235,342 million as of December 31, 2001. As of December 31, 2001 and 2000, the government-posted prices of the Bank's land are ₩165,818 million and ₩159,557 million, respectively.

9. Deposits:

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

	Annual average interest rate (%) in 2001	Millions of Won	
		2001	2000
Won currency deposits :			
Demand deposits	0.22 ~ 0.89	₩ 1,746,663	₩ 1,621,321
Time and savings deposits	1.31 ~ 11.71	27,459,245	23,327,638
Mutual installment received	7.09	887,474	645,779
Housing installment deposit	8.49	154,272	68,655
		30,247,654	25,663,393
Foreign currency deposits :			
Demand deposits	0.00~2.38	369,253	202,580
Time and savings deposits	4.14	736,590	972,860
		1,105,843	1,175,440
Certificates of deposits :	7.09	2,096,576	1,914,456
		₩ 33,450,073	₩ 28,753,289

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

The term structures of deposits as of December 31, 2001 are summarized as follows (millions of Won) :

Term Structures	Won currency deposits	Foreign currency deposits	Certificates of deposits	Total
Within 1 month	₩ 6,778,529	₩ 352,329	₩ 500,218	₩ 7,631,076
1 ~ 3 months	3,498,408	188,540	334,937	4,021,885
3 ~ 6 months	4,905,491	133,732	592,596	5,631,819
6 months ~ 1 year	7,993,610	156,405	245,752	8,395,767
1 ~ 3 years	1,461,595	49,645	422,146	1,933,386
3 ~ 5 years	281,653	204	927	282,784
Thereafter	5,328,368	224,988	-	5,553,356
	₩ 30,247,654	₩ 1,105,843	₩ 2,096,576	₩ 33,450,073

10. Borrowings:

Borrowings as of December 31, 2001 and 2000 comprise the followings :

	Annual interest Rate (%)	Millions of Won	
		2001	2000
Won currency borrowings :			
Bank of Korea	3.00	₩ 1,202,991	₩ 533,764
Korean Government	4.00 ~ 5.00	92,929	80,703
Other	2.00 ~ 5.75	599,264	564,428
		1,895,184	1,178,895
Foreign currency borrowings :			
Standard Chartered Bank & other	6M Libor +0.90~1.20	795,134	1,040,504
WESTLB GDR	6M Libor+0.80	528,193	393,314
Dai-ichi Kangyo & other	-	40,745	51,144
		1,364,072	1,484,962
		₩ 3,259,256	₩ 2,663,857

The subordinated borrowings included in Won currency borrowings as of December 31, 2001 and 2000 comprise the following :

Lender	Annual interest rate (%)	Millions of Won		Condition of borrowings
		2001	2000	
Kyobo Life Insurance	10.00~13.24	₩ 100,000	₩ 100,000	Lump sum redemption
Samsung Life Insurance	9.00~13.00	70,000	70,000	#
LG Fire & Marine Insurance	16.00	48,000	48,000	#
		₩ 218,000	₩ 218,000	

The maturities of borrowings as of December 31, 2001 are as follows (millions of Won) :

Period	Won currency borrowings	Foreign currency borrowings(*)	Total
Within 1 month	₩ 1,203,679	₩ 44,172	₩ 1,247,851
1 ~ 3 months	13,000	330,306	343,306
3 ~ 6 months	34,038	130,036	164,074
6 months ~ 1 year	56,088	198,976	255,064
1 ~ 3 years	282,992	686,542	969,534
3 ~ 5 years	122,672	640	123,312
Thereafter	182,715	-	182,715
	₩ 1,895,184	₩ 1,390,672	₩ 3,285,856

(*) Including due to Bank of Korea in foreign currencies.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

11. Debentures:

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

	Annual interest rate (%)	Millions of Won	
		2001	2000
Won currency debentures:			
Subordinated bonds	Prime+0~16.00	₩ 1,349,923	₩ 1,174,925
Subordinated convertible bonds	8.00	49,998	49,998
Other bonds	4.82 ~ 10.10	235,000	85,000
		1,634,921	1,309,923
(Adjustments for Conversion rights)		(1,936)	(3,514)
		1,632,985	1,306,409
Foreign currency debentures:			
Foreign currency bonds	L+1.37 ~ 6.89	310,307	429,558
Subordinated convertible bonds	-	-	37,791
		310,307	467,349
(Present value discounts)		(761)	(2,692)
		309,546	464,657
		₩ 1,942,531	₩ 1,771,066

Details of the terms of outstanding subordinated convertible bonds as of December 31, 2001 and 2000 are summarized as follows :

	Issue date	Due date	Annual interest rate (%)	Millions of Won	
				2001	2000
Won currency debentures					
Boram 1 st	1997.11.25	2003. 1.31	8.0	₩ 30,000	₩ 30,000
Boram 2 nd	#	#	#	19,998	19,998
	(Adjustments for conversion rights)			(1,935)	(3,514)
				48,062	46,484
Foreign currency debentures					
IFC 1 st	1998. 6.29	2004. 2.15	-	-	37,791
				₩ 48,062	₩ 84,275

	Boram 1st & 2nd	IFC 1st
Conversion price	₩ 19,616	₩ 6,236
Conversion period	1998.11.26-2002.12.31	1999.6.30-2003.2.15
Disbursement at due date	100% of par value	100% of par value
Interest term	Annual	Annual

The IFC 1st convertible bond was converted into common stock on December 13, 2001 (see Note 15).

The maturities of debentures as of December 31, 2001 are as follows (millions of Won) :

Period	Won currency debentures	Foreign currency debentures	Total
Within 1 month	₩ -	₩ -	₩ -
1 ~ 3 months	-	132,610	132,610
3 ~ 6 months	-	111,392	111,392
6 months~ 1 year	205,000	-	205,000
1 ~ 3 years	625,377	-	625,377
3 ~ 5 years	804,544	66,305	870,849
Thereafter	-	-	-
	₩ 1,634,921	₩ 310,307	₩ 1,945,228

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

12. Confirmed Acceptances and Guarantees:

Confirmed acceptances and guarantees as of December 31, 2001 and 2000 comprise the following :

	Millions of Won	
	2001	2000
Acceptances and guarantees in Won currency:	₩ 463,065	₩ 665,310
Acceptances and guarantees in foreign currencies:		
Acceptances for letters of credit	1,109,156	1,538,885
Letters of guarantee for importers	52,796	56,339
Guarantees on credit derivatives	-	31,493
Other (*)	438,236	602,808
	1,600,188	2,229,525
	₩ 2,063,253	₩ 2,894,835

(*) Acceptances and guarantees for the return of advances related to export, overseas bidding, and contractual obligations.

Information about confirmed acceptances and guarantees by industry as of December 31, 2001 is summarized as follows :

Industry	2001	
	Millions of Won	Ratio (%)
Manufacturing	₩ 1,430,439	69.33
Construction	94,235	4.57
Wholesale & retail	254,001	12.31
Transport & storage	15,142	0.73
Financial business	991	0.05
Real estate & renting	60,949	2.95
Other	207,496	10.06
	₩ 2,063,253	100.00

Information about confirmed acceptances and guarantees in foreign currencies by country as of December 31, 2001 is summarized as follows:

Country	2001	
	Millions of Won	Ratio (%)
Korea	₩ 1,591,829	99.48
Hong Kong	623	0.04
Other	7,736	0.48
	₩ 1,600,188	100.00

The details of classification of acceptances and guarantees and reserves for possible losses on acceptances and guarantees as of December 31, 2001 are summarized as follows (millions of Won):

Classifications	Acceptances and guarantees in Won currency		Acceptances and guarantees in foreign currencies		Total		
	Outstanding amount	Amount of Reserves	Outstanding amount	Amount of Reserves	Outstanding amount	Amount of Reserves	Reserve Ratio(%)
Normal	₩ 451,459	₩ -	₩ 1,582,701	₩ -	₩ 2,034,160	₩ -	-
Precautionary	2,126	-	9,890	-	12,016	-	-
Substandard	131	26	20	4	151	30	20.0
Doubtful	4,005	2,603	1,925	1,180	5,930	3,783	63.8
Estimated loss	5,344	5,344	5,652	5,652	10,996	10,996	100.0
	₩ 463,065	₩ 7,973	₩ 1,600,188	₩ 6,836	₩ 2,063,253	₩ 14,809	

As of December 31, 2001, the Bank recorded ₩6,362 million of additional reserves for possible losses on acceptances and guarantees of ₩8,089 million of confirmed acceptances and guarantees provided to Daewoo Group companies.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

The Bank has entered into a commitment with Korea Asset Management Corporation ("KAMCO") to sell non-performing loans with the sales being dependent on the collection of the loans, or repurchase under certain conditions. As of December 31, 2001, the non-performing loans sold to KAMCO under the commitment are ₩63,212 million. The ultimate resolution of these transactions may affect the Bank's financial position, depending on the settlement or repurchase of the loans. Due to the uncertainties regarding the settlement or repurchase of the loans, the Bank recorded ₩8,918 million as the reserve for possible losses on acceptances and guarantees.

13. Assets and Liabilities Denominated in Foreign Currencies:

Significant assets and liabilities denominated in foreign currencies at December 31, 2001 and 2000 are as follows:

1) As of December 31, 2001

	Millions of Won		Thousand of US\$ equivalent	
Assets:				
Cash & due from banks	₩	365,587	\$	275,691
Trading securities		1,074		810
Investment securities		914,465		689,593
Loans		997,374		752,121
Other		1,055,979		769,318
Allowance for possible Loan losses		(39,165)		(29,534)
	₩	3,295,314	\$	2,484,999
Liabilities:				
Deposits	₩	1,105,843	\$	833,908
Borrowings		1,364,072		1,028,645
Due to Bank of Korea		26,600		20,059
Debentures		310,307		234,000
Other		235,857		177,856
	₩	3,042,679	\$	2,294,468

2) As of December 31, 2000

	Millions of Won		Thousand of US\$ equivalent	
Assets:				
Cash & due from banks	₩	546,359	\$	433,720
Trading securities		19,972		15,854
Investment securities		642,631		510,146
Loans		1,007,425		799,734
Other		1,741,255		1,382,279
Allowance for possible Loan losses		(130,367)		(103,491)
	₩	3,827,275	\$	3,038,242
Liabilities:				
Deposits	₩	1,175,439	\$	933,110
Borrowings		1,484,962		1,178,822
Due to Bank of Korea		237,155		188,263
Debentures		467,349		371,000
Other		314,944		250,016
	₩	3,679,849	\$	2,921,211

14. Commitments and Contingencies:

Information of the amount of position and unrealized gains and losses of derivatives as of December 31, 2001 and 2000 is as follows (millions of Won):

1) As of December 31, 2001

	Amount of Position			Unrealized gains and losses (Recognized)				
	Total	Trading	Hedging	Total	Trading	Hedging	Hedging Failure	(Capitalized)
Currency								
Forward	₩ 1,615,046	₩ 318,940	₩ 1,296,106	₩ (3,466)	₩ 3,055	₩ (2,867)	₩ (3,654)	₩ (3,466)
Swap	6,107	-	6,107	780	-	780	-	1,115
	1,621,153	318,940	1,302,213	(2,686)	3,055	(2,087)	(3,654)	(2,351)
Interest rate Swap	147,346	40,000	107,346	(3,280)	1,195	(4,475)	-	(4,879)
Asset Swap	192,285	-	192,285	(6,524)	-	(6,524)	-	(14,648)
Others	6,631	6,631	-	(314)	(314)	-	-	140
	₩ 1,967,415	₩ 365,571	₩ 1,601,844	₩ (12,804)	₩ 3,936	₩ (13,086)	₩ (3,654)	₩ (21,738)

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2) As of December 31, 2000

	Amount of Position			Unrealized gains and losses (Recognized)				
	Total	Trading	Hedging	Total	Trading	Hedging	Hedging Failure	(Capitalized)
Currency								
Forward	₩ 1,209,290	₩ 276,631	₩ 932,659	₩ (23,090)	₩ (24,638)	₩ 1,695	₩ (147)	₩ (20,527)
Swaps	101,011	-	101,011	6,014	-	6,014	-	6,159
	1,310,301	276,631	1,033,670	(17,076)	(24,638)	7,709	(147)	(14,368)
Interest rate Swap	144,866	-	144,866	(4,229)	-	(4,229)	-	(3,784)
Other	37,791	37,791	-	(309)	(309)	-	-	(3,400)
	₩ 1,492,958	₩ 314,422	₩ 1,178,536	₩ (21,614)	₩ (24,947)	₩ 3,480	₩ (147)	₩ (21,552)

The Bank has entered into forward exchange contracts, currency futures and interest rate swaps with Korea Futures Exchange (KOFEX). For the year ended December 31, 2001, related to these transaction, the Bank recorded ₩97,492 million of gain and ₩85,994 million of losses on derivatives, and ₩18,654 million of unrealized gains and ₩22,434 million of unrealized losses on derivatives, as other operating income(loss). For the year ended December 31, 2000, the Bank recorded ₩78,671 million of gains and ₩47,777 million of losses on derivatives, and ₩7,183 million of unrealized gains and ₩30,982 million of unrealized losses on derivatives.

The Bank has entered into swap contracts to hedge against the risk of changes of the market interest rate and foreign exchange rate. For the year ended December 31, 2001, related to these transaction, the Bank recorded ₩25,716 million of gains and ₩18,763 million of losses on derivatives, and ₩13,984 million of unrealized gains and ₩23,007 million of unrealized losses on derivatives, as other operating income(loss). For the year ended December 31, 2000, the Bank recorded ₩5,192 million of gains and ₩808 million of losses on derivatives and ₩6,374 million of unrealized gain and ₩4,589 million of unrealized losses on derivatives.

For the investment securities related to those hedging transaction, the Bank also recorded ₩23,551 million of gain and ₩8,018 million of losses on fair value hedge, as other operating income(loss), for the year ended December 31, 2001. For the year ended December 31, 2000, ₩5,632 million of gains and ₩228 million of losses on fair value hedges were recorded.

In the normal course of business, the Bank enters into outstanding commitments, which under the banking accounting standards in the Republic of Korea, are not reflected in the accompanying financial statements. In the opinion of management, these do not represent unusual risks of losses for the Bank. Certain commitments represent various degrees and types of risk to the Bank including credit, interest rate, foreign exchange rate, and liquidity risk. In many cases, the commitments involving interest and foreign exchange result from decisions to hedge overall interest rate and foreign exchange risk.

As of December 31, 2001, 31 lawsuits related to bank operations are in progress, and the total filed amount is ₩58,287 million. In connection with the Bank's letter of credit guarantee for Shinhan International Corporation amounting to US\$ 3,397 thousand, Societe Generale, Seoul Branch has filed a lawsuit against the Bank claiming settlement. On December 11, 1998, the court determined that the Bank should pay the claim, including interest for the delayed payment period and the cost of the lawsuit. The Bank made an immediate appeal to a higher court, and the higher court rejected Societe Generale's suit against the Bank on November 30, 2000. Societe Generale, Seoul Branch made a final appeal to the Supreme Court on the result of the determination cannot be determined as of December 31, 2001. However, management believes that the possibility of threatened litigation is remote, no accrual or disclosure of the lawsuit is necessary.

The Bank has entered into credit line commitments (₩997,000 million limit) with several special purpose (asset-back securitization) companies to supply sufficient funds for the repayment of bonds issued by the companies. As of December 31, 2001, the used amount of the credit line is ₩1,876 million and the remaining amount is ₩995,124 million. Rationally expected annual credit amounts to be utilized are ₩1,876 million and ₩2,538 million in 2002 and 2003, respectively.

Among the written-off claims of the Bank, the amount on which the legal rights of claims have not been expired is ₩838,366 million and ₩494,308 million as of December 31, 2001 and 2000, respectively.

As of December 31, 2001 and 2000, the amounts of commitments in the ordinary course of business are as follows :

	Millions of Won	
	2001	2000
Loan commitments	₩ 18,129	₩ -
Securities repurchase commitments	34,479	-
	₩ 52,608	₩ -

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The operations of the Bank have been significantly affected, and may continue to be affected for the foreseeable future, by the general adverse economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these uncertainties on the financial position of the Bank as of December 31, 2001 cannot presently be determined and accordingly, no adjustments have been made in the accompanying financial statements related to such uncertainties.

The accompanying financial statements reflect management's current assessment of the impact to date of the economic situation on the financial position of the Bank. Actual results may differ materially from management's current assessment.

15. Capital Stock:

On December 13, 2001, the Bank issued 6,745,000 shares of common stock(₩33,724 million) upon the request of conversion of IFC 1st convertible bond(US\$30 million). The Bank recorded ₩8,158 million in capital surplus after deducting ₩1 million of stock issuance costs (see Note 16).

On January 8, 1999, as a direct result of the PtA (Purchase of assets and Assumption of liabilities) of Choong-Chung Bank and the merger with Boram Bank, the Bank issued 94,560,000 shares of non-cumulative, non-participating preferred stock for cash at ₩5,000 per share to Korea Deposit Insurance Corporation ("KDIC"). Upon executing the investment contract with KDIC, the Bank has a right to purchase ("call option") these preferred stocks. As of December 31, 2001, preferred stock issued outstanding is 39,602,000 shares after the Bank exercised its call option to purchase 27,479,000 shares on May 13, 2000 and 27,479,000 shares on January 30, 2001.

The terms for the options on the remaining 31,004,000 and 8,598,000 shares are until March 27, 2002 and March 27, 2004, respectively. If the Bank does not exercise its call options, the preferred shares will be converted to common stocks after the end of the option terms.

16. Capital Surpluses:

Capital surplus as of December 31, 2001 and 2000 comprises the following :

	Millions of Won	
	2001	2000
Paid-in capital in excess of par value	₩ 303,302	₩ 295,143
Negative goodwill from merger	105,407	105,407
Other	247	247
	₩ 408,956	₩ 400,797

Changes in paid-in capital in excess of par value for the year ended December 31, 2001 results from the conversion of IFC 1st convertible bond and the amortization of stock issuance costs.

17. Retained Earnings:

Retained earnings as of December 31, 2001 and 2000 comprise the following :

	Reference	Millions of Won	
		2001	2000
Appropriated:			
Legal reserve	(A)	₩ 101,900	₩ 69,300
Reserve for business rationalization	(B)	10,600	10,600
Reserve for future dividends	(C)	50,800	50,800
General purpose contingency reserve	(D)	464,700	233,100
		628,000	363,800
Unappropriated		121	138
		₩ 628,121	₩ 363,938

(A) The general Banking Act requires the Bank to appropriate a minimum of 10% of net income annual income before income taxes as a legal reserve, until such reserve equals 100% of its paid-in capital. This reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.

(B) The reserve for business rationalization is appropriated in accordance with Korean tax laws and provides the Bank with a deduction from taxable income. This reserve is not available for payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.

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(C) The reserve for future dividends represents amounts appropriated by the Bank for equalizing dividend rates through the years of business and can be used for any purpose by subsequent stockholders' resolution.

(D) The general-purpose contingency reserve does not have any specified purpose and may be restored to unappropriated retained earnings through future shareholders' resolution.

The details of cash dividend and stock dividend as of December 31, 2001 and 2000 comprise the following (millions of Won) :

1) As of December 31, 2001

	Number of stock	Dividend ratio (%)	Dividend per share	Total dividend
Cash Dividend				
Common stock	131,107,888	4.00	200	₩ 26,221
Preferred stock	17,196,000	1.00	50	860
Preferred stock	22,406,000	2.00	100	2,241
				29,322
Stock Dividend				
Common stock	131,107,888	4.00	200	26,222
				₩ 55,544

2) As of December 31, 2000

	Number of stock	Dividend ratio (%)	Dividend per share	Total dividend
Cash Dividend				
Common stock	124,363,180	4.00	200	₩ 24,873
Preferred stock	22,928,000	1.00	50	1,146
Preferred stock	44,153,000	2.00	100	4,415
				₩ 30,434

18. Stock Option :

The details of stock options as of December 31, 2001 are summarized as follows :

	1st	2nd	3rd
Grant date	February 19, 1999	March, 20, 2000	March, 10, 2001
Number of stock granted	1,040,000	628,000	276,000
Number of non-exercisable stocks	273,800	125,240	16,000
Number of exercisable stocks	766,200	502,760	260,000
Grant method	Stock distribution type or incremental payment type		
Exercise price	₩ 10,020	₩ 8,500	₩ 7,300
Exercisable period	In 3 years after 3 years from grant date	In 3 years after 3 years from grant date	In 3 years after 3 years from grant date

The Bank calculated the compensation costs of 1st stock option using the intrinsic value approach method and 2nd, 3rd stock options using the fair value approach method and the calculation details are as follows:

	1st	2nd
1) Market price on grant date	₩ 7,960	₩ 7,490
2) Risk-free interest rate(A)	9.75%	6.44%
3) Expected exercise period(B)	4.5years	4.5years
4) Expected share price volatility(C)	76.72%	70.13%
5) Expected dividend rate(D)	8.00%	6.67%
6) Adjusted expected expiration rate	2.44%	2.82%
7) Compensation cost per share	₩ 3,961	₩ 3,551

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- (A): Government bond yield rate at grant date
 (B): Average of mandatory service period and option expiration period
 (C): Share price volatility based on prices of 2001
 (D): Average dividend rate for period equal to expected exercise period

The Bank recognizes the compensation cost as salaries and wages by amortizing the total compensation cost over the expected exercise period. As of December 31, 2001, the Bank recorded 5,991 million as employee stock options in capital adjustments.

The compensation costs to be recognized in the future are as follows:

	2nd		3rd		Total
Within 1 year	₩	770	₩	300	₩ 1,070
Within 2 year		192		300	492
Within 3 year		-		74	74
	₩	962	₩	674	₩ 1,636

19. Term Structures of Assets and Liabilities:

As of December 31, 2001, the term structures of assets and liabilities of the Bank are as follows (millions of Won):

	1~3 months	3~6 months	6 months~1 year	1~3 years	Thereafter	Total
1. In Won Currency						
(Assets)						
Due from banks	₩ 616,937	₩ 235,480	₩ 47,815	₩ -	₩ 226,829	₩ 1,127,061
Securities	1,467,185	850,261	2,239,115	4,302,433	2,020,328	10,879,322
Loans (*)	4,391,806	3,968,244	6,657,995	5,739,473	2,731,747	23,489,265
Allowance for Possible loan losses	-	-	-	-	(388,887)	(388,887)
Other	3,166,932	265,716	228,840	1,139,836	2,096,387	6,899,729
	9,644,878	5,319,701	9,173,765	11,181,742	6,686,404	41,006,490
(Liabilities and Shareholder's equity)						
Deposits	10,276,937	4,905,491	7,993,610	1,461,595	5,610,021	30,247,654
Certificate of deposits	835,155	592,596	245,752	422,146	927	2,096,576
Borrowings	1,216,679	34,038	56,088	282,992	305,387	1,895,184
Shareholders' equity	-	-	-	-	1,928,658	1,928,658
Other	2,614,386	162,964	601,794	625,698	2,088,211	6,091,053
	14,943,157	5,695,089	8,897,244	2,792,431	9,931,204	42,259,125
2. In foreign currencies						
(Assets)						
Due from banks	328,868	4,973	-	-	-	333,841
Securities	690,154	41,436	96,137	69,502	18,311	915,540
Loans	228,876	238,944	204,401	202,264	122,889	997,374
Bills purchased	730,264	87,875	9,577	56	22,650	850,422
Allowance for possible Loan losses	-	-	-	-	(39,165)	(39,165)
Other	234,343	-	-	-	32,338	237,302
	2,212,505	373,228	310,115	271,822	127,644	3,295,314
(Liabilities)						
Deposits	540,869	133,732	156,405	49,645	225,192	1,105,843
Borrowings (**)	374,478	130,036	198,976	686,542	640	1,390,672
Other	233,862	-	-	244,003	68,299	545,164
	₩ 1,149,209	₩ 263,768	₩ 355,381	₩ 980,190	₩ 294,131	₩ 3,042,679

(*) Including bills purchased and factoring receivables.

(**) Including due to Bank of Korea in foreign currency and bonds sold on repurchase agreements in foreign currency.

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20. General and Administrative Expenses:

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

	Millions of Won	
	2001	2000
Salaries and wages	₩ 149,151	₩ 134,944
Severance benefits	14,451	12,077
Other employee benefits	25,421	23,912
Rent	20,736	17,354
Entertainment	9,801	8,906
Depreciation and amortization	42,828	38,963
Taxes and dues	37,940	22,708
Advertising	20,398	16,466
Consulting fees	32,749	26,272
Other	43,012	39,031
	₩ 396,487	₩ 340,633

21. Non-operating Income and Non-operating Expenses:

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

	Millions of Won	
	2001	2000
Gain on disposition of investment securities	₩ 61,443	₩ 149,186
Reversal of impairment loss on investment debt securities	6,996	14,731
Unrealized gain on investment securities	7,080	-
Gain on equity method	22,407	-
Gain on sales of loans	8,360	16,638
Other	25,965	13,729
	₩ 132,251	₩ 194,284

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

	Millions of Won	
	2001	2000
Loss on disposition of investment securities	₩ 20,861	₩ 7,212
Loss on impairment of investment securities	7,044	55,833
Unrealized loss on investment securities	-	6,249
Loss on equity method	-	15,657
Loss on sales of loans	5,129	21,401
Other	12,902	9,134
	₩ 45,936	₩ 115,486

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22. Income Tax Expense:

Income tax expenses for the years ended December 31, 2001 and 2000 comprise the following :

	Millions of Won	
	2001	2000
Current income taxes	₩ 42,734	₩ 81,657
Deferred taxes	92,917	(108,064)
Realization of tax effect from tax loss carryforward	15,760	38,984
	₩ 151,411	₩ 12,577

The statutory income tax rate applicable to the Bank, including resident tax surcharges, is approximately 30.8%, however, effective tax rate for the year ended December 31, 2001 is approximately 31.8, due to above adjustments.

Changes in accumulated temporary differences for the year ended December 31, 2001 are as follows (millions of Won) :

Accounts	Beginning Balance	Increase	Decrease	Ending Balance
Allowance for possible loan losses	₩ 324,150	₩ 60,049	₩ 324,150	₩ 60,049
Reserve for possible losses on acceptances and guarantees	40,001	-	16,274	23,727
Accrued income	(209,428)	(162,978)	(209,428)	(162,978)
Gain on valuation of securities	(17,283)	(65,718)	(7,920)	(75,081)
Loss on valuation of securities	27,666	9,468	19,383	17,751
Loss on impairment of investment securities	56,098	7,044	6,996	56,146
Gain on equity method	(64,441)	(22,468)	(80)	(86,829)
Goodwill amortization	6,527	7	3,267	3,267
Present value discounts	48,598	-	42,937	5,661
Other	28,731	70,410	32,092	67,049
	₩ 240,619	₩ (104,186)	₩ 227,671	₩ (91,238)

The Bank adjusted ₩26,919 million of accumulated temporary differences of the difference between prior year income taxes recorded in the book and actual tax expense as a current increase (decrease) for the year ended December 31, 2001.

As of December 31, 2001, deferred income tax assets (liabilities) from temporary differences comprise the following (millions of Won) :

	Total amounts	Deferred income tax assets (liabilities)
Accumulated temporary differences as of beginning of the year (*)	₩ 240,619	₩ 74,111
Tax effect from Tax loss carryforward (**)	145,144	43,107
Changes in temporary differences For the period	(331,857)	(101,208)
	₩ 53,906	₩ 16,010

(*) The tax effect of accumulated temporary differences from prior year was adjusted to retained earnings

(**) The tax loss carryforward is transferred in from Boram Bank and deductible in the future years under the Korean Tax Law.

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23. Earnings Per Share and Ordinary Income Per Share:

Earnings per share and ordinary income per share for the years ended December 31, 2001 and 2000 are calculated as follows :

	Korean Won	
	2001	2000
Ordinary income per share		
Ordinary Income after income tax expenses	₩ 325,268,980,655	₩ 10,686,119,091
Dividends on preferred stock	(3,100,400,000)	(5,561,700,000)
	322,168,580,655	5,124,419,091
Weighted average of common shares (*)	131,107,888	120,056,623
Ordinary Income per share	₩ 2,457	₩ 43
Earnings per share		
Net Income	₩ 325,268,980,655	₩ 20,501,293,737
Dividends on preferred stock	(3,100,400,000)	(5,561,700,000)
	322,168,580,655	14,939,593,737
Weighted average of common shares (*)	131,107,888	120,056,623
Earnings per share	₩ 2,457	₩ 124

(*) Weighted average number of common shares

Diluted earnings per share and ordinary income per share for the years ended December 31, 2001 and 2000 are calculated as follows :

	Korean Won	
	2001	2000
Diluted ordinary income per share		
Ordinary income after income tax expenses	₩ 325,268,980,655	₩ 10,686,119,091
Dividends on Preferred Stock	-	5,561,700,000
Compensation cost for stock option after income tax expenses	686,201,324	-
Interest expense on convertible bonds after income tax expenses	3,867,613,866	-
	329,822,795,845	5,124,419,091
Weighted average number of common shares (**)	173,992,680	121,587,355
	₩ 1,896	₩ 42
Diluted earnings per share		
Net Income	₩ 325,268,980,655	₩ 20,501,293,737
Compensation cost for stock option after income tax expenses	686,201,324	-
Interest expense on convertible bonds after income tax expenses	3,867,613,866	-
	329,822,795,845	20,501,293,737
Weighted average number of common shares (**)	173,992,680	188,668,355
	₩ 1,896	₩ 109

(**) Weighted average number of common shares

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24. Related Party Transactions:

Significant operating transactions with related parties during the years December 31, 2001 and 2000 and related account balances at December 31, 2001 and 2000 are as follows (millions of Won) :

1) As of December 31, 2001

	Transactions			Account balances	
	Interest income	Interest expenses	Service contract expenses	Loans	Deposits
Hana Securities	₩ 680	₩ 1,161	₩ -	₩ 3,743	₩ 31,152
Hana Research	-	17	889	-	163
Hana Allianz	14,098	1,418	-	684,000	18,748
	₩ 14,778	₩ 2,596	₩ 889	₩ 687,743	₩ 50,063

2) As of December 31, 2001

	Transactions			Account balances	
	Interest income	Interest expenses	Service contract expenses	Loans	Deposits
Hana Securities	₩ 123	₩ 695	₩ -	₩ 3,398	₩ 14,837
Hana Research	-	6	1,004	-	307
Hana Risjad Finance	419	7	-	7,528	-
	₩ 542	₩ 708	₩ 1,004	₩ 10,926	₩ 15,144

25. Information on Operating Segments:

The Bank's service line is composed of its Corporate Banking Group, Retail Banking Group, Choong-Chung Banking Group, Treasury Group, and other administrative and trust segments. Financial information for each operating segment is as follows (millions of Won) :

1) For the year ended December 31, 2001

	Corporate Banking Group	Retail Banking Group	Choong-Chung Banking Group	Treasury Group & other	Total
Operating revenue	₩ 895,450	₩ 733,816	₩ 267,646	₩ 1,695,381	₩ 3,592,293
Loans	11,162,251	10,636,223	3,097,490	4,024,184	28,920,148
Securities	-	-	264,852	11,530,010	11,794,862
Deposits/borrowings(*)	8,736,176	20,128,455	4,790,565	4,657,904	38,313,100

2) For the year ended December 31, 2000

	Corporate Banking Group	Retail Banking Group	Choong-Chung Banking Group	Treasury Group & other	Total
Operating revenue	₩ 876,427	₩ 576,801	₩ 214,153	₩ 1,943,249	₩ 3,610,630
Loans	10,271,768	7,593,692	1,982,201	4,891,201	24,738,862
Securities	-	-	284,301	11,634,193	11,918,494
Deposits/borrowings(*)	8,160,255	20,164,874	4,206,120	3,227,820	35,759,069

(*) Including call money, bonds sold on repurchase agreements, bills sold, due to the Bank of Korea in and debentures.

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26. Results of the Trust business:

For the years ended December 31, 2001 and 2000, the major results of operations related to the trust business are as follows :

	Millions of Won	
	2001	2000
Trust fees	₩ 111,358	₩ 163,024
Early termination fees	819	3,518
Interest on trust loans	2,214	-
Operating revenue of trust operations	₩ 114,391	₩ 166,542
Interest on borrowings from trust accounts	15,083	20,078
Operating loss of trust operations	-	133,698
	₩ 15,083	₩ 153,776

27. Reclassification of Financial Statement as of December 31, 2000:

Certain accounts in the financial statements as of December 31, 2000 have been reclassified to conform to the 2001 presentation. These reclassifications had no effect on previously reported net income or stockholders' equity.

28. Events after Balance Sheet Date:

On January 30, 2002, the Bank has purchased 39,602,000 shares (₩5,000 per share) of its redeemable preferred stock which had been issued and outstanding under the subscription agreements between the Bank and Korea Deposit Insurance Corporation (KDIC). As a result of this transaction, the Bank's outstanding preferred stock was decreased by ₩198,010 million.

REPORT OF INDEPENDENT ACCOUNTANTS

SAMIL ACCOUNTING CORPORATION

SAMIL ACCOUNTING CORPORATION

Samil Accounting corporation
Kukje Center Building 21st Flr.
191 Hangangro 2ga Yongsanku Seoul
140-702, KOREA
(Yongsan P.O.Box 266, 140-600)

To the Board of Directors of Hana Bank

We have audited the accompanying balance sheets of trust accounts which Hana Bank ("the Bank") operates, as of December 31, 2001 and 2000, and the related statements of operation of trust accounts for the years then ended, expressed in Korean Won. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of trust accounts as of December 31, 2001 and 2000, and the results of their operations for the years then ended in conformity with trust accounting standards generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw attention to Note 7 of the financial statements which states that the operations of trust accounts have been affected, and may continue to be affected for the foreseeable future, by the general unstable economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effects of these uncertainties on the financial position of trust accounts as of the balance sheet date cannot presently be determined.

The amounts expressed in U.S. Dollars are provided solely for the convenience of the users of the financial statements and have been translated on the basis set forth in note 3 to the financial statements.

The accompanying financial statements are not intended to present the financial positions and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. 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 and jurisdictions. Accordingly, this report and the accompanying financial statements are not intended for use by those who are not informed about Korean accounting principles or auditing standards and their application in practice.



January 26, 2002
Seoul, Korea

BALANCE SHEET OF TRUST ACCOUNTS

As of December 31, 2001 and 2000

	In Millions of Korean Won		In Thousands of U.S.Dollars (Note 3)	
	2001	2000	2001	2000
ASSETS				
Cash and due from banks	₩ 256	₩ 5,341	US\$ 193	US\$ 4,027
Securities :				
Government and public bonds	1,136,600	1,185,478	857,100	893,958
Debentures issued by financial institutions	1,000,970	779,023	754,822	587,454
Corporate bonds	1,381,511	1,763,008	1,041,785	1,329,468
Stocks	1,160,400	940,231	875,047	709,020
Bills purchased	1,245,725	2,151,687	939,390	1,622,568
Other	1,193,292	827,167	899,851	623,759
	7,118,498	7,646,594	5,367,995	5,766,227
Loans :				
Loans collateralized by real estate	143,033	495,416	107,860	373,589
Loans collateralized by other than real estate	75,157	97,437	56,675	73,476
Uncollateralized loans	611,371	718,932	461,029	542,140
	829,561	1,311,785	625,564	989,205
Call loans	-	420,000	-	316,718
Trusted money receivables	900,549	-	679,095	-
Movables & real estate	120,517	-	90,881	-
Accrued income	224,689	241,182	169,436	181,873
Due from banking accounts(Note 6)	1,068,092	802,766	805,439	605,359
Other	12,967	504	9,778	381
Allowance for credit losses	(47,484)	(165,236)	(35,807)	(124,603)
Total assets	₩ 10,227,645	₩ 10,262,936	US\$ 7,712,574	US\$ 7,739,187
LIABILITIES				
Money trusts :				
Installment money trusts	₩ 290,810	₩ 584,628	US\$ 219,297	US\$ 440,863
Household money trusts	832,920	1,024,648	628,097	772,678
Development money trusts	1,882	360,250	1,419	271,661
New installment money trusts	419,954	734,181	316,683	553,639
Retirement trusts	359,925	222,945	271,416	168,121
Specified money trusts	3,099,292	3,896,201	2,337,148	2,938,090
Additional money trusts	988,834	869,082	745,671	655,367
New old-age pension trusts	1,212,869	571,992	914,613	431,334
Unit money trusts	707,835	759,558	533,772	572,776
Other	658,578	554,341	496,629	418,023
	8,572,899	9,577,826	6,464,745	7,222,552
Property trusts :				
Security management trusts	200,069	200,869	150,870	151,474
Money receivable trusts	908,337	-	684,969	-
Movables & real estate trusts	120,517	-	90,881	-
	1,228,923	200,869	926,720	151,474
Borrowings from banking accounts(Note 6)	29,262	-	22,066	-
Unearned income	13,862	39,300	10,453	29,636
Accrued trust fees payable(Note 6)	32,649	15,910	24,620	11,997
Accrued trust dividends payable	326,511	394,777	246,219	297,698
Present value discounts	2,343	27,301	1,767	20,587
Reserve for future trust losses	11,769	6,179	8,875	4,660
Other	9,427	774	7,109	583
Total liabilities	₩ 10,227,645	₩ 10,262,936	US\$ 7,712,574	US\$ 7,739,187

The accompanying notes are integral parts of these statements.

STATEMENT OF OPERATIONS OF TRUST ACCOUNTS

For the years ended December 31, 2001 and 2000

	In Millions of Korean Won		In Thousands of U.S.Dollars (Note 3)	
	2001	2000	2001	2000
Revenue				
Interest income :				
Interest on due from banks	₩ -	₩ 705	US\$ -	US\$ 532
Interest and dividends on securities	513,524	889,628	387,244	670,860
Interest on loans	95,721	230,886	72,182	174,109
Interest on call loans	13,633	17,184	10,281	12,958
Interest on trusted money receivables	129	17,473	97	13,176
Interest on due from banking accounts(Note 6)	12,907	19,625	9,733	14,799
Other	4,522	18,983	3,410	14,315
	640,436	1,194,484	482,947	900,749
Gains on derivatives	28,944	11,165	21,826	8,420
Gains on securities	133,222	137,694	100,462	103,834
Other	21,031	168,564	15,859	127,113
	823,633	1,511,907	621,094	1,140,116
Expense				
Trust fees to the Bank(Note 6)	110,514	162,460	83,338	122,510
Commissions paid	3,380	4,398	2,549	3,316
Losses on derivatives	29,838	10,847	22,500	8,180
Losses on securities	99,075	351,099	74,712	264,760
Provision for credit losses	1,862	64,070	1,404	48,314
Other	17,361	21,856	13,091	16,483
	262,030	614,730	197,594	463,563
Dividends of trust profit to beneficiaries	₩ 561,603	₩ 897,177	US\$ 423,500	US\$ 676,553

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS OF TRUST ACCOUNTS

December 31, 2001 and 2000

1. The trustee

Hana Bank("the Bank"), the trustee, was incorporated in 1971 as Korea Investment and Finance Corporation under the Commercial Code of the Republic of Korea to provide financing services as a financial intermediary. On September 20, 1972, the Bank was granted approval by the Ministry of Finance (presently the Ministry of Finance and Economy) to operate under the short-term Financing Business Law.

On June 29, 1991, the Bank was granted approval by the Ministry of Finance to engage in banking activities and the Bank's name was changed to Hana Bank. It became a nationwide commercial bank in July 1991.

On June 29, 1998, the Bank purchased certain assets and assumed most of the liabilities of Choong-Chung Bank by the order of the Financial Supervisory Commission. As of January 1, 1999, the Bank completed a merger with Boram Bank.

The Bank is engaged in the trust business under the Trust Business Act, in the commercial banking business under the Banking Act, in the foreign exchange transaction business and in other related businesses.

On June 5, 1972, the Bank listed its shares on the Korean Stock Exchange. On February 12, 1973, the Bank was registered as a foreign capital invested company under the Foreign Capital Inducement Law. The Bank's common stock and preferred stock outstanding as of December 31, 2001 are ₩655,539 million and ₩198,010 million, respectively.

2. Summary of Significant Accounting Policies

The financial statements of trust accounts are prepared in accordance with the Trust Business Act, except for certain items not specified in the Act which were prepared in accordance with the trust accounting standards generally accepted in the Republic of Korea. The significant accounting policies applied in the preparation of the accompanying financial statements of trust accounts are summarized as follows.

Revenue and Expense of Trust Accounts

The trust accounts recognize interest income and other revenue as trust revenue, and also trust operating expenses, trust fees to the Bank and other expenses as trust expense.

Interest Income Recognition

Interest income on loans and investment securities is recognized on an accrual basis, while interest income on overdue and dishonored loans and securities, except for those guaranteed by financial institutions or collateralized by deposits, is recognized on a cash basis.

Securities

The valuation methods used for the securities are summarized as follows.

	Valuation method
Marketable stocks and beneficial certificates	Market value
Non-marketable stocks	Cost
Debt securities	Market value
Other securities	Market value

Under the transition clause prescribed in Trust Supervision Act, the debt securities and other securities managed in the unspecified money trusts, established before November 15, 1998, are not valued by mark to market. Instead, the loan valuation method is applied to these securities and the related unrealized losses are charged to the allowance for credit losses.

The securities included in specified money trusts and property trusts are stated at cost.

Reserve for credit losses

From 1999, the Bank adopted a method of corporate loan (including bills and securities not marked to market) classification for calculating the allowance for credit losses by incorporating the borrowers' future debt service capacity ("Forward Looking Criteria (FLC)"). This credit rating model

NOTES TO FINANCIAL STATEMENTS OF TRUST ACCOUNTS

December 31, 2001 and 2000

considers the financial and non-financial factors of borrowers and classifies borrowers' credit risk by seventeen ratings. Provisions in the trust accounts are determined by applying the following minimum percentages to the various credit ratings:

Loan classifications	Provision percentages
Normal	0%
Precautionary	2%
Substandard	20%
Doubtful	50%
Estimated loss	100%

Household loans are classified based on the delinquent periods, value of collateral and reasonably estimated collectibility.

Present Value Discounts

If the present value of a loan is significantly different from book value due to the rescheduling of terms as agreed by the related parties (as in the case of court receivership, court mediation or workout), the present value discounts on the loan is offset against the allowance for possible loan losses, if available, or charged to current expenses.

The difference between book value and present value is recorded as 'present value discounts' in the balance sheet and amortized to current earnings over the related period using the effective interest rate method.

Due from Banking Accounts

The trust accounts deposit certain amounts with the banking accounts for short-term cash management purposes, and account for them as due from banking accounts.

Reserve for future trust losses and subsidies from banking accounts

The trust accounts have provided more than 25% of the trust fees as special reserve until the amount of which equals 5% of invested capital for certain money trusts with guarantees of a principal or a minimum rate of return. As of December 31, 2001 and 2000, the reserve for future trust losses was ₩11,769 million and ₩6,179 million, respectively.

In case of occurrence of deficiency in guaranteed principal or a minimum rate of return after making up with trust fees and reserve for future trust losses, trust accounts are provided the deficient amounts from banking accounts and record them as subsidies from banking accounts.

Dividends of trust profit to beneficiaries

The dividends calculated by the trust revenue deducted by the trust fees to the Bank and other administrative expenses are disbursed to the beneficiaries.

Trust Fees

The trust accounts provide trust fees to the Bank for its management of trusts, and account for them as operating expenses.

3. United States Dollar Amounts

The Bank operates its trust accounts primarily in Korean won and its official accounting records are maintained in Korean won. The U.S. dollar amounts are provided herein as supplementary information solely for the convenience of the reader. All Won amounts are expressed in U.S. dollars at the rate of ₩1,326.1:US\$1, the base exchange rate on December 31, 2001. This presentation is not required by or in accordance with Korean or United States generally accepted accounting principles, and should not be constructed as a representation that the Won amounts shown could be converted in or settled in U.S. dollars at this or any other rate.

The 2000 U.S. Dollar amounts, which had been previously expressed at the rate published on December 31, 2000, have been restated to reflect the exchange rate in effect on December 31, 2001.

NOTES TO FINANCIAL STATEMENTS OF TRUST ACCOUNTS

December 31, 2001 and 2000

4. Details of Trust Funds

The details of the money trust businesses at December 31, 2001 are as follows :

Trusts	Period (Years)	Trust Terms	
		Dividend Rate	Guarantee of principal repayment or minimum rate of return
General unspecified money trusts	Over 1.5	Fixed	Yes
Installment money trusts(*)	Over 1.5	Floating	No
Household money trusts(*)	1.5-3	#	No
Development trusts	2-5	Fixed	Yes
Old-age living pension trusts	Over 10	Floating	Yes
Corporation money trusts(*)	Over 1.5	#	No
Individual pension trusts	Over 15	#	Yes
Household long-term money trusts	3-5	#	No
Labor preferential trusts	3-5	#	No
New installment trusts	Over 1.5	#	No
Retirement trusts	-	#	Yes
Specified money trusts:	-	#	No
Unit money trusts	Over 0.5	#	No
Open money trusts	Over 0.25	#	No
Real estate investment trusts	-	#	No
New individual pension trusts	Over 15	#	Yes
New old-age pension trusts	Over 5	#	Yes
New labor preferential trusts	3-5	#	No
Pension money trusts	Over 15	#	Yes
Testament trusts	-	#	No

(*) The principal repayment is guaranteed for customer accounts opened before April 30, 1996.

General unspecified money trusts, development trusts and certain amounts of installment money trusts are subject to a guaranteed principal amount and a fixed rate of return.

5. Classified Financial Statements of Trust Accounts

The balance sheets and statements of operation of trust accounts for the years ended December 31, 2001 and 2000 are classified into principal or dividend guarantee trusts and performance trusts as follows (millions of Won) :

1) December 31, 2001

Classified balance sheets

	Millions of Won		
	Principal or Dividend Guaranteed Trusts	Performance Trusts	Total
(Assets)			
Cash and due from banks	₩ -	₩ 256	₩ 256
Securities	1,606,495	5,512,003	7,118,498
Loans	266,523	563,038	829,561
Trusted money receivables	-	900,549	900,549
Movables & real estate	-	120,517	120,517
Accrued income	25,876	198,813	224,689
Due from banking accounts	288,056	780,036	1,068,092
Other	2,508	10,459	12,967
Allowance for credit losses	(28,032)	(19,452)	(47,484)
	₩ 2,161,426	₩ 8,066,219	₩ 10,227,645

NOTES TO FINANCIAL STATEMENTS OF TRUST ACCOUNTS

December 31, 2001 and 2000

	Millions of Won		
	Principal or Dividend Guaranteed Trusts	Performance Trusts	Total
(Liabilities)			
Money trusts	₩ 2,018,517	₩ 6,554,382	₩ 8,572,899
Property trusts	-	1,228,923	1,228,923
Borrowings from banking accounts	29,262	-	29,262
Unearned income	2,716	11,146	13,862
Accrued trust fees payable	19,863	12,786	32,649
Accrued trust dividends payable	74,301	252,210	326,511
Present value discounts	2,343	-	2,343
Reserve for future trust losses	11,769	-	11,769
Other	2,655	6,772	9,427
	₩ 2,161,426	₩ 8,066,219	₩ 10,227,645

Classified statements of operation

	Millions of Won		
	Principal or Dividend Guaranteed Trusts	Performance Trusts	Total
(Revenue)			
Interest income	₩ 157,828	₩ 482,608	₩ 640,436
Gains on derivatives	24,098	4,846	28,944
Gains on securities	39,571	93,651	133,222
Other	11,953	9,078	21,031
	233,450	590,183	823,633
(Expense)			
Trust fees to the Bank	41,809	68,705	110,514
Commissions paid	1,834	1,546	3,380
Losses on derivatives	25,881	3,957	29,838
Losses on securities	25,489	73,586	99,075
Provision for credit losses	9	1,853	1,862
Other	14,659	2,702	17,361
	109,681	152,349	262,030
Dividends of trust profit to beneficiaries	₩ 123,769	₩ 437,834	₩ 561,603

Classified balance sheets

	Millions of Won		
	Principal or Dividend Guaranteed Trusts	Performance Trusts	Total
(Assets)			
Cash and due from banks	₩ -	₩ 5,341	₩ 5,341
Securities	996,658	6,649,936	7,646,594
Loans	313,434	998,351	1,311,785
Call loans	-	420,000	420,000
Accrued income	12,949	228,233	241,182
Due from banking accounts	501,464	301,302	802,766
Other	504	-	504
Allowance for credit losses	(121,287)	(43,949)	(165,236)
	₩ 1,703,722	₩ 8,559,214	₩ 10,262,936
(Liabilities)			
Money trusts	₩ 1,555,311	₩ 8,022,515	₩ 9,577,826
Property trusts	-	200,869	200,869
Unearned income	3,889	35,411	39,300
Accrued trust fees payable	-	15,910	15,910
Accrued trust dividends payable	110,392	284,385	394,777
Present value discounts	27,301	-	27,301
Reserve for future trust losses	6,179	-	6,179
Other	650	124	774
	₩ 1,703,722	₩ 8,559,214	₩ 10,262,936

NOTES TO FINANCIAL STATEMENTS OF TRUST ACCOUNTS

December 31, 2001 and 2000

Classified statements of operation

	Millions of Won		
	Principal or Dividend Guaranteed Trusts	Performance Trusts	Total
(Revenue)			
Interest income	₩ 290,218	₩ 904,266	₩ 1,194,484
Gains on derivatives	65	11,100	11,165
Gains on securities	36,238	101,456	137,694
Other	145,714	22,850	168,564
	472,235	1,039,672	1,511,907
(Expense)			
Trust fees to the Bank	11,507	150,953	162,460
Commissions paid	764	3,634	4,398
Losses on derivatives	202	10,645	10,847
Losses on securities	103,518	247,581	351,099
Provision for credit losses	45,452	18,618	64,070
Other	16,235	5,621	21,856
	177,678	437,052	614,730
Dividends of trust profit to beneficiaries	₩ 294,557	₩ 602,620	₩ 897,177

6. Related Party Transactions

The details of transactions with the banking accounts of the Bank for the years ended December 31, 2001 and 2000 and related account receivables and payables as of December 31, 2001 and 2000 are summarized as follows:

Account	Millions of Won	
	2001	2000
Interest on due from banking accounts	₩ 12,907	₩ 19,625
Interest on borrowings from banking accounts	2,214	-
Trust fees to the Bank	110,514	162,460
Due from banking accounts	1,068,092	802,766
Borrowings from banking accounts	29,262	-
Accrued trust fees payable	32,649	15,910

7. Commitments and Contingencies

Written-off claims of trust accounts on which the legal rights of claims have not been expired as of December 31, 2001 and 2000, totaled ₩254,526 million and ₩210,625 million respectively.

The operations of trust accounts of have been significantly affected, and may continue to be affected for the foreseeable future, by the general adverse economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these uncertainties on the financial position of the Bank as of December 31, 2001 cannot presently be determined and accordingly, no adjustments have been made in the accompanying financial statements related to such uncertainties.

REPORT OF INDEPENDENT ACCOUNTANTS

SAMIL ACCOUNTING CORPORATION

SAMIL ACCOUNTING CORPORATION

Samil Accounting corporation
Kukje Center Building 21st Flr.
191 Hangangro 2ga Yongsanku Seoul
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(Yongsan P.O.Box 266, 140-600)

To the Board of Directors and Shareholders of Hana Bank

We have audited the accompanying consolidated balance sheets of Hana Bank and its subsidiaries ("the Bank") as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in equity and cash flows for the years then ended, expressed in Korean Won. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hana Bank and its subsidiaries as of December 31, 2001 and 2000, and the results of their operations, the changes in their equity, and their cash flows for the years then ended in conformity with financial accounting standards generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw attention to Note 13 to the financial statements which states that the operations of the Bank have been affected, and may continue to be affected for the foreseeable future, by the general unstable economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these uncertainties of the financial position of the Bank as of the balance sheet date cannot presently be determined.

The amounts expressed in U.S. Dollars are provided solely for the convenience of the users of the consolidated financial statements and have been translated on the basis set forth in note 3 to the consolidated financial statements.

The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. The procedures and practices utilized to audit such financial statements may differ from those generally accepted and applied in other countries and jurisdictions. Accordingly, this report and the accompanying consolidated financial statements are not intended to be used by those who are not informed about Korean accounting principles or auditing standards and their application in practice.



Seoul, Korea
January 26, 2002

CONSOLIDATED BALANCE SHEETS

December 31, 2001 and 2000

	In Millions of Korean Won		In Thousands of U.S.Dollars (Note 3)	
	2001	2000	2001	2000
ASSETS				
Cash and due from banks (Note 4)	₩ 2,873,185	₩ 3,352,804	US\$ 2,166,643	US\$ 2,528,319
Trading securities (Note 5)	1,618,405	1,537,109	1,220,425	1,159,120
Investment securities (Note 6)	11,233,128	11,229,457	8,470,800	8,468,032
Loans (Note 7)	29,973,099	26,009,013	22,602,443	19,613,161
(Reserve for possible loan losses)	(465,822)	(953,975)	(351,272)	(719,384)
(Present value discounts)	(12,449)	(79,978)	(9,388)	(60,311)
Property, plant and equipment (Note 8)	697,059	650,318	525,646	490,399
(Accumulated depreciation)	(213,145)	(180,630)	(160,731)	(136,211)
Intangible assets (Note 8)	2,069	678	1,560	511
Guarantee deposits	315,748	312,615	238,103	235,740
Accounts receivable	213,627	213,478	161,094	160,982
Accrued income	372,271	460,835	280,726	347,512
Prepaid expenses	182,377	364,237	137,529	274,668
Deferred income tax assets	17,581	135,012	13,257	101,811
Negative goodwill (Note 8)	(808)	(1,212)	(609)	(914)
Other	609,258	186,908	459,436	140,946
Total assets	₩ 47,415,583	₩ 43,236,669	US\$ 35,755,662	US\$ 32,604,381
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits (Note 9)	₩ 35,553,006	₩ 30,375,271	US\$ 26,810,200	US\$ 22,905,717
Call money	730,129	375,553	550,584	283,201
Borrowings (Note 10)	3,263,256	2,700,857	2,460,792	2,036,692
Bonds sold on repurchase agreements	190,809	1,359,924	143,887	1,025,506
Bills sold	696,239	2,409,511	525,027	1,816,990
Due to Bank of Korea in foreign currencies	26,600	237,155	20,059	178,836
Debentures (Note 11)	1,942,531	1,771,066	1,464,845	1,335,545
Reserve for possible losses on acceptances and guarantees	23,727	40,037	17,892	30,192
Due to trust accounts	940,797	306,503	709,446	231,131
Unearned income	83,770	114,447	63,170	86,303
Accrued expenses	871,829	913,193	657,438	688,631
Accounts payable	204,655	212,338	154,328	160,122
Other	831,124	542,945	626,744	409,430
Total liabilities	45,358,472	41,358,800	34,204,412	31,188,296
Commitments and contingencies (Note 13)				
Common stock, par value : ₩5,000, authorized : 500 million shares, issued and outstanding : 131,107,888 shares (Note 14)	655,539	621,816	494,336	468,906
Preferred stock, par value : ₩5,000, non-cumulative, non-participating preferred stock, authorized : 250 million shares, issued and outstanding : 39,602,000 shares (Note 14 and 18)	198,010	335,405	149,318	252,926
Capital surplus	446,329	424,463	336,573	320,084
Retained earnings	620,787	362,245	468,130	273,166
Capital adjustments	22,273	26,038	16,796	19,635
Minority interest	114,173	107,902	86,097	81,368
Total shareholders' equity	2,057,111	1,877,869	1,551,250	1,416,085
Total liabilities and shareholders' equity	₩ 47,415,583	₩ 43,236,669	US\$ 35,755,662	US\$ 32,604,381

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2001 and 2000

	In Millions of Korean Won		In Thousands of U.S.Dollars (Note 3)	
	2001	2000	2001	2000
Operating revenue				
Interest income :				
Interest on due from banks	₩ 115,767	₩ 156,148	US\$ 87,299	US\$ 117,750
Interest on securities	860,586	1,137,554	648,960	857,819
Interest on loans	2,057,543	1,930,604	1,551,574	1,455,851
Other	25,222	41,451	19,020	31,258
	3,059,118	3,265,757	2,306,853	2,462,678
Commission income	323,972	290,914	244,304	219,375
Other operating income :				
Gain on disposition of trading securities	132,717	117,459	100,081	88,575
Gain on valuation of trading securities	35,874	3,181	27,052	2,399
Dividend on securities	8,491	9,220	6,403	6,953
Gain on foreign currency trading	89,428	194,892	67,437	146,966
Fees from trust accounts	70,015	152,657	52,798	115,117
Gain on derivatives	196,072	162,443	147,856	122,497
Other	41,653	19,563	31,410	14,752
	574,250	659,415	433,037	497,259
	3,957,340	4,216,086	2,984,194	3,179,312
Operating expenses				
Interest expenses :				
Interest on deposits	1,687,172	1,922,563	1,272,281	1,449,787
Interest on borrowings	379,599	469,901	286,252	354,348
Interest on debentures	159,894	143,339	120,575	108,091
Other	17,713	25,740	13,357	19,410
	2,244,378	2,561,543	1,692,465	1,931,636
Commission expenses	107,103	66,720	80,765	50,313
Other operating expenses :				
Loss on disposition of trading securities	83,949	195,684	63,305	147,563
Loss on valuation of trading securities	5,361	35,812	4,043	27,006
Loss on foreign currency trading	74,030	179,498	55,825	135,358
Bad debt expense	284,202	574,571	214,314	433,279
Loss on derivatives	190,514	132,405	143,665	99,845
Other	80,658	57,705	60,824	43,515
	718,714	1,175,675	541,976	886,566
General and administrative expenses	465,806	412,937	351,260	311,392
	3,536,001	4,216,875	2,666,466	3,179,907
Operating income(loss)	421,339	(789)	317,728	(595)
Non-operating income	134,576	208,105	101,482	156,930
Non-operating expenses	51,457	163,022	38,803	122,933
Ordinary income	504,458	44,294	380,407	33,402
Extraordinary gain	2	15,836	1	11,942
Extraordinary losses	-	868	-	655
Income before income taxes and consolidation adjustments	504,460	59,262	380,408	44,689
Income tax expense	165,031	23,178	124,448	17,478
Total net income before consolidation adjustments	339,429	36,084	255,960	27,211
Minority interest income	(17,650)	(18,313)	(13,310)	(13,810)
Consolidated net income (Note 15)	₩ 321,779	₩ 17,771	US\$ 242,650	US\$ 13,401

(Ordinary income per share : for current year : ₩2,431, for prior year : ₩85
Earnings per share : for current year : ₩2,431, for prior year : ₩102
Diluted ordinary income per share : for current year : ₩1,876, for prior year : ₩84
Diluted earnings per share : for current year : ₩1,876, for prior year : ₩94)

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

For the years ended December 31, 2001 and 2000

	Paid-in capital		Capital surplus	
	Millions of Korean Won	Thousands of U.S Dollars (Note 3)	Millions of Korean Won	Thousands of U.S Dollars (Note 3)
Balance at January 1, 2000	₩ 1,023,616	US\$ 771,900	₩ 339,703	US\$ 256,167
Issue of paid-in capital	71,000	53,540	55,013	41,485
Extinguishment of preferred stock	(137,395)	(103,608)	-	-
Reversal of negative goodwill	-	-	29,747	22,432
Net income for 2000	-	-	-	-
Cash dividends	-	-	-	-
Changes in reporting entity	-	-	-	-
Cumulative effect of change in accounting principle	-	-	-	-
Changes in capital adjustments	-	-	-	-
Changes in minority interest	-	-	-	-
Balance at December 31, 2000	₩ 957,221	US\$ 721,832	₩ 424,463	US\$ 320,084
Balance at January 1, 2001	₩ 957,221	US\$ 721,832	₩ 424,463	US\$ 320,084
Issue of paid-in capital	33,723	25,430	8,159	6,153
Extinguishment of preferred stock	(137,395)	(103,608)	-	-
Reversal of negative goodwill	-	-	13,707	10,336
Net income for 2001	-	-	-	-
Cash dividends	-	-	-	-
Stock dividends	-	-	-	-
Changes in subsidiary retained earnings	-	-	-	-
Changes in special reserves	-	-	-	-
Changes in capital adjustments	-	-	-	-
Changes in minority interest	-	-	-	-
Balance at December 31, 2001	₩ 853,549	US\$ 643,654	₩ 446,329	US\$ 336,573

The accompanying notes are an integral part of these statements

Retained earnings		Capital adjustments		Minority interest		Total equity	
Millions of Korean Won	Thousands of U.S Dollars (Note 3)	Millions of Korean Won	Thousands of U.S Dollars (Note 3)	Millions of Korean Won	Thousands of U.S Dollars (Note 3)	Millions of Korean Won	Thousands of U.S Dollars (Note 3)
₩ 409,806	US\$ 309,031	₩ (21,340)	US\$ (16,092)	₩ 172,509	US\$ 130,087	₩ 1,924,294	US\$ 1,451,093
-	-	-	-	-	-	126,013	95,025
-	-	-	-	-	-	(137,395)	(103,608)
-	-	-	-	-	-	29,747	22,432
17,771	13,401	-	-	-	-	17,771	13,401
(30,434)	(22,950)	-	-	-	-	(30,434)	(22,950)
3,471	2,617	-	-	-	-	3,471	2,617
(38,369)	(28,933)	-	-	-	-	(38,369)	(28,933)
-	-	47,378	35,727	-	-	47,378	35,727
-	-	-	-	(64,607)	(48,719)	(64,607)	(48,719)
₩ 362,245	US\$ 273,166	₩ 26,038	US\$ 19,635	₩ 107,902	US\$ 81,368	₩ 1,877,869	US\$ 1,416,085
₩ 362,245	US\$ 273,166	₩ 26,038	US\$ 19,635	₩ 107,902	US\$ 81,368	₩ 1,877,869	US\$ 1,416,085
-	-	-	-	-	-	41,882	31,583
-	-	-	-	-	-	(137,395)	(103,608)
-	-	-	-	-	-	13,707	10,336
321,779	242,650	-	-	-	-	321,779	242,650
(29,322)	(22,111)	-	-	-	-	(29,322)	(22,111)
(26,222)	(19,774)	26,222	19,774	-	-	-	-
(5,542)	(4,179)	-	-	-	-	(5,542)	(4,179)
(2,151)	(1,622)	-	-	-	-	(2,151)	(1,622)
-	-	(29,987)	(22,613)	-	-	(29,987)	(22,613)
-	-	-	-	6,271	4,729	6,271	4,729
₩ 620,787	US\$ 468,130	₩ 22,273	US\$ 16,796	₩ 114,173	US\$ 86,097	₩ 2,057,111	US\$ 1,551,250

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2001 and 2000

	In millions of Korean Won		In thousands of U.S.Dollars(Note 3)	
	2001	2000	2001	2000
Cash provided from operating activities				
Net income	₩ 321,779	₩ 17,771	US\$ 242,650	US\$ 13,401
Items not affecting operating cash flows :				
Depreciation and amortization	47,239	42,182	35,622	31,809
Provision for possible loan losses	284,202	574,571	214,314	433,279
Provision for severance benefits	17,527	14,462	13,217	10,906
Unrealized loss (gain) on securities, net	(47,074)	133,874	(35,498)	100,953
Gain on securities transactions, net	(87,506)	(66,440)	(65,987)	(50,102)
Reversal of reserve for possible losses of acceptances and guarantees	(17,742)	(12,868)	(13,379)	(9,704)
Payment of retirement benefits	(6,179)	(4,374)	(4,660)	(3,298)
Loss (Gain) on sales of loans, net	(7,276)	7,346	(5,487)	5,539
Unrealized loss (gain) on derivatives, net	(6,500)	16,211	(4,901)	12,225
Changes in accrual basis account, net	95,195	(3,855,213)	71,787	(2,907,181)
Reversal of negative goodwill	(404)	(808)	(305)	(609)
Minority interest income	17,650	18,314	13,310	13,810
Other	(2,282)	(15,827)	(1,721)	(11,935)
	608,629	(3,130,799)	458,962	(2,360,907)
Cash flows from investing activities :				
Decrease (Increase) in marketable securities	(2,015)	1,754,413	(1,519)	1,322,987
Decrease (Increase) in investment securities	164,905	(2,026,704)	124,353	(1,528,319)
Increase in property, plant and equipment	(61,193)	(71,399)	(46,145)	(53,841)
Increase in negative goodwill	-	1,129	-	851
Increase in intangible assets	(2,025)	(538)	(1,527)	(406)
Increase in guarantee deposits	(3,133)	(3,864)	(2,363)	(2,914)
Increase in accounts receivable	(149)	(197,423)	(112)	(148,875)
	96,390	(544,386)	72,687	(410,517)
Cash flows from financing activities:				
Increase (Decrease) in borrowings	562,399	(190,807)	424,100	(143,886)
Increase (Decrease) in bills sold	(1,713,272)	1,728,007	(1,291,963)	1,303,074
Increase in debentures	210,016	821,119	158,371	619,198
Increase in domestic exchanges payable	335,512	9,358	253,006	7,057
Increase (Decrease) in foreign exchanges payable	(12,803)	42,250	(9,655)	31,860
Issuance of new stock for cash	-	126,013	-	95,025
Increase (Decrease) in securities sold on repurchase agreement	(1,169,115)	319,364	(881,619)	240,830
Decrease in due to Bank of Korea in foreign currencies	(210,555)	(178,382)	(158,777)	(134,516)
Increase in call money	354,576	242,817	267,383	183,106
Increase in due to trust accounts	634,294	5,587	478,315	4,213
Increase (Decrease) in accounts payable	(7,683)	192,491	(5,794)	145,156
Cash dividends	(30,434)	(52,088)	(22,950)	(39,279)
Extinguishment of preferred stock	(137,395)	-	(103,608)	-
Cost of stock issuance	(178)	-	(134)	-
Other	-	(10,631)	-	(8,016)
	(1,184,638)	3,055,098	(893,325)	2,303,822
Cash flow from change in reporting entity	-	(3,807)	-	(2,871)
Net decrease in cash	479,619	623,894	361,676	470,473
Cash and cash equivalents at beginning of the year	3,352,804	3,976,698	2,528,319	2,998,792
Cash and cash equivalents at end of the year	₩ 2,873,185	₩ 3,352,804	US\$ 2,166,643	US\$ 2,528,319
Cash	989,417	754,146	746,111	568,695
Foreign currencies	31,747	34,059	23,940	25,683
Due from Banks	1,518,180	2,052,299	1,144,846	1,547,620
Due from Banks in foreign currencies	333,841	512,300	251,746	386,321

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

1. The Consolidated Companies

The accompanying consolidated financial statements include the banking accounts and trust accounts of Hana Bank and its controlled subsidiaries ("the Bank"). General information describing the Bank's trust accounts and its controlled subsidiaries, and equity-method investee is provided below.

Hana Bank

Hana Bank was incorporated in 1971 as Korea Investment and Finance Corporation under the Commercial Code of the Republic of Korea to provide financing services as a financial intermediary. On September 20, 1972, the Bank was granted approval by the Ministry of Finance (presently the Ministry of Finance and Economy) to operate under the short-term Financing Business Law.

On June 29, 1991, the Bank was granted approval by the Ministry of Finance to engage in banking activities and the Bank's name was changed to Hana Bank. It became a nationwide commercial bank in July 1991.

On June 29, 1998, the Bank purchased certain assets and assumed most of the liabilities of Choong-Chung Bank by the order of the Financial Supervisory Commission (see Note 14). As of January 1, 1999 the Bank completed a merger with Boram Bank(see Note 14).

The Bank is engaged in the commercial banking business under the Banking Act, in the trust business under the Trust Business Act, in the foreign exchange transaction business and in other related businesses.

On June 5, 1972, the Bank listed its shares on the Korean Stock Exchange. On February 12, 1973, the Bank was registered as a foreign capital invested company under the Foreign Capital Inducement Law. The Bank's common stock and preferred stock outstanding as of December 31, 2001 are ₩655,539 million and ₩198,010 million, respectively.

In accordance with its Article of Incorporation, the Bank is authorized to issue convertible bonds and bonds with stock warrants investors other than shareholders in amounts up to ₩200 billion each. As of December 31, 2001 and 2000, the Bank has issued convertible bonds in the amount of ₩49,998 million and ₩87,789 million, respectively(see Note 11).

Trust Accounts and Controlled Subsidiaries

A summary of investment and financial information of the Bank's trust accounts and its controlled subsidiaries ("Subsidiaries") as of December 31, 2001 and 2000 is as follows (millions of Won) :

1) As of December 31, 2001

Subsidiaries	Number of Invested Shares (thousand)	Percentage of Ownership	Total Assets	Operating Revenues	Shareholder's Equity
Trust Accounts	-	-	₩ 2,140,786	₩ 220,716	₩ 10,835
Hana Securities	7,979	54.97%	462,952	193,170	254,509

The Bank acquired additional 30,000 shares of Hana Securities's stocks for the investment purpose during the year ended December 31, 2001.

2) As of December 31, 2000

Subsidiaries	Number of Invested Shares (thousand)	Percentage of Ownership	Total Assets	Operating Revenues	Shareholder's Equity
Trust Accounts	-	-	₩ 1,152,159	₩ 456,654	₩ 5,258
Hana Securities	7,949	54.77%	463,155	296,889	248,775

Consolidation of trust accounts include only certain money trusts which are subject to a guaranteed principal repayment or a fixed rate of return in accordance with the accounting and reporting guidelines prescribed by the banking regulatory authorities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

The details of those trusts, which are consolidated, are as follows :

Trusts	Period (Years)	Trust Terms	
		Dividend Rate	Guarantee of principal repayment
General unspecified money trusts	over 1.5	Fixed	Yes
Development trusts	2 ~ 5	#	#
Pension trusts	over 15	Floating	#
Individual pension trusts	over 15	#	#
New individual pension trusts	over 15	#	#
Old-age living pension trusts	over 10	#	#
New Old-age living pension trusts	over 5	#	#
Retirement trusts	retirement	#	#
Employee retirement trusts	retirement	#	#

Hana Securities is included in reporting entities for consolidation as a result of a merger with Boram Bank on January 1, 1999. Hana Securities was listed in the Korea Stock Exchange as of November 25, 1986 and its capital stock issued and outstanding, as of December 31, 2001 and 2000, is ₩104,829 million.

Investment Accounted by Equity Method

A summary of investment and financial information of subsidiaries to which equity method of accounting is applied in consolidation as of December 31, 2001 and 2000 is as follows (millions of Won) :

1) As of December 31, 2001

	Number of Invested Shares (thousand)	Percentage of Ownership	Total Assets	Operating Revenues	Shareholder's Equity
Hana Research & Consulting Inc.	400	100.0 (%)	₩ 2,077	₩ 1,979	₩ 2,001
Hana Allianz Investment Trust Management Co.	3,000	50.0(%)	32,485	6,096	29,718

2) As of December 31, 2000

	Number of Invested Shares (thousand)	Percentage of Ownership	Total Assets	Operating Revenues	Shareholder's Equity
Hana Research & Consulting Inc.	400	100.0 (%)	₩ 2,075	₩ 1,936	₩ 2,001
Hana Allianz Investment Trust Management Co.	3,000	50.0(%)	29,813	75	29,771

The Bank invested ₩15,000 million in Hana Allianz investment trust management Co. Ltd. which was established on December 14, 2000, resulting in fifty percent ownership of the investee.

In accordance with the financial accounting standards for consolidated financial statements, Hana Research & Consulting Inc., a small-sized company is excluded from consolidation.

Korea Merchant Banking Corporation was established on August 24, 1976 to engage in financial services and was listed in the Korea Stock Exchange as of March 29, 1994. On November 15, 2000, Korea Merchant Bank Corporation("KMBC"), equity investee of the Bank as of December 31, 1999, made capital reduction with no reimbursement by an order of Financial Supervisory Commission. Accordingly, the Bank charged ₩41,291 million of the investment to KMBC to operations loss on equity method for the year ended December 31, 2000.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Bank in the preparation of the accompanying consolidated financial statements are summarized below.

Basis of Consolidated Financial Statement Presentation

The official accounting records of the Bank are maintained in Korean Won in accordance with the relevant laws and regulations of the Republic of Korea.

Certain accounting principles applied by the Bank that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles practices. The accompanying financial statements have been condensed, restructured and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

translated into English (with certain expanded descriptions) from the Korean language financial statements.

The preparation of consolidated financial statements in conformity with financial accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

Recognition of Interest Income

Interest income on loans and investments is recognized on an accrual basis. However, interest income on overdue or dishonored loans is recognized on a cash basis, except for those secured and guaranteed by financial institutions.

Allowance for possible loan losses

From 1999, the Bank adopted a method of corporate loan classification for calculating the allowance for possible loan losses by incorporating the borrowers' future debt service capacity ("Forward Looking Criteria (FLC)"). This credit rating model considers the financial and non-financial factors of borrowers and classifies borrowers' credit risk by seventeen ratings. Provisions are determined by applying the following minimum percentages to the various credit ratings:

Loan classifications	Provision percentages
Normal	0 ~ 1.6%
Precautionary	2%
Substandard	20%
Doubtful	50%
Estimated loss	100%

Household and credit card loans are classified based on the delinquent periods, value of collateral, and reasonably estimated collectibility.

Securities

All securities are initially carried at cost including incidental expenses, determined by the moving average method. Securities are subsequently valued as described below.

Marketable securities held for short-term capital gain purposes are classified as trading securities. Other securities are classified as investment securities.

- Trading securities

Trading securities are marketable securities held for short-term trading and carried at their market values at the balance sheet date. Unrealized gains and losses on trading securities are included in current operations.

- Investment securities

Investments in marketable equity securities of non-controlled investees are carried at fair value. Temporary changes in fair value are accounted for in the capital adjustment account, a component of stockholders' equity. Declines in fair value which are anticipated to be permanent are recorded in current operations after eliminating any previously recorded capital adjustment for temporary changes. Subsequent recoveries or other future changes in fair value are recorded in current operations up to the original book value before decline.

Investments in non-marketable equity securities of non-controlled investees are carried at cost, except for declines in the Bank's proportionate ownership of the underlying book value of the investee which are anticipated to be permanent, which are recorded in current operations. The amounts of such losses recognized for the years ended December 31, 2001 and 2000 are ₩1,518 and ₩39,633 million, respectively. Subsequent recoveries are also recorded in current operations up to the original cost of the investment.

Investments in equity securities of companies over which the Bank exerts significant control or influence (controlled investees) are recorded using the equity method. Differences between the initial purchase price and the Bank's initial proportionate ownership of the net book value of the investee are amortized over 5 years using the straight-line method. Under the equity method, the Bank records changes in its proportionate ownership of the book value of the investee as current operations, capital adjustments or adjustments to retained earnings, depending on the nature of the underlying change in book value of the investee.

Premiums and discounts on debt securities are amortized over the life of the debt using the effective interest method. Investments in debt securities which the Bank has the intent and ability to hold to maturity are generally carried at cost, adjusted for the amortization of discounts or premiums (amortized cost). Declines in the fair value of debt securities which are anticipated to be permanent are recorded in current operations. The amount of such loss recognized, for the year ended December 31, 2001 and 2000, are ₩5,527 million and ₩17,200 million respectively. Subsequent recoveries are also recorded in current operations up to the amortized cost of the investment.

Other investments in debt securities are carried at fair value. Temporary differences between fair value and amortized cost are accounted for in the capital adjustment account. Declines in fair value which are anticipated to be permanent are recorded in current operations after eliminating any

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

previously recorded capital adjustment for temporary changes. Subsequent recoveries or other future changes in fair value are recorded in the capital adjustment account.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Routine maintenance and repairs are charged to expense as incurred. Expenditures which enhance the value or extend the useful life of the facilities involved are treated as additions to premises and equipment.

Depreciation is computed using the declining-balance method (the straight-line method for buildings) over the estimated useful lives of the assets as described below.

	Estimated Useful Life-years
Buildings, structures and auxiliary facilities	50 ~ 60
Vehicles, furniture and fixtures	5
Structures in leased offices used for business purposes	5

Intangible Assets

Trademarks and goodwill are stated at cost, net of accumulated amortization. Goodwill and trademarks are amortized using the straight-line method over 5 years.

Present Value Discounts

If the present value of a loan is different from the book value due to the rescheduling of terms as agreed by the related parties (as in the case of court receivership, court mediation or workout), the present value discount on the loan is offset against the allowance for possible loan losses, if available, or charged to current expenses.

The difference between book value and present value is recorded as 'present value discounts' in the balance sheet and amortized to current earnings over the related period using the effective interest rate method.

New Stock Issuance Costs and Debenture Issuance Costs

New stock issuance costs and debenture issuance costs are deducted from paid-in capital in excess of par value and the amounts of debenture issuance, respectively. Debenture issuance costs are amortized as interest expense over the redemption term using the effective interest rate method.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Korean Won using the exchange rate of ₩1,326.10:US\$1 and ₩1,259.70:US\$1 in effect as of December 31, 2001 and 2000, respectively. Resulting translation gain and loss are charged to current operations.

Bonds Purchased on Resale Agreements and Bonds Sold on Repurchase Agreements

Bonds purchased on resale agreements and bonds sold on repurchase agreements are included in assets and liabilities in the accompanying consolidated balance sheet.

Accrued Severance Benefits

Directors and employees with more than one year of service are entitled to receive a lump-sum payment upon termination of their employment with the Bank, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amounts to be paid if all eligible employees and directors were to terminate their employment as of the balance sheet date. Actual payments of severance benefits for the years ended December 31, 2001 and 2000, were ₩13,285 million(including ₩7,106 million for early retirement) and ₩4,373 million, respectively.

Reserve for Possible Losses on Acceptances and Guarantees

Acceptances and guarantees outstanding do not appear on the balance sheet, but are presented as off-balance sheet items in the notes to the financial statements.

The Bank provides a minimum provision of 20% of guaranteed amounts for companies classified as "substandard", 50% for "doubtful" and 100% for "estimated loss". The Bank records the provision as a reserve for possible losses on acceptances and guarantees in the liability section of the balance sheet.

Income Tax Expenses

Deferred taxes represent the tax effects of the different tax and financial account bases of assets and liabilities, and are recorded at enacted tax rates which are expected to be in effect when the temporary differences reverse. The provision for income taxes represents taxes currently payable for the year plus the change in the net deferred tax balance from the previous balance sheet date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Gain (Loss) on Prior Period Adjustments

Prior period adjustments are charged to retained earnings carried over from prior year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

Derivative Financial Instruments

Derivative financial instruments include futures, forwards and swap contracts, and are principally linked to interest rates, foreign exchange rates or equity indices.

In accordance with revised financial accounting standards related to derivatives accounting, effective January 1, 2000, the Bank recorded the fair values of rights and obligations related to derivatives contracts on the balance sheet as assets and liabilities and recognized the related gains or losses in the income statement. However, the effective portions of the unrealized gains or losses arising from "cash flow" hedge derivative financial instruments are deferred and recorded in capital adjustments

Translation of Financial Statements of Overseas Branches

Accounts and records of the overseas branches are maintained in foreign currencies. In translating consolidated financial statements of overseas branches, the Bank applied the appropriate rate of exchange at balance sheet date.

Stock Options

The Bank applies the fair value method in calculation of fair value of stock options and allocates it over the period from the option grant date to the exercise date and charges it to operations.

Accounting for Trust Accounts

The Bank recognizes, in accordance with the Trust Business Act, trust fees from the banking accounts as income from trust operations. If losses are incurred on trust accounts that have guarantee of principal repayment trust terms, the losses are recognized as a loss from trust operations.

Principles of Consolidation

The Bank's investment account and corresponding capital accounts of subsidiaries have been eliminated in the accompanying consolidated financial statements.

All significant inter-company transactions and account balances among the consolidated companies have been eliminated in consolidation.

Investment in 20% to 50% owned company and small-sized company stipulated in financial accounting standards(except for consolidated companies) is accounted using equity method and all the inter-company transactions have been eliminated.

Certain money trust agreements provide that the Bank guarantees a principal amount of trusts or a minimum rate of return. In relation to such guarantees, the Bank's trust accounts are required to set up a special reserve. If the income from trust operations is insufficient to generate the required rate of return, the deficiency may be either recovered from previously established special reserve or compensated by the Bank's banking accounts. Such compensation is accounted for as other operating expenses of the banking accounts and other income of the trust accounts, respectively, in accordance with the relevant laws and regulations applicable to the trust business.

3. United States Dollar Amounts

The Bank operates primarily in Korean Won and its official accounting records are maintained in Korean Won. The U.S. Dollar amounts are provided herein as supplementary information solely for the convenience of the reader. All Won amounts are expressed in U.S. Dollars at the rate of ₩1,326.10:US\$1, the base exchange rate published on December 31, 2001. This presentation is not required by or in accordance with Korean or United States generally accepted accounting principles, and should not be construed as a representation that the Won amounts shown could be converted to or settled in U.S. Dollars at this or any other rate.

The 2000 U.S. dollar amounts, which had been previously expressed at the rate published on December 31, 2000, have been restated to reflect the exchange rate in effect on December 31, 2001.

4. Due from Banks

Due from banks as of December 31, 2001 comprise the followings :

	Annual interest rate (%)	Millions of Won
Checking accounts	-	₩ 226,829
Certificates of deposits	4.10 ~ 5.65	959,268
Time deposits	4.70 ~ 7.10	55,316
Due from financial institution for customer's accounts	4.21 ~ 4.34	111,807
Other deposits	0.00 ~ 10.14	164,960
Due from banks in foreign currencies	2.46 ~ 4.66	333,841
		₩ 1,852,021

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Checking accounts deposited in the Bank of Korea represent reserves required and restricted for the payment of deposits under the Bank of Korea Act. Furthermore, as of December 31, 2001 ₩112,273 million of other deposits are restricted as to withdrawal under agreements with counterparties.

As of December 31, 2001, ₩77,083 million of due from banks in foreign currencies is reserved at the Bank of Korea under the Bank of Korea Act for the settlement with foreign banks.

The term structures of due from banks outstanding as of December 31, 2001 are as follows (millions of Won) :

Term Structures	Due from Banks in Won currency	Due from Banks in foreign currencies	Total
Within 1 month	₩ 452,039	₩ 211,508	₩ 663,547
1 ~ 3 months	416,452	117,360	533,812
3 ~ 6 months	374,245	4,973	379,218
6 months ~ 1 year	48,115	-	48,115
1 ~ 3 years	500	-	500
3 ~ 5 years	-	-	-
More than 5 years	226,829	-	226,829
	₩ 1,518,180	₩ 333,841	₩ 1,852,021

5. Trading securities

Trading securities as of December 31, 2001 comprise the following (millions of Won) :

	Annual interest rate (%)	Carrying value
Equity securities	-	₩ 108,377
Government and public bonds	5.64~6.79	337,899
Debentures issued by financial institutions	4.64~6.81	808,846
Corporate bonds	5.16~6.01	262,946
Beneficiary certificates	-	64,503
Securities denominated in foreign currencies	11.87	15,778
Others	-	20,056
		₩ 1,618,405

6. Investment Securities

Investment securities as of December 31, 2001 comprise the following (millions of Won) :

	Annual interest rate (%)	Carrying value
Stocks and equity investments	-	₩ 394,917
Government and public bonds	5.00 ~ 11.95	867,200
Debentures issued by financial Institutions	3.99 ~ 10.05	3,548,694
Corporate bonds	1.00 ~ 25.00	4,458,129
Beneficiary certificates	-	994,159
Securities denominated in foreign currencies	2.00 ~ 11.00	914,465
Securities lent	5.43 ~ 7.77	55,564
		₩ 11,233,128

Losses on impairment of investment securities and reversal of impairment loss on investment securities appropriated in current operations are ₩1,518 million and ₩3,930 million, respectively, for the year ended December 31, 2001.

Debt securities as of December 31, 2001 comprise the following (millions of Won) :

	Acquisition cost(*)	Adjustment value(**)	Carrying value
Available-for-sale			
Government and public bonds	₩ 745,834	₩ 747,463	₩ 743,122
Debentures issued by financial institutions	2,996,967	2,985,727	2,990,512
Corporate bonds	3,943,473	3,921,044	3,936,605
Securities denominated in foreign currencies	809,628	816,512	834,023
	8,495,902	8,470,746	8,504,262

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	Acquisition cost(*)	Adjustment value(**)	Carrying value
Held-to-maturity			
Government and public bonds	127,217	124,078	124,078
Debentures issued by financial institutions	558,876	558,182	558,182
Corporate bonds	523,912	521,524	521,524
Securities denominated in foreign currencies	81,242	80,069	80,069
	1,291,247	1,283,853	1,283,853
	₩ 9,787,149	₩ 9,754,599	₩ 9,788,115

(*) Prior year's closing book balances of securities or acquisition costs for securities purchased for current period.

(**) Adjusted value after amortization of discounts or premiums (amortized cost)

7. Loans

Loans as of December 31, 2001 comprise the following :

	Millions of Won	
Loans in Won currency		
Bank		
Corporate loans	₩	10,321,639
Household loans		10,514,488
Bills purchased		2,187,416
Others		465,722
		23,489,265
Trusts		
Loans on Securities Collateral		25,260
Loans on Real Estate Collateral		40,200
Bills purchased		242,972
Others		197,739
		506,171
Hana securities		
Loans		3,680
Broker's loans		6,311
		9,991
		24,005,427
Loans in foreign currencies		997,374
Bills purchased in foreign currencies		850,421
Credit card accounts		1,003,496
Call loans		1,033,515
Private placement corporate bonds		2,020,217
Other loans		62,649
	₩	29,973,099

The information about loans in Won currency (including bills purchased and factoring receivables) and loans in foreign currencies by industry as of December 31, 2001 is summarized as follows (millions of Won) :

Industry	Loans in Won currency	Loans in foreign currencies	Total	Ratio (%)
Manufacturing	₩ 6,668,184	₩ 313,833	₩ 6,982,017	27.9
Wholesale & retail	1,476,712	103,988	1,580,700	6.3
Financial business	1,062,412	338,611	1,401,023	5.6
Construction	1,160,464	50,047	1,210,511	4.9
Household	10,561,131	-	10,561,131	42.2
Real estate & renting	364,226	14,587	378,813	1.5
Public & Other	2,712,298	176,308	2,888,606	11.6
	₩ 24,005,427	₩ 997,374	₩ 25,002,801	100.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The term structures of loans in Won currency (including bills purchased and factoring receivables), loans in foreign currencies and bills purchased in foreign currencies as of December 31, 2001 are summarized as follows (millions of Won) :

Term Structures	Loans in Won currency	Loans in foreign currencies	Bills purchased in foreign currencies	Total
Within 1 month	₩ 1,284,981	₩ 55,468	₩ 478,404	₩ 1,818,853
1 ~ 3 months	3,422,109	173,408	251,860	3,847,377
3 ~ 6 months	4,034,781	238,944	87,875	4,361,600
6 months ~ 1 year	6,709,372	204,401	9,577	6,923,350
1 ~ 3 years	5,759,047	202,264	56	5,961,367
3 ~ 5 years	1,718,152	35,637	-	1,753,789
More than 5 years	1,076,985	87,252	22,650	1,186,887
	₩ 24,005,427	₩ 997,374	₩ 850,422	₩ 25,853,223

Details of changes in the allowance for possible loan losses for the year ended December 31, 2001 are as follows :

Details of changes	Millions of Won
Beginning balance	₩ 953,975
Offset with present value discounts	29,084
Transfer to allowances for acceptances and guarantees	(28,589)
Conversion to equity securities	(57,114)
Repurchase loans from KAMCO	1,607
Sales of non-performing loans	(108,711)
Write-offs	(646,655)
Remission of loans	(22,922)
Decrease from execution of put-back option	45,085
Changes of currency exchange rate	15,860
Provision for possible loan losses	284,202
Closing balance	₩ 465,822

The Bank has entered into a commitment with Korea Asset Management Corporation ("KAMCO") to sell non-performing loans with the sales being dependent on the collection of the loans, or repurchase under certain conditions. As of December 31, 2001, the non-performing loans sold to KAMCO under the commitments are ₩63,212 million. The ultimate resolution of these transactions may affect the Bank's financial position, depending on the settlement or repurchase of the loans. Due to the uncertainties regarding the settlement or repurchase of the loans, the Bank recorded ₩8,918 million as the reserve for possible losses on acceptances and guarantees.

8. Property, Plant and Equipment and Intangible Assets

Property, plant and equipment, and intangible assets as of December 31, 2001 are summarized as follows (millions of Won) :

	Acquisition cost	Accumulated depreciation	Net book value
Land	₩ 186,203	₩ -	₩ 186,203
Buildings, structures and auxiliary facilities	260,270	40,909	216,361
Vehicles, furniture and fixtures	250,586	172,236	78,350
Intangible assets	2,069	-	2,069
Negative goodwill	(808)	-	(808)
	₩ 698,320	₩ 213,145	₩ 485,175

Negative goodwill is recognized as the bank acquire additional equity of Hana Securities, it's subsidiary. The negative goodwill is amortized and recognized during 5 years.

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9. Deposits

Deposits as of December 31, 2001 comprise the following :

Accounts	Millions of Won
Bank account deposits	
Won deposits :	
Demand deposits	₩ 1,746,663
Time and savings deposits	27,429,868
Mutual installment received	887,474
Housing installment deposits	154,272
	30,218,277
Foreign currency deposits :	
Demand deposits	369,253
Time and savings deposits	736,590
	1,105,843
Certificates of deposits :	2,096,576
	33,420,696
Trust account deposits	
Won deposits :	1,997,650
Hana securities deposits	
Won deposits :	134,660
	₩ 35,553,006

The term structures of deposits as of December 31, 2001 are summarized as follows (millions of won) :

Term Structures	Won-deposits	Foreign currency deposits	Certificates of deposits	Total
Within 1 month	₩ 7,308,328	₩ 352,329	₩ 500,218	₩ 8,160,875
1 ~ 3 months	3,871,587	188,540	334,937	4,395,064
3 ~ 6 months	4,939,174	133,732	592,596	5,665,502
6 months ~ 1 year	8,198,590	156,405	245,752	8,600,747
1 ~ 3 years	1,626,500	49,645	422,146	2,098,291
3 ~ 5 years	572,723	204	927	573,854
More than 5 years	5,833,685	224,988	-	6,058,673
	₩ 32,350,587	₩ 1,105,843	₩ 2,096,576	₩ 35,553,006

10. Borrowings

Borrowings as of December 31, 2001 comprise the following :

	Annual interest rate (%)	Millions of Won
Won borrowings		
Bank of Korea	3.00	₩ 1,202,991
Korean Government	4.00 ~ 5.00	92,929
Other	2.00 ~ 5.75	603,264
		1,899,184
Foreign currency borrowings		
Standard Chartered Bank & other	6M Libor +0.90 ~ 1.20	795,134
WESTLB GDR	6M Libor+0.80	528,193
Others	-	40,745
		1,364,072
		₩ 3,263,256

The maturities of borrowings as of December 31, 2001 are as follows (millions of Won) :

Period	Won-borrowings	Foreign currencies borrowings(*)	Total
Within 1 month	₩ 1,207,678	₩ 44,172	₩ 1,251,850
1 ~ 3 months	13,061	330,306	343,367
3 ~ 6 months	34,724	130,036	164,760
6 months ~ 1 year	56,998	198,976	255,974
1 ~ 3 years	198,396	686,542	884,938
3 ~ 5 years	205,612	640	206,252
More than 5 years	182,715	-	182,715
	₩ 1,899,184	₩ 1,390,672	₩ 3,289,856

(*) Including due to Bank of Korea in foreign currencies

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December 31, 2001 and 2000

11. Debentures

Debentures as of December 31, 2001 comprise the following :

	Annual interest rate (%)	Millions of Won
Won-debentures :		
Subordinated bonds	7.25 ~ 16.00	₩ 1,349,923
Subordinated convertible bonds	8.00	49,998
Bonds	4.82 ~ 10.10	235,000
		1,634,921
(Adjustments for conversion rights)		(1,936)
		1,632,985
Foreign currency debentures :		
Foreign currency bonds	Libor + 1.37 ~ 1.45	244,002
Subordinated bonds	6.85	66,305
		310,307
(Present value discounts)		(761)
		309,546
		₩ 1,942,531

Details of the terms of outstanding subordinated convertible bonds as of December 31, 2001 are as follows :

	Issue date	Due date	Annual interest rate (%)	Millions of Won
Won-debentures				
Boram 1 st	1997.11.25	2003. 1.31	8.0	₩ 30,000
Boram 2 nd	1997.11.25	2003. 1.31	8.0	19,998
				49,998
(Adjustments for conversion rights)				(1,936)
				₩ 48,062

Boram 1st Et 2nd

Conversion price	₩ 19,616
Conversion period	1998.11.26-2002.12.31
Disbursement at due date	100% of par value
Interest term	Annual

The maturities of debentures as of December 31, 2001 are as follows (millions of won) :

Periods	Won currency debentures	Foreign currency debentures	Total
Within 1 month	₩ -	₩ -	₩ -
1 ~ 3 months	-	132,610	132,610
3 ~ 6 months	-	111,392	111,392
6 months ~ 1 year	205,000	-	205,000
1 ~ 3 years	625,377	-	625,377
3 ~ 5 years	804,544	66,305	870,849
More than 5 years	-	-	-
	₩ 1,634,921	₩ 310,307	₩ 1,945,228

12. Assets and Liabilities Denominated in Foreign Currencies

Significant assets and liabilities denominated in foreign currencies As of December 31, 2001 and 2000 are as follows :

1) As of December 31, 2001

	Millions of Won	Thousands of US\$ equivalent
Assets :		
Cash & due from banks	₩ 365,587	\$ 275,691
Trading securities	15,778	11,898
Investment securities	914,465	689,593
Loans	997,374	752,121
Bills purchased in foreign currencies	850,422	641,309
Others	836,601	630,873
Allowance for possible loan losses	(39,165)	(29,534)
	₩ 3,941,062	\$ 2,971,951

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	Millions of Won	Thousands of US\$ equivalent
Liabilities :		
Deposits	₩ 1,105,843	\$ 833,908
Borrowings	1,364,072	1,028,645
Due to Bank of Korea	26,600	20,059
Debentures	310,307	234,000
Other	848,087	639,533
	₩ 3,654,909	\$ 2,756,145
Confirmed acceptances and guarantees in foreign currency	₩ 1,600,188	\$ 1,206,754

2) As of December 31, 2000

	Millions of Won	Thousands of US\$ equivalent
Assets :		
Cash & due from banks	₩ 546,359	\$ 433,720
Trading securities	20,651	16,409
Investment securities	642,631	510,146
Loans	1,007,425	799,734
Bills purchased in foreign currencies	1,246,377	989,424
Other	497,398	394,855
Allowance for possible loan losses	(186,121)	(147,705)
	₩ 3,744,720	\$ 2,996,583
Liabilities :		
Deposits	₩ 1,175,439	\$ 933,110
Borrowings	1,484,962	1,178,822
Due to Bank of Korea	237,155	188,263
Debentures	467,349	371,000
Other	314,944	250,016
	₩ 3,679,849	\$ 2,921,211
Confirmed acceptances and guarantees in foreign currency	₩ 2,229,525	\$ 1,743,805

13. Commitments and Contingencies

Information of the amount of position and unrealized gains and losses of derivatives as of December 31, 2001 and 2000 is as follows (millions of Won) :

1) As of December 31, 2001

Derivatives	Amount of Position			Unrealized gains and losses (Recognized)				Capitalized
	Total	Trading	Hedging	Total	Trading	Hedging	Hedging Failure	
Currency								
Forward	1,601,785	305,679	1,296,106	(3,845)	2,676	(2,867)	(3,654)	(3,845)
Swap	6,107	-	6,107	780	-	780	-	1,115
Subtotal	1,607,892	305,679	1,302,213	(3,065)	2,676	(2,087)	(3,654)	(2,730)
Interest rate Swap	147,346	40,000	107,346	(3,280)	1,195	(4,475)	-	(4,879)
Asset Swap	192,285	-	192,285	(6,524)	-	(6,524)	-	(14,648)
Government bond futures	279,162	-	279,162	-	-	-	-	-
Others	6,631	6,631	-	(314)	(314)	-	-	140
Total	2,233,316	352,310	1,881,006	(13,183)	3,557	(13,086)	(3,654)	(22,117)

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2) As of December 31, 2000

Derivatives	Amount of Position			Unrealized gains and losses (Recognized)				Capitalized
	Total	Trading	Hedging	Total	Trading	Hedging	Hedging Failure	
Currency								
Forward	1,209,290	276,631	932,659	(23,090)	(24,638)	1,695	(147)	(20,527)
Swap	101,011	-	101,011	6,014	-	6,014	-	6,159
Subtotal	1,310,301	276,631	1,033,670	(17,076)	(24,638)	7,709	(147)	(14,368)
Interest rate Swap	144,866	-	144,866	(4,229)	-	(4,229)	-	(3,784)
Stock Index futures	34,350	34,350	-	45	45	-	-	45
Others	37,791	37,791	-	(309)	(309)	-	-	(3,400)
Total	1,527,308	348,772	1,178,536	(21,569)	(24,902)	3,480	(147)	(21,507)

The Bank has entered into forward exchange contracts, currency futures and interest rate swaps with Korea Futures Exchange(KOFEX). For the year ended December 31, 2001, related to these transaction, the Bank recorded ₩113,999 million of gain and ₩100,429 million of losses on derivatives, and ₩18,275 million of unrealized gains and ₩22,434 million of unrealized losses on derivatives, as other operating income(loss). For the year ended December 31, 2000, the Bank recorded ₩143,694 million of gain and ₩96,426 million of losses on derivatives, and ₩7,183 million of unrealized gains and ₩30,982 million of unrealized losses on derivative.

The Bank has entered into swap contracts to hedge against the risk of changes of the market interest rate and foreign exchange rate. For the year ended December 31, 2001, related to these transaction, the Bank recorded ₩49,814 million of gain and ₩44,644 million of losses on derivatives and ₩13,984 million of unrealized gains and ₩23,007 million of unrealized losses on derivatives, as other operating income(loss). For the year ended December 31, 2000, the Bank recorded ₩5,192 million of gains and ₩808 million of losses on derivatives, and ₩6,374 million of unrealized gains and ₩4,589 million of unrealized losses on derivatives.

For the investment securities related to those hedging transaction, the Bank also recorded ₩23,551 million of gain and ₩8,018 million of losses on fair value hedges, as other operating income(loss), for the year ended December 31, 2001. For the year ended December 31, 2000, ₩5,632 million of gain and ₩228 million of losses on fair value hedge were recorded.

Among the written-off claims of the Bank, the amount on which the legal rights of claims have not been expired is ₩838,366 million and ₩464,308 million as of December 31, 2001 and 2000, respectively.

In the normal course of business, the Bank enters into outstanding commitments, which under the financial accounting standards in the Republic of Korea, are not reflected in the accompanying consolidated financial statements. In the opinion of management, these do not represent unusual risks of losses for the Bank. Certain commitments represent various degrees and types of risk to the Bank including credit, interest rate, foreign exchange rate, and liquidity risk. In many cases the commitments involving interest and foreign exchange result from decisions to hedge overall interest rate and foreign exchange risk.

Confirmed acceptances and guarantees as of December 31, 2001 and 2000, comprise the following :

	Millions of Won	
	2001	2000
Acceptances and guarantees in Won currency	₩ 463,065	₩ 679,860
Acceptances and guarantees in foreign currencies	1,600,188	2,229,525
	₩ 2,063,253	₩ 2,909,385

As of December 31, 2001, the Bank recorded ₩6,362 million of additional reserves for possible losses on acceptances and guarantees of unconfirmed acceptances and guarantees provided to Daewoo Group companies.

In connection with the Bank's securities agency operation, the amount of depositary securities, as of December 31, 2001 and 2000 is as follows;

	Millions of Won	
	2001	2000
Securities for brokerage	₩ 1,779,513	₩ 1,362,955
Securities for saving account	12,529	7,499
Securities for beneficiary	730,334	588,329
Other securities in deposit	123,093	-
	₩ 2,665,469	₩ 1,958,783

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A summary of significant commitments, categorized in accordance with bank supervisory regulations is as follows :

	Millions of Won	
	2001	2000
Commercial letters of credit	₩ 990,078	₩ 1,290,619
Endorsed notes	143,333	150,690
Credit commitments	52,608	-

As of December 31, 2001, 31 lawsuits related to bank operations are in progress, and the total filed amount is ₩58,287 million. In connection with the Bank's letter of credit guarantee for Shinhan International Corporation amounting to US\$ 3,397 thousand, Societe Generale, Seoul Branch has filed a lawsuit against the Bank claiming settlement. On December 11, 1998, the court determined that the Bank should pay the claim, including interest for the delayed payment period and the cost of the lawsuit. The Bank made an immediate appeal to a higher court, for which the higher court rejected Societe Generale's suit against the Bank on November 30, 2000. Societe Generale, Seoul Branch made a final appeal to the Supreme Court and the result of the determination cannot be determined as of December 31, 2001. However, management believes that the possibility of threatened litigation is remote, no accrual or disclosure of the lawsuit is necessary.

The Bank has entered into credit line commitments (₩997,000 million limit) with several special purpose (asset-back securitization) companies to supply sufficient funds for the repayment of bonds issued by the companies. As of December 31, 2001, the used amount of the credit line is ₩1,876 million and the remaining amount is ₩995,124 million. Rationally expected annual credit amounts to be utilized are ₩1,876 million and ₩2,538 million in 2002 and 2003, respectively.

The operations of the Bank and its subsidiaries have been significantly affected, and may continue to be affected for the foreseeable future, by the general adverse economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these uncertainties on the financial position of the Bank and its subsidiaries as of December 31, 2001 cannot presently be determined and accordingly, no adjustments have been made in the accompanying consolidated financial statements related to such uncertainties.

The accompanying consolidated financial statements reflect management's current assessment of the impact to date of the economic situation on the financial position of the Bank and its subsidiaries. Actual results may differ materially from management's current assessment.

14. Capital Stock

On December 13, 2001, the Bank issued 6,745,000 shares of common stock (₩33,724 million) upon the request of conversion of IFC 1st convertible bond(US \$30 million). The Bank recorded ₩8,158 million in capital surplus after deducting ₩1 million of stock issuance costs.

On January 8, 1999, as a direct result of the P&A (Purchase of assets and Assumption of liabilities) of Choong-Chung Bank and the merger with Boram Bank, the Bank issued 94,560,000 shares of non-cumulative, non-participating preferred stock for cash at ₩5,000 per share to Korea Deposit Insurance Corporation ("KDIC"). Upon executing the investment contract with KDIC, the Bank has a right to purchase ("call option") these preferred stocks. As of December 31, 2001, preferred stock issued outstanding is 39,602,000 shares after the Bank exercised its call option to purchase 27,479,000 shares on May 13, 2000, and 27,479,000 shares on January 30, 2001.

The terms for the options on the remaining 31,004,000 and 8,598,000 shares are until March 27, 2002 and March 27, 2004, respectively. If the Bank does not exercise its call options, the preferred shares will be converted to common stocks after the end of the option terms.

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15. Consolidated Earnings Per Share and Ordinary Income Per Share

Consolidated earnings per share and ordinary income per share for the years ended December 31, 2001 and 2000 are calculated as follows :

	Korean Won	
	2001	2000
Consolidated ordinary income per share		
Consolidated ordinary Income after income tax expenses	₩ 321,777,596,346	₩ 15,821,825,384
Dividends on preferred stock	(3,100,400,000)	(5,561,700,000)
	318,677,196,346	10,260,125,384
Weighted average of common shares (*)	131,107,888	120,056,623
Consolidated ordinary income per share	₩ 2,431	₩ 85
Consolidated earnings per share		
Consolidated net income	₩ 321,778,606,838	₩ 17,770,530,846
Dividends on preferred stock	(3,100,400,000)	(5,561,700,000)
	318,678,206,838	12,208,830,846
Weighted average of common shares (*)	131,107,888	120,056,623
Consolidated earnings per share	₩ 2,431	₩ 102

(*) Weighted average number of common shares

Diluted consolidated earnings per share and ordinary income per share for the year ended December 31, 2001 and 2000 are calculated as follows :

	Millions of Won	
	2001	2000
Diluted consolidated ordinary income per share		
Consolidated ordinary income after income tax expenses	₩ 321,777,596,346	₩ 15,821,825,384
Compensation cost for stock option after income tax expenses	686,201,324	-
Interest expense on convertible bonds	3,876,613,866	-
	326,331,411,536	15,821,825,384
Weighted average number of common shares (*)	173,992,680	188,668,355
	₩ 1,876	₩ 84
Diluted consolidated earnings per share		
Consolidated net Income	₩ 321,778,606,838	₩ 17,770,530,846
Compensation cost for stock option after income tax expenses	686,201,324	-
Interest expense on convertible bonds after income tax expenses	3,867,613,866	-
	326,332,422,028	17,770,530,846
Weighted average number of common shares (*)	173,992,680	188,668,355
	₩ 1,876	₩ 94

(*) Weighted average number of common shares

16. Inter-Company Transaction

Significant transactions between the Bank and its subsidiaries during the years ended December 31, 2001 and 2000, and related account balances As of December 31, 2001 and 2000 are as follows (millions of Won):

1) As of December 31, 2001

Related parties	Transactions			Account balances	
	Interest income	Interest expenses	Consulting fees	Loans	Deposits
Hana Securities	₩ 680	₩ 1,161	₩ -	₩ 3,743	₩ 31,152
Hana Research	-	17	889	-	163
Hana Allianz	14,098	1,418	-	684,000	18,748
	₩ 14,778	₩ 2,596	₩ 889	₩ 687,743	₩ 50,063

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001 and 2000

2) As of December 31, 2000

Related parties	Transactions			Account balances	
	Interest income	Interest expenses	Consulting fees	Loans	Deposits
Hana Securities	₩ 123	₩ 695	₩ -	₩ 3,398	₩ 14,837
Hana Research	-	6	1,004	-	307
Hana Risjad Finance	419	7	-	7,528	-
	₩ 542	₩ 708	₩ 1,004	₩ 10,926	₩ 15,144

17. Reclassification of Financial Statement as of December 31, 2000

Certain accounts in the financial statements as of December 31, 2000 have been reclassified to conform to the 2001 presentation. These reclassifications had no effect on previously reported net income or stockholders' equity.

18. Events after Balance Sheet Date

On January 30, 2002, the Bank has purchased and extinguished 39,602,000 shares (₩5,000 per share) of its redeemable preferred stock which had been issued and outstanding under the subscription agreements between the Bank and Korea Deposit Insurance Corporation (KDIC). As a result of this transaction, the Bank's outstanding preferred stock is decreased by ₩198,010 million.

Subsidiaries

Hana Securities Co., Ltd.

Hana Securities Co., Ltd. is actively engaged in the underwriting and brokerage of both debt and equity securities as well as proprietary trading. Hana Securities Co., Ltd. acts as the investing-banking arm of the Hana Finance Group by also providing investment advisory services to customers. As of December 31, 2001, Hana Bank holds a 55% equity stake in Hana Securities Co., Ltd..

Address:

Hana Securities Bldg., 9th Fl. 23-3 Yoido-dong, Yeongdungpo-gu, Seoul, Korea

Hana Research Institute

The Hana Research Institute, the only domestic research institute operated by a commercial bank, serves as the 'think tank' of the Hana Finance Group. Besides publishing up to date reports on the latest economic trends and issues, the Hana Research Institute collects and analyzes information concerning various industries, corporations and financial markets to support the business activities of the Hana Finance Group.

Address:

Hana Securities Bldg., 9th Fl. 23-3 Yoido-dong, Yeongdungpo-gu, Seoul, Korea

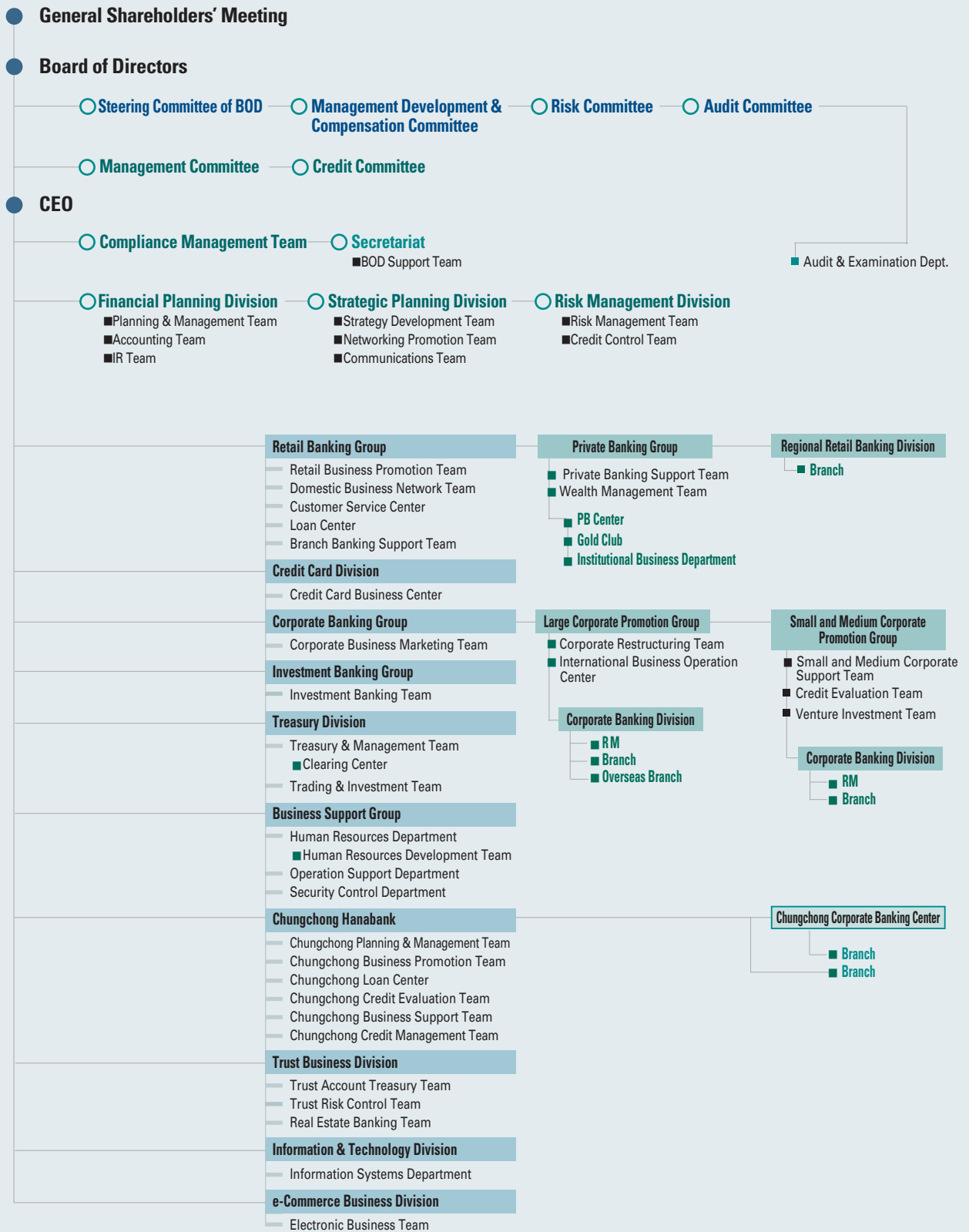
Hana Allianz Investment Trust Management Company

Hana-Allianz ITMC, incorporated as a 50:50 joint venture between Hana Bank and Allianz AG in December of 2000, provides first class asset management services for both retail and institutional clients in Korea. Hana-Allianz ITMC combines the investment know-how, advanced systems and global network of the Allianz group with the established distribution channels of Hana Bank. The investment philosophy of Hana Allianz ITMC is to pursue a consistent out-performance based on a fundamental and risk controlled investment approach utilizing its own independent research capabilities and excellent pool of professionals.

Address:

Hana Securities Bldg, 11th Fl. 23-3 Yoido-dong, Yeongdungpo-gu, Seoul, Korea

Organization chart



Board of Directors

Dr. Alfred Baldes (R)(S)

COO & Deputy CEO
Allianz Asset Management Asia Pacific

Jin-Suk Chun (R)

Deputy President
Hana Bank

Roy A. Karaoglan, Ph.D (R)

Consultant
International Finance Corporation

E. Han Kim, Ph.D (R)

Fred M. Taylor Professor of Business Administration
University of Michigan

Jae-Chul Kim (C)

Chairman, Dongwon Group
Chairman, Korea International Trade Association

Jong-Yeol Kim (S)

Deputy President
Hana Bank

Joo-Song Kim (a)(C)(S)

President
Kolon Corporate Restructuring Committee

Seung-Yu Kim (R)(S)

Chairman & CEO
Hana Bank

Young-Ki Kim (a)

Standing Audit Committee Member
Hana Bank

Sang-Bin Lee, Ph.D (R)

Professor of Business Administration, Han-Yang University
Vice-Chairman, Korea Securities Association

Yong-Maan Park (C)

President
Doosan Corporation

Kun-Rae Sohn (S)

Chairman
DongBu Inc.

K. Joe Song (R)

Deputy President
Hana Bank

Sang-Hyun Song, J.S.D (a)(S)

Professor of Law, Seoul National University
Chairman, The Korea Law Professors Association Inc.

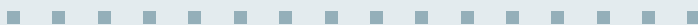
Sang-Boo Yoo (C)

Chairman, POSCO
Vice Chairman, Federation of Korean Industries
Vice Chairman, Korea-Japan Economic Association

Kyo-Joong Yoon (S)

Senior Deputy President
Hana Bank

- (a) Member of Audit Committee
- (C) Member of Management Development & Compensation Committee
- (R) Risk Committee
- (S) Member of Board of Directors Steering Committee



Executive Officers

Financial Planning Division

Kang M. Lee
Executive Vice President & Division Head
Financial Planning Division

Byoung-Ho Kim
General Manager
Planning & Management Team, IR Team

Gyeong-Hoi Koo
General Manager
Accounting Team

Strategic Planning Division

Michael Jeung-Sae Lee
Executive Vice President & Division Head
Strategic Planning Division

Jae-Hyung Cho
General Manager
Networking Promotion Team

Yong-Gwan Kang
General Manager
Communications Team

Tae-Gyun Kwon
General Manager
Strategy Development Team

Risk Management Division

Jeong-Ho Suh, Ph.D
Executive Vice President & Division Head
Risk Management Division

Byung-Suk Min
General Manager
Risk Management Team

Young-Kii Park
General Manager
Credit Control Team

Retail Banking Group

Jung-Tae Kim
Senior Executive Vice President & Group Head
Retail Banking Group

Joon-Ho Kim
Group Head
Private Banking Group

Kyung-Ho Cho
Regional Head
Ho-Nam Regional Retail Banking Division

Won-Pyo Hong
Regional Head
Kang-Nam Regional Retail Banking Division

Jong-Jun Kim
Regional Head
Kang-Seo Regional Retail Banking Division

Sam-Deuk Kim
Regional Head
Young-Nam Regional Retail Banking Division

Sung-Soo Lee
Regional Head
Seocho Regional Retail Banking Division

Byong-Kap Yoon
Regional Head
Kang-Buk Regional Retail Banking Division

Kyung-Hoon Chang
General Manager
Retail Business Promotion Team

Chong-Oh Im
General Manager
Loan Center

Hae-Boong Jeong
General Manager
Domestic Business Network Team

Hee-Cheol Kim
General Manager
Private Banking Support Team

Yong-Jae Kim
General Manager
Customer Service Center

Ji-Sup Lee
General Manager
Wealth Management Team

Yong-Sik Roh
General Manager
Branch Banking Support Team

Credit Card Division

Hyung-Soo Kim
General Manager
Credit Card Business Center

Corporate Banking Group

Hoon-Kyu Kim
Senior Executive Vice President & Group Head
Corporate Banking Group

Hee-Dae Kim
Senior Executive Vice President & Group Head
Large Corporate Promotion Group

In-Bok Chang
Head of Corporate Banking Division
Corporate Banking Division III

Deok-Jung Cho
Head of Corporate Banking Division
Corporate Banking Division II

Bo-Sik Jun
Head of Corporate Banking Division
Large Corporate Banking Division II

Chang-Sup Rhim
Head of Corporate Banking Division
Kyung-In Corporate Banking Division

Jin-Sung Kim
Head of Corporate Banking Division
Corporate Banking Division I

Won-Jae Chun
General Manager
Credit Evaluation Team

Jong-Yo Kim
General Manager
Small & Medium Corporate Support Team

Boo-Seong Lee
General Manager
Venture Investment Team

Nam-Yong Lee
General Manager
Corporate Restructuring Team

Yong-Seung Yang
General Manager
Corporate Business Marketing Team

Hyong-Jong Yoo
General Manager
International Business Operation Center

Investment Banking Group

Francis W. Lee
Senior Executive Vice President & Group Head
Investment Banking Group

Michael K.T.Han
General Manager
Investment Banking Team

Treasury Division

Chong-Suk Choi
Senior Executive Vice President & Division Head
Treasury Division

Young-Seok Cho
General Manager
Trading & Investment Team

Kwang-Joong Ko
General Manager
Treasury & Management Team

Business Support Group

Sung-Yoon Song
Senior Executive Vice President & Group Head
Business Support Group

Im-Gul Choi
General Manager
Human Resources Department

Yong-Sun Kim
General Manager
Operation Support Department

Young-Ho Lim
General Manager
Human Resources Development Team

Jin-Tae Lee
General Manager
Security Control Department

Chungchong Hanabank

Sung-Ho Choi
Senior Executive Vice President & Group Head
Chungchong Hanabank

Hong-Cheon Kim
General Manager
Chungchong Planning & Management Team

Byung-Hwan Lee
General Manager
Chungchong Loan Center

Seung-Bok Lee
General Manager
Chungchong Credit Evaluation Team

Jong-Deog Park
General Manager
Chungchong Business Promotion Team

Dong-Jin Yang
General Manager
Chungchong Business Support Team

Sang-Jong Yoo
General Manager
Chungchong Credit Management Team

Ji-Ho Yoon
General Manager
Chungchong Corporate Banking Center

Trust Business Division

Hee-Won Shim
Senior Executive Vice President & Division Head
Trust Business Division

Moon-Hwan Bae
General Manager
Trust Account Treasury Team

Soon-Mok Kwon
General Manager
Trust Risk Control Team

Information Technology Division

Se-Woong Kim
Division Head
Information Technology Division

e-Commerce Business Division

Ho-Jun Mun
General Manager
Electronic Business Team

Compliance Management Team

In-Suk Park
Compliance Officer

Audit and Examination Department

Jin-Ho Chu
General Manager
Audit & Examination Department

Secretariat

Hyun-Joo Lee
General Manager
Secretariat

Shareholders Information

Share Data (As of Dec 31, 2001)

Type	Number of Authorized Shares	Number of Issued Shares	Par value
Registered Common Share	500,000,000	131,107,888	5,000
Registered Preferred Share		39,602,000	5,000

- The Bank's stock options outstanding at December 31, 2001, are 1,522,950 shares.
- As of December 31, 2001, outstanding convertible bonds amount to ₩49,998 million, equivalent to 2,548,836 common shares if fully converted.
- 5,244,315 new common shares were issued through stock dividends on March 26, 2002.
- Preferred shares are scheduled to be fully retired by the end of April 2002.

Share Data Trend (In korean won)

	1997	1998	1999	2000	2001
Dividends declared per share					
(Cash-Won)	400	400	400	200	200
(Stock-Shares)	-	-	-	-	0.04
EPS	1,178	1,790	1,353	124	2,457
BPS	14,856	12,346	11,735	11,442	12,692
Share Price(High)	12,700	14,500	19,500	11,800	17,050
Share Price(Low)	5,050	3,450	8,000	4,320	5,550
P/E(x)	4.3~10.8	1.9~8.1	5.9~14.4	34.8~95.2	2.26 ~ 6.94

* As of December 31, 2001, fully diluted EPS is W 1,896

Major Shareholders (As of Dec 31, 2001)

Name	Number of Shares	Ratio(%)	Name	Number of Shares	Ratio(%)
Allianz AG	15,493,778	11.82	GIC	3,261,100	2.49
International Finance Co.	8,709,459	6.64	Samsung Group	3,217,269	2.45
Kolon Group	7,639,285	5.83	Citibank, N.A	2,074,743	1.58
Doosan Group	6,155,944	4.70	Msil-Sr Inv(L) Ltd	1,923,170	1.47
Dongwon Group	5,290,074	4.03	Sindoricoh Co.	1,518,413	1.16
POSCO	5,154,340	3.93	Korea ITMC	1,387,438	1.06
National Pension Fund	4,800,000	3.66	Hyundai ITMC	1,375,367	1.05
DongBu Group	3,590,698	2.74	Mathews Int'l Fund	1,367,559	1.04

*Number of shares owned by foreign investors: 67,918,787(51.8%)

*Number of shareholders : 23,178

Stock Listing

Korea Stock Exchange : Common Stock
London Stock Exchange : Global Depository Receipts

Transfer Agent and Registrar

Korea Securities Depository, 33 Yoido-dong, Yeoungdeungpo-gu, Seoul, Korea

GDR Depository

Citibank, N.A 111 Wall Street 5th Floor, New York, N.Y. 10043.

Corporate Information



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Tel : (82-2) 2002-1111
Telex : K25914 SWIFT : HNBKRS Reuter Code : HNBH
<http://www.hanabank.com>



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Hana Bank Singapore Branch

Hana Bank
PWC Building #23-6 8 Cross Street Singapore 048424
Tel : 65-6438-4100

Hana Bank Shanghai Branch

Hana Bank
Room 3302-3303, Bank of China Tower, 200 Yin Cheng Road Central,
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