

Achieving Excellence Together

Annual Report 2004





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Achieving Excellence Together



Best Bank in Korea

-  '93 Euromoney, "Best Bank in Korea"
-  '97 Finance Asia, "Best Bank in Korea"
-  '98 Asia Money, "Best Managed Company in Korea"
-  '00 Euromoney, "Best Domestic M&A House in Korea"
-  '01, '99 The National Customer Satisfaction Index, "No.1 in the Banking Sector"
-  '02 Finance Asia, "Best M&A in Asia"
-  '03 CNN, "New Century Leader in Asia"
-  '04 The Korea Customer Satisfaction Index, "No. 1 in the Banking Sector"
-  '05 Euromoney, "Best Private Bank in Korea"

Power **03**

Achieving Excellence Together

of

Innovation

Hana Bank

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Power

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Achieving Excellence Together

of

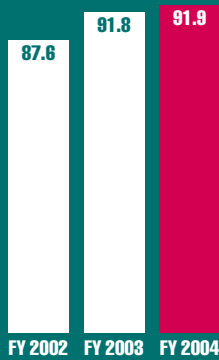
Innovation

Hana Bank

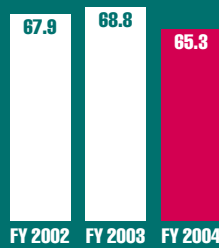
Financial Highlights in 2004

Business Volume (In Trillions of KRW)

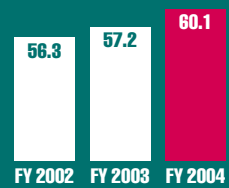
Total Assets



Total Deposits



Total Credits

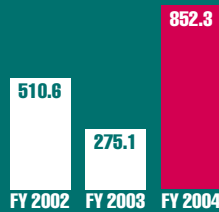


Earnings (In Billions of KRW)

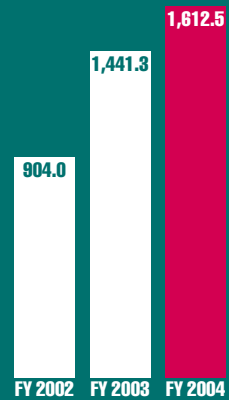
Net Income



Operating Income

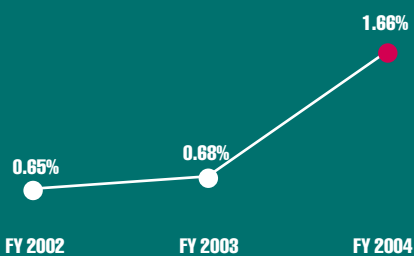


Net Interest Income

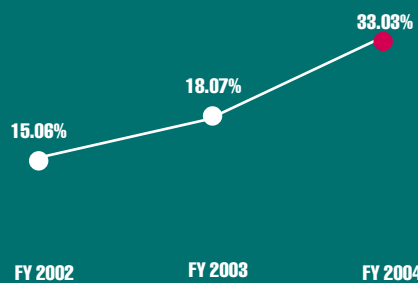


ROA & ROE

ROA

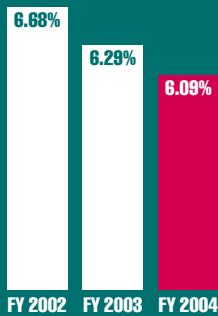


ROE

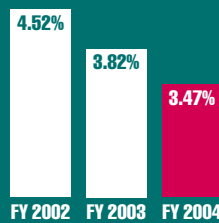


Net Interest Margin

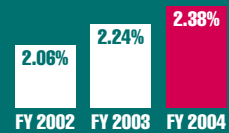
Lending Rate



Funding Rate

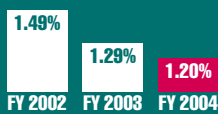


NIM

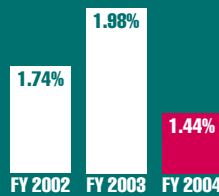


Asset Quality

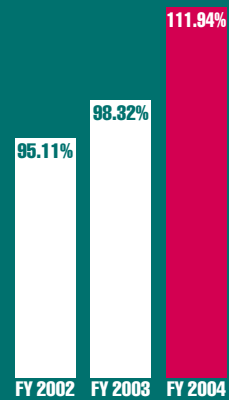
Overdue Ratio



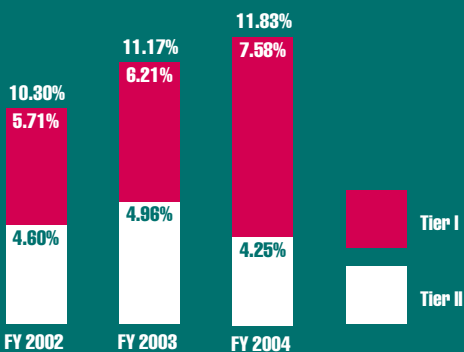
Substandard & Below Ratio



Coverage against Substandard & Below



BIS Capital Adequacy Ratio



Shareholders Information

Major Shareholders as of December 31, 2004

Name	Number of Shares	% of Ownership	Name	Number of Shares	% of Ownership
ANGELICA INVESTMENTS PTE LTD	19,026,284	9.89%	NTC-GOVSPORE	3,848,841	2.00%
FRANKLIN ADVISORS, INC.	10,441,403	5.43%	MSIL-MSCOINTLLTD	3,612,710	1.88%
ALLIANZ	9,946,190	5.17%	MSCO-LONECYPRSS	3,609,020	1.88%
Dongwon Group	9,531,463	4.96%	MERRILLYNCH INTERNATIONAL	2,724,479	1.42%
POSCO	6,498,010	3.38%	MSIL-SRINV(L)LTD	2,284,717	1.19%
National Pension Fund	4,788,153	2.49%	Korea Investment & Securities Co.	2,280,818	1.19%
Dongbu Group	4,513,010	2.35%	CREDIT SUISSE FINANCIAL	2,218,500	1.15%
MSIL-TOSCA	4,027,830	2.09%	International Finance Corporation	2,120,700	1.10%

Composition of Shareholders as of December 31, 2004

Type of Shareholders	Number of Shareholders		Number of Shares Owned	
		Proportion		Proportion
Government & Government-Owned Corporations	4	0.02%	4,277	0.00%
Financial Institute under Banking Act of Korea	194	0.92%	28,544,269	14.84%
Securities Companies	29	0.14%	8,985,807	4.67%
Insurance Companies	10	0.05%	3,952,700	2.05%
Investment Trusts	49	0.23%	375,078	0.19%
Other Corporations	115	0.55%	12,808,483	6.66%
Individual Shareholders	19,818	94.47%	8,999,191	4.68%
Foreign Shareholders	760	3.62%	128,683,643	66.90%
Total	20,979	100.00%	192,353,448	100.00%

Total number of shares owned includes 16,606,027 shares of treasury stocks.

Share Data as of December 31, 2004

Type	Shares Authorized	Shares Issued	Treasury Stocks	Par Value in KRW
Registered Common Share	2,000,000,000	192,353,448	16,606,027	5,000

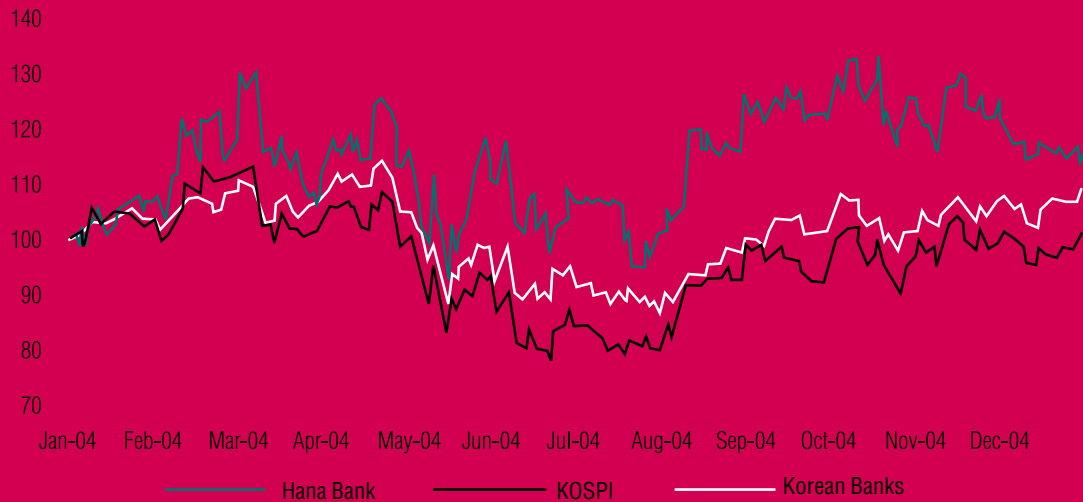
- 5,078,755 shares of treasury stocks were retired with profit on the date of March 25, 2004. As a result, the number of shares issued decreased from 197,432,203 shares to 192,353,448 shares without affecting the book value of common shares.
- 4,602,965 shares of treasury stocks were retired with profit on the date of February 16, 2005. Accordingly, the number of shares issued and treasury stocks decreased by the same amount after FY 2004. However, the book value of common shares remained unaffected, amounting to KRW 987.2 billion.



Achieving Excellence Together

Stock Price Change (Jan. 2004 = 100)

[Source : CSFB]



Shareholders' Value

	2000	2001	2002	2003	2004
Dividends Per Share					
(Cash - Korean Won)	200	200	500	500	750
(Stock - Shares)	-	0.04	-	-	-
EPS	124	2,457	2,304	3,167	7,728
BPS	11,442	12,692	15,863	19,155	27,656
Share Price (High)	11,800	17,050	22,450	24,100	29,900
Share Price (Low)	4,320	5,550	14,350	7,700	20,150
PBR (Times)	0.4 ~ 1.0	0.4 ~ 1.3	0.9 ~ 1.4	0.4 ~ 1.3	0.7 ~ 1.1
PER (Times)	34.8 ~ 95.2	2.3 ~ 6.9	6.2 ~ 9.7	2.4 ~ 7.6	2.6 ~ 3.9

Stock Listing

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

Registrar and Transfer Agent

Korea Stock Exchange : Common Stock
Registrar & Transfer Agency Services Dept, Hana Bank 43-2 Yoido-dong, Youngdeungpo-gu, Seoul, Korea

GDR Depository

Citibank, N.A. 111 Wall Street 20th Floor/Zone 7, New York, NY 10005, U.S.A.



Seung-Yu Kim
Chairman of the Board of Directors

Letter to Shareholders

Dear Shareholders,

On behalf of Hana Bank, we would like to take this opportunity to share some of the most significant changes which have taken place concerning the management of Hana Bank. Pursuant to the General Shareholders' Meeting held on March 28th 2005, we have been appointed as Chairman and CEO of Hana Bank, respectively. Reflecting our past responsibilities as Chairman and CEO and a Deputy President, however, we would like to assure you that we would maintain our tradition for excellence as well as our efforts to achieve our vision of becoming a "Premier Financial Services Network" to preserve the value of our shareholders.

In 2004, the synergy effects of the merger between Hana Bank and Seoul Bank came to fruition, and Hana Bank realized a record-high net profit of 1.3 trillion won. We achieved excellent results in terms of profitability as well as asset quality - ROA was recorded at 1.66%, ROE at 33.03% and NPL ratio at 1.44%.

Despite the economic downturn and the high level of credit failures in retail and SOHO sectors, Hana Bank improved its asset quality by adhering to its acclaimed risk management system, which has been in place for the past few years. We have also secured an advantageous position in the mortgage loan market, capturing a hefty 37.6% of this new market. Furthermore, Hana Bank was named the Best Private Bank in Korea by Euromoney last January in recognition of our efforts to pioneer and lead the private banking sector for the past ten years in the Korean financial market.

Competition among the financial service networks will grow fierce in Korea. Although the final outcome will only emerge in two to three years, it is already clear that the key success factor will not be sheer size, but rather refined quality. In preparation for such an end-game scenario, Hana Bank plans not only to aggressively increase the size of its business, but also to focus on the quality improvement of our assets, organization, human resources and infrastructure in 2005.

First, Hana Bank plans to enhance the efficiency of our asset portfolio through improved NIM and to diversify our profit structure with new sources of fee income.

Second, Hana Bank will accelerate the development of an effective cross-selling platform by fully utilizing its CRM system, which became operational last year.

Third, Hana Bank will further develop its risk management capabilities. Although we already have the lowest non-performing asset ratio and the lowest delinquency rate among our Korean peers, we will continue to develop more sophisticated systems and train new experts and specialists so that we can achieve and surpass global standards as well.

Some predict that domestic banks will suffer because global players such as Citigroup and Standard Chartered entered the Korean market. We, at Hana Bank, have developed a profound knowledge and insight about the needs of our customers over the last three decades, and we will use this experience to continue our transformation into the financial market leader by providing better products and services which are perfectly tailored to our customers.



Jong-Yeol Kim
President & CEO

As you are well aware, Korea is in the process of engineering a soft-landing towards achieving an economy with low interest rates and a solid growth pattern. At the same time, more and more customers are substituting traditional banking products for alternative financial products. To overcome such challenges, we need to formulate an innovative strategy which redefines the roles of the various types of financial institutions in order to manage and maximize the synergies generated by the financial network.

Recently, an emerging trend in the Korean financial institutions industry has been the establishment of financial holding companies in order to unify various financial companies into financial networks. Eventually, these financial networks could transform the nationwide branch network of traditional banks into one-stop distribution platforms for a wide array of financial products and services provided by members of the financial networks. Therefore, we need to develop an overall growth strategy for Hana Financial Group by thoroughly evaluating its potential network synergies. Although organic growth is preferred, M&As will always remain an option and we will actively pursue such opportunities.

As you may have heard in the media, we are pursuing the acquisition of Daehan Investment & Securities Co., Ltd.(DISC) and also expanding the capabilities of the Financial Group through aggressive M&As regarding non-banking financial institutes. When the acquisition of DISC is finalized, DISC will serve as the asset management center and the channel dedicated to customers requesting asset management services. Meanwhile, Hana Securities will specialize in corporate banking and adopt the strategy of concentrating on investment banking.

Another growth opportunity is presented by the overseas business. Starting with China, we have been seriously engaged in building a comprehensive network, and we are also making preparations to enter the South East Asian region. This is significant, because it will facilitate the expansion of the financial service network into South East Asia and also provide the financial infrastructure required by Korean companies actively advancing into this region.

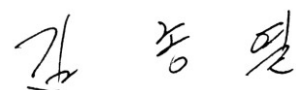
We believe that the growth strategies mentioned above can only be effectively pursued with the backing of our members' supportive mindset and corporate culture. Thus, Hana Bank initiated steps to develop a strong corporate culture through innovative measures under the slogan of "New Hana Bank" at the end of last year.

Your Company, Hana Bank, has always taken great pride in staying one step ahead of the others under the banner of our enterprising spirit, autonomy and progressivity. As we will continue to do our utmost to deliver on our promises, you will be able to see how your company will emerge from the transformation with greater vigor and strategically in an even stronger position. Once again, Hana Bank will create the lasting value that you, as an investor, have a right to expect.

Cordially,



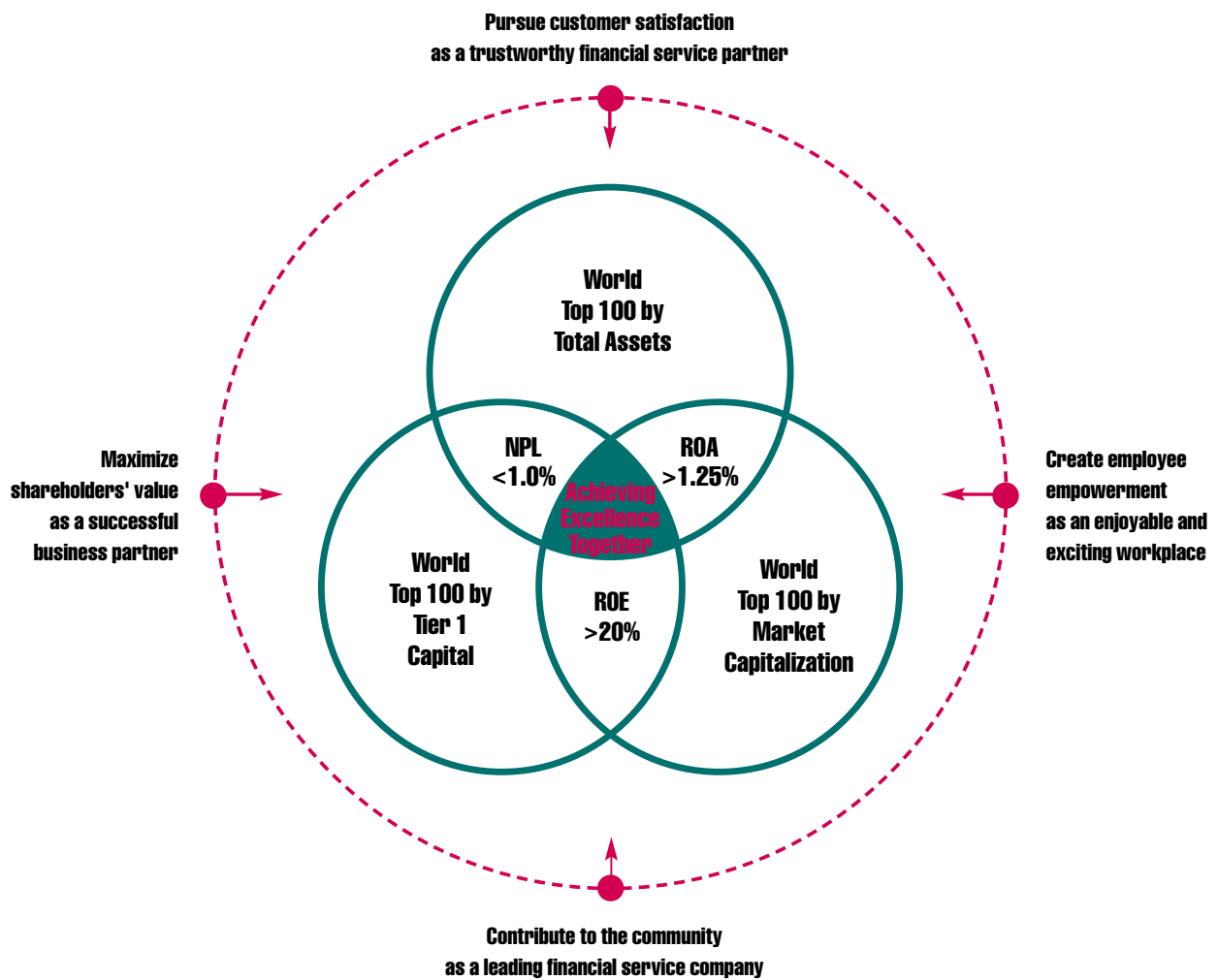
Seung-Yu Kim
Chairman of the Board of Directors



Jong-Yeol Kim
President & CEO

Vision

Premier Financial Services Network



The vision of Hana Bank is to be a "Premier Financial Services Network"

As a way of realizing its vision, Hana Bank has been in practice of following four missions: Pursue customer satisfaction, Maximize shareholders' value, Create employee empowerment, and Contribute to the community.

From a strategic standpoint, the vision aims to earn the inclusion in the world's top 100 banks in terms of total assets, tier 1 capital and market capitalization by 2009.

Hana Bank believes that such achievement should be based on solid financial strength. Accordingly, its mid-long term strategy is aligned with the target performance indices of higher than 20% of ROE, 1.25% of ROA as well as NPL ratio lower than 1% of total credits.

Following the roadmap to accomplish the vision, Hana Bank aspires to excel the market and deliver more value to its shareholders, clients, people, and the entire community, as we sloganized "Achieving Excellence Together".

Hana Bank has been on the right track for realizing its vision

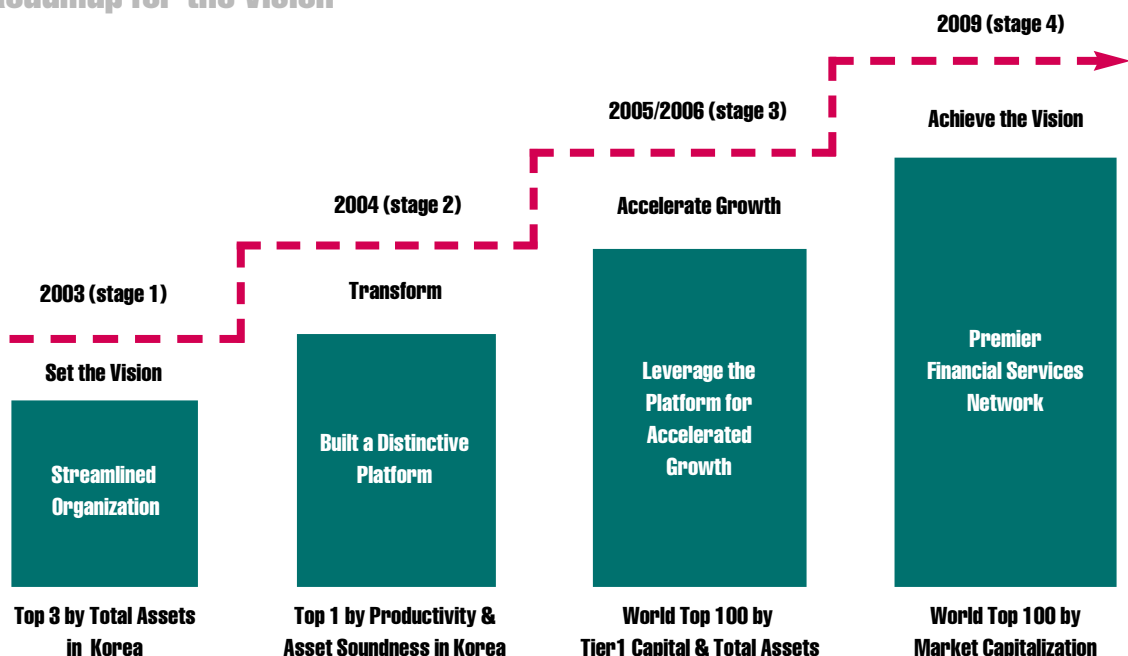
As of the end of 2003, Hana Bank stood as one of the top three players of domestic banking industry in terms of its asset size. By successfully completing the post-merger integration with Seoul Bank during the year, Hana Bank streamlined the organization structure to prepare for the next step of the roadmap.

Throughout 2004, Hana Bank endeavored to differentiate its business platform. The establishment of Private Banking Business Group and the acquisition of Qingdao International Bank were the examples of such efforts to provide distinctive products and services. From the financial perspective, Hana Bank recorded the highest level of productivity and asset soundness among its domestic peers.

From 2005 to 2006, Hana Bank plans to accelerate growth by leveraging its platform with diversified income sources. In order to substantiate this strategic objective, Hana Bank is considering the establishment of Hana Financial Group and the acquisition of Daehan Investment & Securities during this period. Assuming the achievement of these business initiatives, Hana Bank expects to be one of the world's top 100 banks in terms of total assets and tier 1 capital.

Entering the last stage of our roadmap, Hana Bank plans to build "Premier Financial Services Network" by the end of 2009. At this point, Hana Bank will expectedly join the ranks of the world's top 100 banks in terms of market capitalization.

Roadmap for the Vision



Mission

Pursue Customer Satisfaction

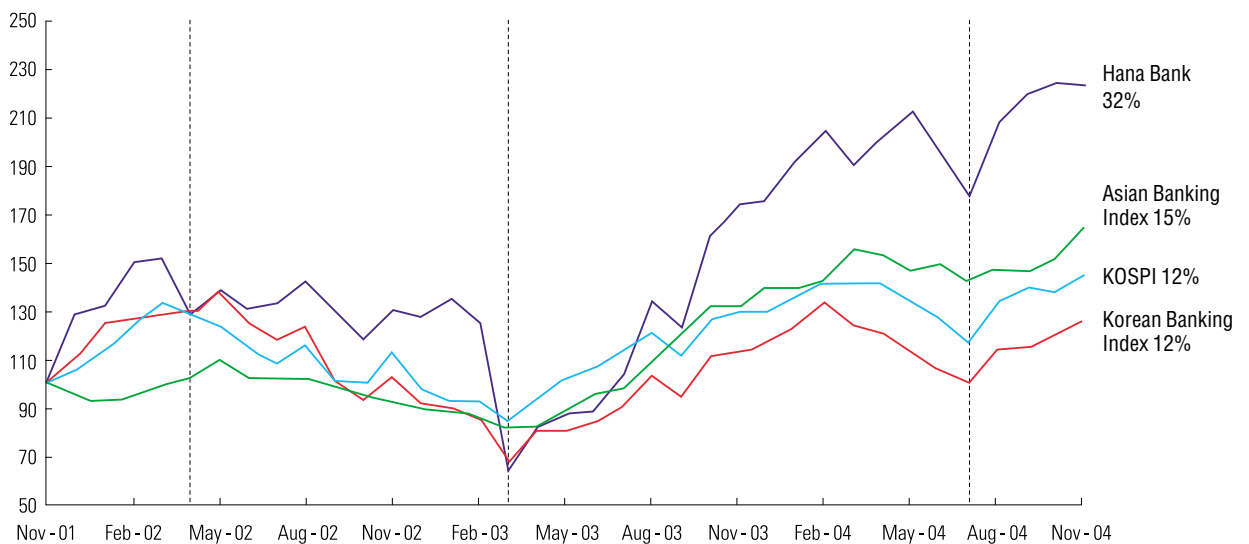
In order to "Pursue Customer Satisfaction as a Financial Partner", which is the first mission for the achievement of our vision, Hana Bank is trying to meet all the needs of our customers by offering tailored products and services to retail customer based on CRM system and providing a broad range of integrated financial solutions to corporate customers. With its relentless drive for customer satisfaction, Hana Bank is proud to win the first place in the customer survey of banking sector by the Korea Customer Satisfaction Index.(KCSI)



Maximize Shareholders' Value

With the aim to "Maximize Shareholders' Value as a Business Partner", Hana Bank uses the level of enhancement in shareholders' value to evaluate the performance of the management and the staff. Hana Bank also endeavors to attain the highest stock value in the industry by securing a solid leadership position in the financial market, strengthening communications with shareholders via active IR and accurate reporting and maintaining a sound corporate governance structure. Thanks to such efforts, Hana Bank's shareholder earnings ratio has recorded the highest levels in the industry. Hana Bank has been in the black and paid dividends for 34 consecutive years.

Highest Shareholder Earnings Ratio in the Banking Sector



[Source : Datastream]

Create Employee Empowerment

To "Create Employee Empowerment", Hana Bank stimulates its employees to work with an innovative and forward-looking attitude. Employees are motivated to become the Bank's partner in achieving goals by sharing a culture where good performance is rewarded, talents are nurtured and the atmosphere in the workplace is stimulating. Now, Hana Bank operates "Business Partnership System" and provides performance based incentives by specifying the performance index for each division and team. Furthermore, we are making the Bank a stimulating workplace with the "Great Workplace Program" and other proposal systems.



Contribute to the Community

Hana Bank strives to "Contribute to the Community as a Leading Financial Company" following three principles: Endeavor to become a "Sharing Bank" that helps less fortunate neighbors; Serve as a "Culture Bank" where social culture flourishes together with economic culture; and, Be a "Green Bank" where nature is respected and preserved. Hana Bank provides support for the disabled and teenagers who are struggling as heads of households. The Bank also carries out various cultural activities and launched the "Hana Sarang Volunteers" in 2004 to give back to the community.



Movement of Change

The Driving Force to Achieve Our Vision

Change of Mindset Comes from Actions.

Hana Bank, recognizing its people as the most important driving force in achieving its Vision, adapted the "Movement of Change" in 2004 to reinforce its corporate culture as one of core competencies. Four main objectives: "Integrity, Efficiency, Innovation and People", represent Hana Bank's commitment for the future and the Bank will re-invigorate these forces to achieve its vision of becoming a "Premier Financial Services Network" to keep abreast with the rapid changes in the financial business environment and to preserve the value of its shareholders. In this light, the following four booklets have been published so that the employees at Hana Bank could share the spirit of change and innovation. The detailed action plans will be developed in 2005.

Fundamentals

Driving Force

Integrity	Efficiency	Innovation	People
<ul style="list-style-type: none">* Ownership* Pride* Morality	<ul style="list-style-type: none">* Performance Based Approach* Flexible Organization* Speed Management* Cost Consciousness	<ul style="list-style-type: none">* Voluntary Improvement* Learning Organization	<ul style="list-style-type: none">* Value Talent* Trust and Coexistence* Sense of a Community

The Seeds of Innovation: Change Frontiers

The first "Change Frontier Group" was initiated in November 2004 with 200 members who are passionate about the vision of this program and started to spread the seeds of change to their colleagues. The Change Frontier members not only perform their daily work but also passionately participate in the Bank's innovation activities and thereby contribute themselves in the further development of Hana Bank. In this light, the movement of change will be continued until every person at Hana Bank becomes an advocate of the Change Frontier.

Future Direction for Innovation

Hana Bank plans to carry out two major changes in 2005.

First, we will change our mindset. We need to grasp the trend and adapt to changes swiftly in order to accept and actively respond to such changes. To this end, a training program will be conducted for the all members at Hana Bank.

Second, we will change our actions along with our mindset. The Quality Upgrade (Q-Up) activities will be the core of the movement of change in 2005.

The Q-Up activities, which aim to improve the quality of each individual's life and enhance the Bank's competitiveness by upgrading the excellence of ourselves, each team as well as each branch, will be critical in creating a New Hana Bank. In this light, this will serve as the most vital driving force behind our efforts to achieve our vision.

What to innovate

How to innovate



[Self Discipline Program]

Change Mindset & Action/Set Goals for Self Development
→ Execute



[Division/Branch Level]

Identify the Problem & Set Improvement Goals
→ Eliminate Inefficiency & Make Continuous Improvements



[Bank Level]

Raise Issues via Proposal System, Bulletin Board



Corporate Philanthropy

Hana Bank is devoted in maintaining its corporate culture that not only preserves the values of its shareholders, customers and employees but also fulfills its social responsibilities as a company that serves the society. In order to put these ideas into practice, the Bank has built a corporate culture that is divided into three parts and named them accordingly. The Green Bank is responsible for conserving the environment while the Culture Bank promotes a love for art and the Sharing Bank cares for neighbors.

Nature-Lovers' Poster Contest and 'Art Room of Your Dreams' Project

Every year, Hana Bank holds an art contest under the theme of 'Loving Nature and Caring for the Environment' with more than 15,000 elementary school students participating. The Grand Prize for individual entries, called the Environment Minister's Award, and the Grand Prize for group entries, titled the Education Minister's Award, are granted to the school with the winning entry. Furthermore, the Bank also selects three schools among the participants and donates an 'Art Room of Your Dreams' to them. In this light, a total of 12 art classrooms have been built as of 2004.



Visit Beautiful Forests with Children

This event which was carried out 27 times as of 2004, first started in June 1993 to emphasize the significance of family and nature. The free visit to breathtaking forests has been appraised by citizens together with other national recreation forests events like a forest tour with dendrologists, one-day environment fieldtrips and concerts in the forest.





Hana Classic Academy

Hana Classic Academy, the first of its kind, was formed in 2000 to provide music education through concerts. The performance of the Festival Ensemble comprising Korea's top musicians is combined with lively and descriptive lectures presented by a professional art director.

Representing the Bank's philosophy to bridge the customers with culture, Hana Classic Academy completed its ninth season in 2004.



Issuing Public Trust Certificates

Since 1972, Hana Bank has supported 247 institutes engaged in diverse fields such as education, social welfare, promotion of sports supporting the World Cup and etc. with the proceeds from public trusts. Hana Bank's Public Trust called the "Trust to Share Happiness" is the only public trust in the banking industry and has raised approximately 30 billion won by May 2004.



Women's Writing Contest

Hana Bank has hosted writing contests for talented housewives and students alike since 1996. The contest provides female customers the opportunity to write poetry or essays about their everyday lives. The prize winners are given chance to turn their writing ability into a career.

Calendar Design Contest

Hana Bank provides budding designers at college with the opportunity to gain wider exposure by designing Hana Bank calendar by entering the Calendar Design Contest, which saw its eighth anniversary in 2004 and has become one of the major design contests in Korea.

Hana Sarang Volunteers

In 2004, Hana Bank has launched the "Hana Sarang Volunteers" formed by Hana Financial Group's current and retired executives and staff members.

"Hana Sarang Volunteers" seek to facilitate harmony and cooperation among staff members and leverage the competency and human networks built in the process of working for the social good.

"Hana Sarang Volunteers" operate under the principles as follows: First, realize the true meaning of "sharing" by not only making donations but also performing hands-on social works. Second, expand the opportunity to experience community works and develop special skills required to provide more assistance based on the Bank's human resources and networks rather than providing mere labor or donations.

Helping Malnourished Children

Twice a year when schools go on vacation, Hana Bank donates 100 bags of rice to help boost the morale of underfed children in study centers. Although it may appear a small token of help, this contribution provides each of these children with lunch during their vacation.



Participating in the Beautiful Foundation's Campaign

Hana Bank is an official sponsor of the Beautiful Foundation, a leading social movement to make donations become a part of our culture. Chairman Seung-Yu Kim has served as one of the directors of the Beautiful Foundation since it was first established in November 1999. Many executives and staffs have also participated in the "Beautiful Store" and the "World's Largest Flea Market" by donating goods. The Bank plans to pursue this campaign long into the future as a part of its corporate culture.



Sponsoring Children and Teenagers Who are Heads of Households

Hana Bank has sponsored underprivileged children and teenagers who are heads of households as part of its efforts to build a better society. Staff members who wish to participate in this sponsorship voluntarily make donations from their salary. One hundred thousand won is provided to each children and teenagers among 80 selected by the Korea Welfare Foundation each month until they graduate from high school.



One-on-One Volunteer Project to Help the Disabled

Hana Bank established a firm alliance with Korea Association on the Welfare Institutes of the Disabled in 1997. Since then, more than 600 executives and employees of the Bank have formed one-on-one relationships with the disabled who are living in welfare facilities and monthly donated 5,000 won per person.

Sponsoring the Job Fair for the Disabled



Hana Bank continuously supports the disabled. The Job Fair Exhibition for the Disabled has been hosted by the Korea Employment Promotion Agency for the Disabled every year since 2000 with the Bank providing sponsorship and a convenient venue for access to the disabled.

A black and white portrait of Seung-Yu Kim, an older man with short dark hair, wearing a dark suit, light-colored shirt, and patterned tie. He is smiling and gesturing with his right hand.

Seung-Yu Kim

Chairman of the Board of Directors

A black and white portrait of Soon-Chul Lee, an older man with short dark hair, wearing a dark pinstriped suit, light-colored shirt, and patterned tie. He is smiling slightly.

Soon-Chul Lee

Standing Member of Audit Committee

A black and white portrait of Jung-Tae Kim, a man with short dark hair, wearing a dark pinstriped suit, light-colored shirt, and patterned tie. He is looking slightly to the side.

Jung-Tae Kim

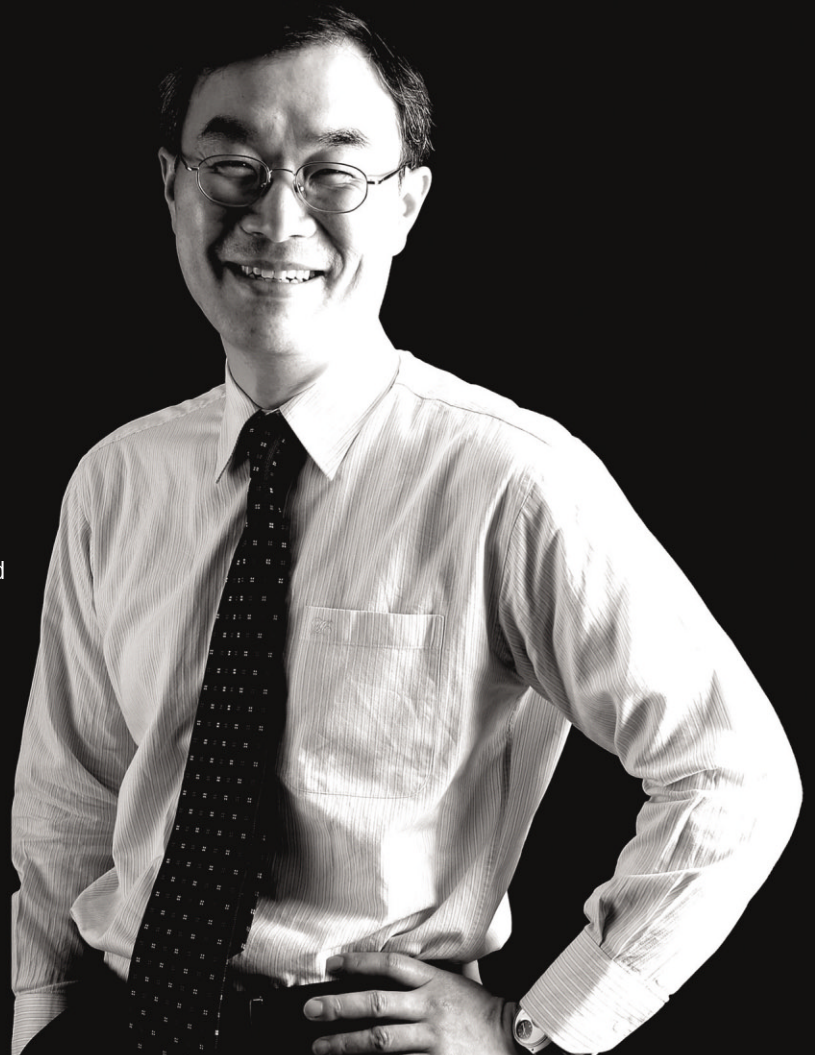
Deputy President & Group Head
Retail Banking Group

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Achieving Excellence Together



Jong-Yeol Kim
President & CEO



Geun Woo Seoh, Ph.D.
Deputy President & Division Head
Strategic Planning Division

Corporate Governance

Board of Directors

Standing Directors

Seung-Yu Kim Chairman of the Board of Directors
Jong-Yeol Kim President & CEO
Jung-Tae Kim Deputy President
Geun Woo Seoh, Ph.D Deputy President
Soon-Chul Lee Standing Member of the Audit Committee

Outside Directors

Jae Chul Kim Chairman, Korea International Trade Association (KITA)
Chairman, Dong-Won Group
Chairman, Dongwon Financial Holding
Joo Song Kim Advisor, Kolon Group
Sang Hyun Song, J.D. Professor of Law, Seoul National University
Judge, The International Court of Justice
Sang Boo Yoo Standing Advisor, POSCO
You Jae Lee Professor, Business School of Seoul National University
Ki Che Chang President, Dongbu Life Insurance
Financial Department CEO, Dongbu Group
Eun Young Cha Professor, Department of Economics,
College of Social Sciences, EWha Woman's University
Roy A. Karaoglan, Ph.D Banking Advisor,
International Finance Corporation
Alfred Baldes, Ph.D COO & Deputy CEO,
Allianz Dresdner Asset Management
Asia Pacific GmbH

Hana Bank has been cited many times as a good industry case model for its highly efficient and transparent corporate governance structure, which is always open to investors, customers and the community. The transparent governance structure correlates to the Bank's mission: 'Maximize Shareholders' value, Pursue Customer Satisfaction, Create Employee Empowerment, Contribute to the Community'.

Hana Bank's board of directors not only monitors the Bank's ongoing operations, but also actively participates in managerial decisions by providing expertise and professional judgment at critical stages of operations. Outside directors, comprising a majority of the board, are carefully selected from various business or academic backgrounds to better reflect shareholder interests. Together, the board provides assurance to the shareholders that the Bank, as a whole, is well balanced and managed to optimize business outcomes.

Board of Directors Steering Committee

The steering committee consists of eight board members who organize the BOD and its committees, validates the governance structure and practices the tasks that the Commercial Code of Korea prohibits the BOD from doing.

Management Development and Compensation Committee

The management development and compensation committee contributes to a fair and meritorious reward culture by evaluating the management's performance and determining the level of compensation for CEO and standing directors. It also commits to revising and coming up with fresh standards for measuring managerial performances as and when corporate changes dictate. The committee consists of four outside directors.

Risk Committee

The risk committee reviews the Bank's risk management activities and minimizes its susceptibility to market risk, credit risk, operational risk and other hazards inherent in the banking industry by managing its overall risk management strategy. The part of the role of its two standing directors and four outside directors therefore involves revising and implementing internal regulations.

Audit Committee

The audit committee liaises with independent auditors and provides a framework to crosscheck their activities, although it was principally formed to keep track of management's activities and evaluate the Bank's internal control systems. It consists of four members of the BOD, including one standing member of audit committee and three outside directors.

Candidate Recommendation Committees for CEO, Audit Committee and Outside Directors

To preserve the independence of outside directors and the audit committee, these members are initially nominated by candidate recommendation committees, which operate independently from the BOD. Also, the candidate for CEO of the Bank is nominated by recommendation committee to ensure procedural transparency throughout the whole process of election. These recommendation committees are composed of all outside directors except the committee for outside directors, comprised of two standing and six outside directors.

Corporate Governance

Board's Activities in 2004

Meeting #	Date	Outside Directors Attended	Agenda	Result
1	Jan. 16, 2004	4	Debt to equity swap for LG Card Co., Ltd.	Resolved with condition
2	Feb. 13, 2004	7	Approval of the 63 rd B/S, P/L, Statement of Appropriations of Retained Earnings (proposal), Supplementary Schedules, Operating Report and Consolidated Financial Statements	Resolved
			Capital reduction	Resolved
			Cancellation of stock option grants	Resolved
			Approval for the agenda to be reported to the general shareholders' meeting pursuant to the regulation on supervision of banking business	Resolved
			Approval for convention of the FY 63 rd general shareholders' meeting and its agenda to be presented or reported	Resolved
			Changed conditions for BOD approval of the debt to equity swap(initial BOD approval given on Jan. 16, 2004) for claims against LG Card	Resolved
3	Mar. 24, 2004	7	Retirement of treasury stocks with profit Withdrawal of the agendum of general shareholders' meeting (Capital reduction)	Resolved
			Report on the result of retirement of treasury stocks with profit to the general shareholders' meeting	Resolved
4	Mar. 26, 2004	5	Appointment of members of BOD's sub-committees	Resolved
			Revision of financial exposure limit to a corporation associated with Hana Bank Board member	Resolved
			Due date extension of the first liquidity support for LG Card Co., Ltd. and submission of written consent thereto	Resolved with Modification
			Amendment to internal control regulation	Resolved

Meeting #	Date	Outside Directors Attended	Agenda	Result
5	Apr. 23, 2004	6	The participation in the bidding to acquire Korea Investment & Securities Co., Ltd. and or Daehan Investment & Securities Co., Ltd.	Resolved
			The participation in a capital increase of Hana Life Insurance Co., Ltd.	Resolved
			Cancellation of stock option grants	Resolved
			Change of the disposal of Jamsil IT center land lot	Resolved
6	Jun. 22, 2004	5	Renewal of the contract for the trust of treasury stock	Resolved
7	Jun. 30, 2004	4	Submission of final bid to acquire Korea Investment & Securities Co., Ltd. or Daehan Investment & Securities Co., Ltd.	Resolved
8	Jul. 30, 2004	7	Stock purchase of Kolon Capital	Resolved
9	Oct. 22, 2004	7	Capital injection to Qingdao International Bank	Resolved
10	Dec. 2, 2004	6	Amendment of internal control regulations	Resolved
			Appointment of a compliance officer	Resolved
11	Dec. 15, 2004	7	Approval of the 65 th (FY 2005) business plan	Resolved
			Approval of the 65 th (FY 2005) proposed budget	Resolved
			Approval of comprehensive limits for bank issues and mid-long term borrowings for the 65 th fiscal year (2005)	Resolved
			Renewal of the contract for the trust of treasury stock	Resolved
			Approval of transaction between director & company	Resolved
			Issuance of exchangeable bond in USD	Resolved

A black and white portrait of Kang M. Lee, a middle-aged man with glasses, wearing a dark suit, white shirt, and patterned tie. He is smiling slightly and looking towards the camera.

Kang M. Lee

Senior Executive Vice President
& Division Head
Risk Management Division

A black and white portrait of Young-Ho Lim, a middle-aged man with glasses, wearing a dark suit, white shirt, and patterned tie. He is smiling slightly and looking towards the camera.

Young-Ho Lim

Executive Vice President
& Compliance Officer
Compliance Team

A black and white portrait of Wan-Sun Hong, a middle-aged man with glasses, wearing a dark suit, white shirt, and striped tie. He has his arms crossed and is smiling slightly.

Wan-Sun Hong

Senior Executive Vice President & Division Head
Institutional Advisory Division



Hee-Won Shim

Senior Executive Vice President & Division Head
Credit Card Division, Asset Management Division



Hee-Dae Kim

Dputy President & Group Head
Yeongnam Regional Business Group



Byung-Jae Cho

Senior Executive Vice President & Division Head
Credit Division

Marketing Strategy

Corporate Banking Business

Hana Bank's Corporate Banking consists of Large Corporate Promotion Group, Small and Medium Corporate Promotion Group, Real Estate Finance Group, and Investment Banking Group. The Bank's Large Corporate Banking Promotion Group offers fully articulated spectrum of services from tailored product development to financial advisory services, by ensuring its quality excellences through fully utilizing its 9 Relationship Management teams and 10 branches. Hana Bank's Small and Medium Corporate Promotion Group, operating 20 Relationship Management teams and 62 branches, focuses on its specifically targeted business strategies to reflect geographical and industrial differences in screening and management of prospective targets as well as in its data analysis and information management. The Bank's Real Estate Finance Group offers a full line of services from data gathering and analysis to real estate related investment. Whilst, the Bank's Investment Banking Group focuses on investment banking services, from mergers and acquisition to corporate restructuring, from debt financing to equity investments, as well as providing financial advisory services.

In 2004, Hana Bank opted against expanding its sheer size and rather focused on minimizing potential risks related to unbalanced asset portfolio considering the volatile financial market environment mainly due to the gap increase in risk disparities among industries and companies while strived to expand its earning from companies with good credit by strengthening its client relationship competencies via differentiated and innovative marketing and promotion activities. In addition, the Bank focused on empowering its trade finance marketing strategies and increased its market share by 0.6% to 8.1% and diversified its fee income sources in areas like Project Finance, Financial Advisory, M&A, and ABS related businesses. Likewise, thanks to the Bank's efforts for channel expansion, the Bank established two additional corporate banking business centers in Chungchong area to provide a higher quality of corporate services specifically customized based on its geographical factors and, as a part of its attempt to fully utilize growth opportunities, especially considering the increased trend for the Korean companies' global expansion, the Bank also opened a branch in Shenyang, China to further explore and ensure its corporate business channels in particular.

The Bank anticipates the corporate finance market in 2005 to face even more vigorous competition for the corporations with good credit in particular and, furthermore, expects profit reduction due to the decrease of margin, which as a result, the Bank plans to diversify its source of income while expanding its good asset base through focusing on products and services specialization. The following summarizes Hana Bank's strategic focuses:

First, the Bank intends to further expand its good asset base by emphasizing its marketing capabilities for the growing markets through deepening its macro economic understanding for the changes that are affecting its corporate banking customers while effectively managing its assets in the declining markets. To maximize its effectiveness and efficiency, the Bank will further segment its corporate customers according to their credit and contribution to the Bank's earning stream and will apply a benefit return program for those with high contribution and good credit while restructuring its business relationship with those with relatively poor credit and less contribution by applying necessary price and risk management

policies. Together with this, the Bank will maintain its competitive advantages and secure its market leadership by strengthening its electronic payment system particularly for the Bank's large corporate customers and their alliance companies at home and abroad, which known as one of the Bank's competitive strengths, while providing financial management services through enforcing Cash Management System and proactively responding to financial demands for the companies abroad through utilizing the Bank's networks at home and in the countries like China, Hong Kong and Singapore. Concurrently, the Bank will expand its customer-centric corporate business by fully applying its marketing strategies and product developments reflecting the Bank's periodical satisfaction survey results designed for its corporate customers. Whilst, the Bank will continue exploring cross selling opportunities in areas like credit loan, salary transfer and credit card for the employees representing the Bank's current corporate customers profile.

Second, the Bank will continuously try to expand its commission income. For this, the Bank will increase its market share for trade finance, foreign exchange and wire transfer businesses from 8.1% in 2004 to 8.8% in 2005 while increasing commission income in loans and seeking opportunities in project financing, M&A, ABS, SOC for its corporate customers. To ensure this, the Bank will focus on enhancing its network within Hana Financial Group to maximize synergies while exploring opportunities in areas like Biz Card and Real Estate development fund, targeting distribution companies.

Third, the Bank will further strengthen its supporting function for corporate financing business. The Bank will focus on its RMs' sales skill empowerment while improving its new product development related to corporate finance business and establish corporate banking CRM structure to allow multi-dimensional segmentation for its customers. Furthermore, the Bank will support its RMs in business areas like ABS, Sales & Lease Back, and Derivative product while providing consulting and financial supports for its needed customers.

Fourth, the Bank will develop programs specifically targeted for corporate banking specialists. In order to secure its core talent RMs pool, the Bank will continue training RMs as regional, product and industrial specialists through the Bank's specialized RM training program to ensure the best quality services for its customers.

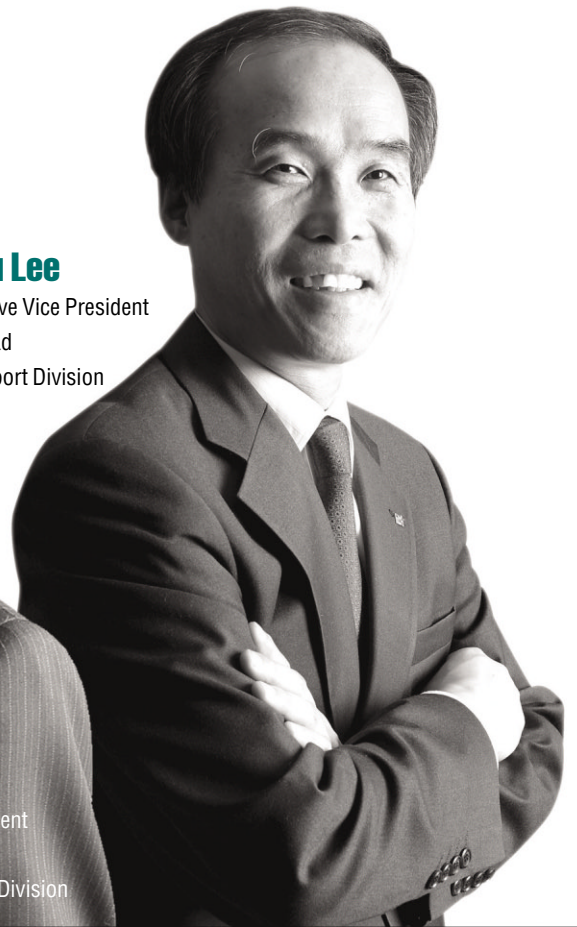


Bo-Sik Jun

Senior Executive Vice President
& Division Head
Large Corporate Promotion Division

Jang-Kyu Lee

Senior Executive Vice President
& Division Head
Business Support Division



Im-Gul Choi

Senior Executive Vice President & Group Head
Chungchong Regional Business Group



Jong-Jun Kim

Senior Executive Vice President & Division Head
Trust Business Division



Tae-Oh Kim

Senior Executive Vice President & Division Head
Retail Business Planning Division,
Retail Business Promotion Division



Sung-Soo Lee

Senior Executive Vice President & Regional Head
Honam Regional Retail Banking Division

Marketing Strategy

Retail Banking Business

Hana Bank's Retail Banking Business has taken a leadership position in the domestic retail banking market in the turbulent environment of fierce competition in terms of price and market share fueled by the continuing trend of low interest rates and foreign banks' full fledged advancement into the Korean market.

The number of active retail customers who are the target of the Retail Banking Group totaled 4.3 million as of December 2004, recording an increase of 600,000 as compared to last year. Furthermore, total retail sales increased by 1.7 trillion won year on year to stand at 39.5 trillion won while total retail assets totaled 29.1 trillion won with 3.3 trillion won of year on year increase. In particular, the Bank accounted for the largest share of the long-term mortgage loan market in 2004, which was the first year for such loans to be marketed in Korea, by selling 1.2 trillion worth of Korea Housing Finance Corporation (KHFC)'s long-term mortgage loans. Thereby, the Bank strengthened its position as the best mortgage loan bank in Korea and was also the best bank in Korea according to the Korea Consumer Satisfaction Index. Furthermore, the Bank proactively identified the potential sources of customers' complaints regarding the low interest rates and aggressively sold indirect investment products with high yield to satisfy the customers and create profit for the Bank at the same time. The Bank has clearly turned a major potential threat to retail banking into new opportunities.

Hana Bank's Retail Banking Group is primarily divided into two parts - the Retail Business Planning Group and Retail Business Promotion Group. The Retail Business Planning Group is responsible for such marketing activities as developing retail products and services through systematic customer analysis and market research at home and abroad, and setting the price and sales strategies. The Retail Business Promotion Group efficiently executes sales support activities including the management of human resources, cost control, sales promotion, setting the target of each regional headquarters and branches and evaluating performance.

The business environment of the domestic retail market is expected to be challenging in 2005 and the competition will become fiercer with a slow increase in individual customers' financial asset size and a contracted consumer financing market due to the slow economic recovery along with foreign banks actively advancing into the domestic market. There will be heated competition to attract solid customers, in particular, among banks as advanced foreign banks apply strategies to aggressively increase their market share. The Bank plans to actively respond to such forecasts by developing a differentiated marketing strategy oriented to the market as well as the customers.

The key business of Retail Banking Group in 2005 is to "Strengthen Cross-Selling based on the CRM". The Bank will strengthen its customer analysis and customer management via CRM, provide products and services tailored to customer segments and dramatically increase the volume of products sold through CRM-based cross-selling activities. In addition, the Bank will conduct customer segmentation and establish differentiated strategies tailored for each customer group. First, the Mass Customers will be split into Low Mass Customers and Upper Mass Customers. The Bank plans to move the Low

Mass Customers to low cost channels through a cost reduction strategy and facilitate transactions with Upper Mass Customers to increase profits by promoting cross-selling to this segment. Regarding the Affluent and VIP Customers, who are the target of foreign banks, the Bank will provide differentiated products and services to satisfy their financial needs by conducting meticulous customer analysis using the CRM and thereby, prevent customer attrition, enhance profitability and increase the number of products per customer.

To facilitate branch sales activities, customers currently not covered by sales activity plans will be identified using the GIS of CRM system. DM and TM will be sent to targeted customers and continuous communications will be conducted to increase the regional coverage ratio and market share.

One of the major issues facing Retail Banking Group in 2005 is how to increase profitability. First, the Bank plans to improve the loans and deposits portfolio to enhance NIM. The Bank will strengthen its customer base and its relations with customers, actively attract low cost funds and concentrate on selling unsecured loans to good customers in order to considerably increase NIM. Furthermore, the Bank will focus on increasing the fee income from existing sources by increasing credit card revenue and sales of indirect products, bancassurance and KHFC mortgage loans, and also do all it can to create new sources of fee income. In addition, the Bank will target the niche market in the consumer finance market, which has been contracting with the continuous sluggish trend of domestic demand and, in parallel, strengthen risk management to protect the Bank from the delay in economic recovery.

Retail Banking Group will firmly establish its position as a leader in the Retail Banking market by effectively implementing differentiated marketing strategies in 2005.

A black and white portrait of Chang-Sup Rhim, a middle-aged man with glasses, wearing a dark suit, white shirt, and patterned tie. He is smiling and looking slightly to the right of the camera. The background is plain white.

Chang-Sup Rhim

Deputy President & Group Head
Corporate Finance Group

A black and white portrait of Bong-Yong Kim, a middle-aged man with short hair, wearing a dark pinstriped suit, white shirt, and patterned tie. He has a neutral expression and is looking directly at the camera. The background is dark.

Bong-Yong Kim

Senior Executive Vice President & Regional Head
Joongang Regional Retail Banking Division

A black and white portrait of Joon-Ho Kim, a middle-aged man with glasses, wearing a dark suit, white shirt, and dark tie. He is smiling and looking towards the camera, with his hand resting on his chin. The background is dark.

Joon-Ho Kim

Senior Executive Vice President & Group Head
Asset Management Group

A black and white portrait of Jeong-Ho Suh, Ph.D. He is a middle-aged man with short dark hair, wearing glasses, a dark suit jacket, a white shirt, and a patterned tie. He is smiling and has his right hand open in a gesture.

Jeong-Ho Suh, Ph.D.

Senior Executive Vice President
& Division Head
Treasury Division

A black and white portrait of Bong-Han Cho. He is a middle-aged man with short dark hair, wearing glasses, a dark suit jacket, a white shirt, and a tie. He is smiling and has his right hand resting on his chin.

Bong-Han Cho

Senior Executive Vice President & Division Head
Strategic Information Division

A black and white portrait of Jin-Sung Kim. He is a middle-aged man with short dark hair, wearing a pinstriped suit jacket, a white shirt, and a patterned tie. He is smiling.

Jin-Sung Kim

Senior Executive Vice President & Division Head
Small and Medium Corporate Promotion Division

Risk Management

Hana Bank operates Risk Committee and Risk Management Committee and has formulated Risk Management Committee Regulations, Risk Management Manual and etc. Hana Bank dedicates an entire division to risk management. Furthermore, there are such teams within this division as Risk Management Team, Credit Control Team and Operational Risk Management Team to conduct comprehensive risk management.

Credit Risk Management

Credit Limit Management and Capital Allocation

The credit limits by debtor/group/industry/sovereign/product are established and adhered to each year considering the economic condition, changes in the environment and etc. Economic capital is estimated and capital is allocated according to the size of the portfolio/customer base and the level of compliance, which is monitored.

Risk Monitoring

The risk index comprising such factors as the delinquency rate, roll rate and vintage is measured and managed for each business segment. The Bank has developed and operates systems to identify and manage credit risk at the early stage by defining and checking early warning factors related to each index in consideration of historical trends.

Credit Scoring System

Corporate Banking keeps three credit scorecards: one for companies receiving external audits, one for those not receiving external audits and one for SOHO businesses. The scorecard applied to externally audited companies has twelve segmentations reflecting the company size and the characteristics of the industry. Models to evaluate financial institutes, public entities and special credit are also operated. As regards the retail and credit card portfolio, application scorecards and behavioral scorecards are applied and loan renewals are automatically processed through the Retail Loan System.

Loan Review

The Bank operates a customer management system under which the creditworthiness of the debtor, especially those who have borrowed a significant amount, is regularly reviewed and appropriate measures are taken when needed. In addition, intensive loan reviews are conducted on industries and groups of debtors or segments whose credit risk is seen to have increased based on the results of the risk index analysis. A sample of small loans is also taken and reviewed.

Market Risk Management

Price Risk

The Risk Committee sets the exposure limit, loss limit and VaR limit of each risk factor and product on a quarterly basis and thereby controls the volume of the Bank's total market risk. Then, the Risk Management Committee allocates the risk levels to various divisions, confirms the compliance of the divisions with their limits and monitors the limit usage.

Since the Market Risk Management System was established in 2002, The Bank has performed such risk monitoring as measuring VaR by applying the standardized model and internal models, risk measuring and limit management on a daily basis. The regulations and systems are being revised to attain Financial Supervisory Service (FSS)' s approval of our internal models in 2005. Monte Carlo Simulation has been used as the basic risk assessment methodology and Variance-Covariance Matrices and Historical Simulation used as supplementary risk assessment methodologies. VaR is measured at the 99 confidence level using ten days as the standard duration and relevant data sets updated every day. Stress testing and validation are also performed on a daily basis. Changes in exposure, compliance to various limits, stress testing results and etc. are reported to the management daily and key management indices and issues are summarized and reported at the monthly meeting of the Risk Management Committee.

Interest Rate Risk

The Risk Management Committee sets the limit of the accumulative interest rate gap ratio for three months, six months and one year durations between 90% and 140% in order to manage the interest rate risk generated by the mismatch between the dates when the interest rate of the asset and that of the liability are updated. This ratio is measured on the basis of the month-end balance. To perform more sophisticated interest rate risk management, NII simulation, interest rate EaR, duration, interest rate VaR and etc. are also measured. The Risk Management Committee receives these figures every month and establishes and executes measures to comply with the ratio.

Liquidity Risk

FSS has set 105% as the minimum KRW liquidity ratio and 85% as the foreign currency liquidity ratio for banks to manage their liquidity and is monitoring the compliance of banks. FSS requires banks to manage liquidity in foreign currency thoroughly by adding 0% and -10% for maturity mismatches within seven days and one month, respectively. The Bank takes these ratios as the limit set by the Risk Committee and measures and manages such on a monthly basis. The Risk Management Committee receives reports on these monthly measurements and develops methods to comply with these ratios. The Bank laid the foundation to analyze the real maturity of funds considering early closure and cancellation by establishing a customer behavior analysis system based on statistical analysis methodology in August 2004.

Operational Risk Management

The Bank has operated an Operational Risk Task Force Team based on International Best Practice in cooperation with a consulting firm since December 2003 and was the first in Korea to develop an Operational Risk Management System. This system enables the Bank to manage and report operational risk in a virtuous cycle identification, monitoring, measurement and mitigation of operational risk.

Risk Management

The Bank will continue to conduct training to spread this operational risk management culture across the Bank, revise its workflows to facilitate appropriate operational risk management and consider the size of operational risk when performance is evaluated.

Preparation for Basel II

The Bank is developing a data mart, improving work processes, further segmenting credit scorecards and developing other systems to meet the minimum requirements of taking the Internal Rating Based (IRB) approach to credit risk, internal model based approach to market risk and Advanced Measurement Approach (AMA) for operational risk by the end of 2007. The goal is to attain approval of the supervisor for our compliance to the Basel II IRB approach, internal model based approach and AMA by the end of 2007.

We are pursuing the approval for internal model based approach to market risk and have developed systems based on the Basic Indicator Approach, Standardized Approach and AMA for operational risk according to the methodology presented in the Basel II Accord.

Regarding credit risk, the ultimate goal is to apply the Advanced IRB approach. Yet, the mid-term plan remains to satisfy at least the requirements of the Foundation IRB by 2007. First, the credit scorecards for externally audited companies will be operated by industry. There is a credit scoring system for legal entities not audited externally and SOHO models will be applied to one-man businesses and legal entities not audited externally whose total asset is less than one billion won.

The Credit Scoring System (CSS), currently used for retail loans and credit card businesses, will be applied to evaluate the creditworthiness of retail customers and to set the universal limit for debtors.

On the other hand, the retail banking division already satisfies the New Basel Accord requirements because it is possible to calculate expected loss by product, collateral or other dimensions. Furthermore, Hana Bank plans to develop a system to manage recovery information and collections in 2005 to calculate the recovery rate. To calculate exposure and EAD, Hana Bank established Risk Management System (RMS) in 2002 and upgraded the system to calculate exposure and EAD on a daily basis and the Credit VaR on a monthly basis. Systems enabling the calculation of capital requirements according to Basel II will be implemented at least by the end of 2005.

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Management's Discussion & Analysis

1. Overview

The financial market of Korea went through a number of changes in 2004 such as the enforcement of Indirect Investment Asset Management Act, the introduction of mortgage loans by KHFC (Korea Housing Finance Corporation), the establishment of bancassurance market, Citibank's inroads into Korean market and the intensified competition in PB market. These changes compelled Korean banks to diversify their business areas and specialize in their business strengths. Under such business environment, the Bank set its business strategy at the year's beginning to perform the highest level of productivity, profitability and asset soundness among domestic banks through effective portfolio management and risk management rather than excessive asset growth.

As a way of completing our strategy, the Bank focused on heightening NIM by expanding low cost deposits and improving the match between interest-earning assets and interest-bearing liabilities. Another managerial initiative during 2004 was efficient management of existing assets via disposition of fixed assets and NPLs. Such efforts resulted in a stable growth of general operating income following 2003, which supported the continuing increase in our operating income and net income in this year.

The two issues surfaced in 2003, SK Networks (former SK Global) and LG card, found their solutions in 2004, reducing the burden on the Bank's asset soundness and loan loss provisionings. In addition, our strong drive for better asset quality and lower delinquencies has helped to clear the market concerns on household and credit card sectors. As a result, the Bank has improved the substandard and below ratio to 1.44% and the coverage against substandard and below credits to 111.94% with provisioning of merely KRW 321.5 billion for possible loan losses.

In 2004, the solid increase in general operating income and the cut down on provisionings combined with the recognition of deferred tax asset related to NOL(Net Operating Losses) carryover from Seoul Bank enabled us to record the highest net income in our history and maximize the synergistic effects from the merger. Increased net income of this fiscal year pushed up our ROA and ROE to 1.66% and 33.03%, an increase of 0.98%p and 14.96%p from 2003, respectively. The enhanced profitability was also demonstrated in the Bank's EPS of KRW 7,728, a jump of KRW 4,561 from the previous year. Likewise, our productivity was also positively affected, resulting in KRW 197 million of the net income per capita, KRW 13.6 billion of total assets per capita, KRW 9.5 billion of deposits per capita, and KRW 7.8 billion of loans per capita on GDP basis. Such figures indicate that we are at the highest level among peer group in terms of profitability, productivity and asset soundness, which testifies that we achieved most of our goals from the business plan at the year's beginning.

The Bank's shareholders' equity was further reinforced, reflecting our increased earnings. Our BPS increased from KRW 19,155 to KRW 27,656 and the BIS ratio rose from 11.17% to 11.83% year on year, implying enhanced capital adequacy. In particular, the stocks owned by KDIC (Korea Deposit Insurance Corporation) since the merger with Seoul Bank were successfully sold in the market in 2004, releasing the Bank from the obligation of share buy back. Such development paved the way for an increased profit of the Bank to directly feed into shareholders' equity. The following shows the trends of major performance indicators of the Bank during past 5 years.

Table 1) Summarized Financial Information

(In Billions of Korean Won, %)	2000	2001	2002	2003	2004
[Business Volume (Including Trust Account)]					
Total Assets	51,234.3	54,432.1	87,616.9	91,774.1	91,927.5
Total Deposits	41,123.0	43,033.1	67,931.1	68,761.6	65,262.7
Total Credits	30,599.1	32,695.1	56,294.1	57,163.2	60,074.3
[Income Statement]					
General Operating Income	800.6	1,057.1	1,191.1	1,986.2	2,099.2
General and Administrative Expenses	-340.6	-396.5	-526.9	-882.0	-925.4
Provisioning for Credit Losses	-521.6	-270.2	-153.6	-829.1	-321.5
Operating Income	-61.6	390.4	510.6	275.1	852.3
Net Income	20.5	325.3	323.6	517.2	1,343.0
ROA	0.06%	0.80%	0.65%	0.68%	1.66%
ROE	1.16%	17.60%	15.06%	18.07%	33.03%
EPS (In Korean Won)	124	2,457	2,304	3,167	7,728
Cost-Income Ratio	42.55%	37.51%	44.24%	44.41%	44.08%
(Net of Amortization of Merger-Related Goodwill)	42.55%	37.51%	43.99%	42.33%	42.06%
[Asset Soundness]					
Substandard and Below Ratio	5.60%	2.39%	1.74%	1.98%	1.44%
Coverage against Substandard & Below	59.89%	63.85%	95.11%	98.32%	111.94%
Delinquency Ratio	1.90%	1.07%	1.49%	1.29%	1.20%
[Capital Adequacy]					
BPS (In Korean Won)	11,442	12,692	15,863	19,155	27,656
BIS Ratio	10.45%	10.29%	10.30%	11.17%	11.83%
Tier 1 Ratio	6.50%	6.88%	5.71%	6.21%	7.58%
Tier 2 Ratio	3.95%	3.46%	4.60%	4.96%	4.25%
[Productivity per Capita (On GDP Basis)]*					
Net Income per Capita(In Millions of Korean Won)	-	94	82	76	197
Assets per Capita	-	14.1	15.8	12.4	13.6
Deposit per Capita	-	11.0	11.6	8.7	9.5
Loans per Capita	-	6.2	7.7	6.7	7.8

* Productivity indicators are based on domestic net income, assets, deposits, loans and number of employees in accordance with the reporting standards to FSS.

2. Summary of Business Performance

In 2004, the Bank posted KRW 1,343.0 billion of net income, KRW 825.8 billion up from the previous year. For the past five years, we have maintained strong track records of profitability represented by 184.50% of CAGR in net income. 2004 was another year that the growth of general operating income drove the increase of the Bank's earning stream. Provisionings for possible loan losses decreased by KRW 507.6 billion from last year thanks to the improvement in asset soundness. Throughout 2004, the Bank enjoyed KRW 322.2 billion of corporate tax benefits, which were attributable to the recognition of the remaining NOL carryforward from Seoul Bank. Overall, the Bank's improved profitability in 2004 more than offset the physical increase in general and administrative expense after the merger. And management sees to it that the Bank could realize its synergistic effects more apparently in 2004 and its earning structure is now on the right track.

Table 2) Comprehensive Income Statement

(In Billions of Korean Won)	2000	2001	2002	2003	2004
General Operating Income	800.6	1,057.1	1,191.1	1,986.2	2,099.2
Net Interest Income	693.6	769.9	904.0	1,441.3	1,612.5
Fees and Commissions Income	144.3	258.5	315.8	557.4	494.5
Gains on Disposition and Valuation	6.5	83.8	41.3	74.9	171.2
Others	-43.8	-55.1	-70.0	-87.4	-179.0
General and Administrative Expenses	-340.6	-396.5	-526.9	-882.0	-925.4
Pre-Provisioning Income	460.0	660.6	664.2	1,104.2	1,173.8
Provisioning for Possible Loan Losses	-521.6	-270.2	-153.6	-829.1	-321.5
Operating Income	-61.6	390.4	510.6	275.1	852.3
Non-Operating Income	78.9	86.3	-54.5	217.7	168.5
Ordinary Income	17.3	476.7	456.1	492.8	1,020.8
Extraordinary Income	15.8	0.0	0.0	0.0	0.0
Income Tax Expenses	-12.6	-151.4	-132.5	24.4	322.2
Net Income	20.5	325.3	323.6	517.2	1,343.0
CAGR of Net Income : 184.50%					

General operating income, the backbone of the Bank's operational profitability grew by KRW 113.0 billion from last year to record KRW 2,099.2 billion. Mainly attributable to this increase was the growth in our net interest income with the steadily rising NIS and NIM. Along with strong gains on valuation of SK Corp. shares, the increase in net interest income could cover the reduction in fee income from trust and credit card sectors and the decrease in dividend income.

In 2004, the Bank expensed KRW 925.4 billion for its business activity, reflecting an inevitable increase with its expansion of operation. However, cost-income ratio dropped by 0.33%p to record 44.08%. Furthermore, the ratio excluding the amortization of merger-related-goodwill also slid to 42.06%, a 0.27%p drop from the previous year. Based on the trends of both indicators, the management believes that the Bank's efficiency in pure operational activity improved again in 2004.

Meanwhile, the Bank appropriated KRW 321.5 billion for provisioning for credit losses, a decrease of KRW 507.6 billion from 2003. The provisionings break down into KRW 195.3 billion for corporate loan, KRW 78.5 billion for household loan and KRW 47.7 billion for credit card business. This sharp decline in the Bank's risk cost should be accredited to enhanced asset soundness for household loan and credit card as well as the reversal of provisionings to SK Networks following their upgrade in asset soundness during the year.

In 2004, KRW 59.8 billion of allowance for possible loan losses was reversed with regards to SK Networks. As of the year end, the Bank maintains KRW 41.5 billion of allowance for possible loan losses for its KRW 260.9 billion exposure to SK Networks. (Based on FSS criteria) As to LG Card, on the other hand, the Bank provisioned KRW 55.1 billion and closed the year with its exposure of KRW 93.7 billion to the credit card company and KRW 19.1 billion of allowance for possible loan losses. (Based on FSS criteria.)

After provisioning, the Bank posted a record high operating income of KRW 852.3 billion. Its non-operating income amounted to KRW 168.5 billion in the year, which includes KRW 150.5 billion of gains on investment securities. The Bank sold former Seoul Bank's headquarter building and IT center with KRW 70.1 billion of gains, yet the gains on sale were mostly offset by KRW 52.0 billion of the cost from early retirement program, having only minimum impact on the Bank's non-operating income.

Lastly, the Bank accounted for the corporate income tax benefits by recognizing deferred tax assets from the remaining balance of NOL carryover from Seoul Bank at the year end. 'Interpretation of Financial Accounting Standards (45-52) Accounting Treatment of Deferred Tax Assets' stipulates that the companies, which have recorded ordinary income surplus for the recent three consecutive years, and their expected annual ordinary incomes for the next accounting year surpass the amounts of NOL carryovers and/or temporary differences to be expired by year end, will be deemed to have high probability of realizing such income tax benefits and may book deferred tax assets within the current accounting year. Thus, after the conference with FSS, the Bank accounted for KRW 300.6 billion of deferred tax assets, which was calculated from KRW 1,093.1 billion of NOL carryover remaining at 2004 year end multiplied by the statutory corporate tax rate of 27.5%. With this accounting treatment, the Bank has recognized all of its remaining tax shield by NOL carryforward from Seoul Bank. Adding deferred tax asset adjustment from debt-to-equity swap to this KRW 300.6 billion, a total of KRW 322.2 billion corporate income tax benefit was recognized.

Table 3) Comprehensive Balance Sheet (Based on Ending Balance, As of December 31, each year)

(In Billions of Korean Won, %, Times)	2000	2001	2002	2003	2004
Interest-Earning Assets	37,384.7	40,349.9	62,605.6	67,566.6	69,417.1
Due from Banks(note 1)	1,565.5	1,234.1	830.8	470.9	34.0
Securities	11,557.6	11,188.5	14,521.5	14,975.2	13,794.6
Loans (Net of provision) (note 2)	24,261.6	27,898.1	47,253.3	52,120.5	55,588.5
Others	0.0	29.3	0.0	0.0	0.0
Other Revenue-Earning Assets	813.8	1,609.9	4,623.4	4,063.4	4,694.9
Credit Card Receivables	440.4	1,003.5	2,160.0	1,668.1	1,906.8
Stocks	360.9	606.4	750.2	852.0	1,220.7
Domestic Import Usance Bill (note 3)	12.4	0.0	1,713.2	1,543.3	1,567.4
Non-Revenue-Earning Assets	3,575.6	3,342.0	7,191.0	8,936.5	8,327.9
Total Assets	41,774.1	45,301.8	74,420.0	80,566.5	82,439.9
Interest-Bearing Liabilities	38,337.1	41,483.2	67,400.6	72,893.6	72,645.3
Deposits	28,753.3	33,450.1	54,676.7	57,608.7	56,415.3
Borrowings (note 4)	7,005.8	4,863.0	7,688.8	7,422.6	7,387.9
Debentures	1,771.1	1,942.5	4,119.0	6,298.7	8,133.5
Others	806.9	1,227.5	916.1	1,563.6	708.6
Non-Interest-Bearing Liabilities	1,678.7	1,890.0	4,288.8	4,418.0	4,934.1
Shareholders' Equity	1,758.4	1,928.7	2,730.5	3,254.9	4,860.5
Total Liabilities & Shareholders' Equity	41,774.1	45,301.8	74,420.0	80,566.5	82,439.9
Revenue-Earning Assets to Expense-Incurring Liabilities Gap	-138.6	476.7	-171.6	-1,263.6	1,466.7
Gap Ratio(%)	-0.36%	1.14%	-0.26%	-1.76%	1.98%
Loan to Deposit Ratio	86.04%	86.46%	93.51%	96.07%	104.69%
Leverage Ratio (times)	23.8	23.5	27.3	24.8	17.0
CAGR of Total Assets : 18.52%					

note 1) Exclude Reserve deposits in BOK which are Non-Revenue-Earning Assets

note 2) Exclude interbank adjustment which is Non-Revenue-Earning Asset

note 3) Include overseas guarantees in the balance sheet since the end of 2002, according to the regulation change by FSS

note 4) Exclude interbank adjustment which is Non-Interest-Bearing Liability

Our year end balance sheet represents our continued policies to maximize profits with proper risk management. The proportions of dues and securities, which yield relatively lower interest revenue, have decreased over the past five years. The Bank, on the contrary, managed its asset portfolio to increase the percentage of high-yield loans in its interest-earning assets. Such profitability-focused portfolio strategy enabled the Bank to enjoy higher net income growth compared to the asset growth. Other revenue-earning assets increased year on year with the expansion of credit card receivables and stocks. This increase can be explained with (1) receivables in corporate purchase and general purchase concentrated at the year end and (2) purchase of stocks in Qingdao International Bank and Kolon Capital as well as debt to equity swap for LG Card and SK Networks in 2004.

As to the funding, the Bank has constantly increased the portion of deposits in its interest-bearing liabilities for the past five years. However, with the low market rate trend intensified in 2004 with cut down on the call rates by BOK, the volume of deposit temporarily decreased at the year end, mostly from time deposits. On the other hand, the prolonged low market rates served as chances for the Bank to refinance its existing high cost borrowings and debentures with those of lower funding rates, thereby widening the net interest spread. As a result, the proportion of deposits in interest-bearing liabilities based on ending balance decreased from the previous year while the proportion of debentures increased year on year.

The balance between funding and usage can be measured by the gap between revenue-earning assets and expense-incurring liabilities. This gap widened from the previous year due to the growth in loans and other revenue-earning assets such as stocks and credit card receivables. The Bank will focus on narrowing the gap between funding and usage at the same time enhancing profitability in 2005 by avoiding excessive funding from time deposits and by expanding low cost deposits. The shareholders' equity of the Bank as of the year end increased to KRW 4,860.5 billion with expanded retained earnings.

3. Breakdown of General Operating Income

1. Net Interest Income

1) Net Interest Income

Table 4) Interest Revenues and Expenses

(In Billions of Korean Won. %)	2000	2001	2002	2003	2004
Interest Revenues	2,954.8	2,890.6	2,931.2	4,040.1	4,123.2
Interest Revenue on Due from Banks	145.3	86.7	48.7	8.2	5.0
Interest Revenue on Securities	937.6	788.0	638.0	709.6	552.1
Interest Revenue on Loans	1,851.0	1,996.5	2,232.4	3,310.5	3,553.9
Others	20.9	19.4	12.1	11.8	12.1
Interest Expenses	2,261.2	2,120.7	2,027.2	2,598.8	2,510.8
Interest Expense on Deposits	1,622.6	1,562.2	1,560.2	1,995.5	1,867.4
Interest Expense on Borrowings	467.0	377.2	201.1	228.3	173.0
Interest Expense on Debentures	142.2	159.9	234.9	344.9	443.5
Others	29.4	21.4	31.1	30.2	26.8
Net Interest Income	693.6	769.9	904.0	1,441.3	1,612.5
Net Interest Income as % of General Operating Income	86.64%	72.83%	75.89%	72.57%	76.81%
CAGR of Net Income : 23.48%					

The Bank's net interest income in 2004 recorded KRW 1,612.5 billion, growing for the last five years at an average rate of 23.48%. As previously mentioned, the trend of interest income in 2004 may be characterized by declining interest revenue of dues and securities based on the Bank's loans-centric portfolio management and by further cut down on interest expenses for borrowings and debentures through refinancing. The Bank's portfolio management maintained the upward trend of the proportion of loan interest revenue in total interest revenue. The percentage of expenses on deposits in total interest expenses, however, decreased slightly year on year, corresponding to the increase in the loan to deposit ratio. The percentage of net interest income out of the general operating income gained only slightly due to the decline in fee incomes and other operating incomes.

The Bank's trend of net interest income is closely correlated to the change in the average balance of funding and usage. The following table shows the details of funding and usage for 2004, based on the average balance.

2) Funding and Usage

Table 5) Funding and Usage (Based on Average Balance, For the Year Ending December, 31 Each Year)

(In Billions of Korean Won, %, Times)	2000	2001	2002	2003	2004
Interest-Earning Assets	32,764.4	36,710.1	43,887.4	64,204.5	67,665.8
Due from Banks (note 1)	1,800.8	1,440.2	1,134.4	259.7	239.5
Securities	10,627.5	11,059.0	10,436.6	14,032.9	11,940.4
Loans (Net of provision) (note 2)	20,336.1	24,172.4	32,306.2	49,912.0	55,485.9
Others	0.0	38.5	10.3	0.0	0.0
Other Revenue-Earning Assets	717.6	1,178.1	1,828.1	4,229.4	5,847.3
Credit Card Receivables	262.3	722.4	1,240.2	1,959.6	1,761.5
Stocks (note 3)	453.5	455.6	578.7	715.2	2,398.3
Domestic Import Usance Bill (note 4)	1.9	0.0	9.2	1,554.6	1,687.4
Non-Revenue-Earning Assets	2,203.2	2,692.5	3,791.3	7,025.3	7,392.9
Total Assets	35,685.2	40,580.7	49,506.7	75,459.3	80,905.9
Interest-Bearing Liabilities	32,554.8	37,171.0	44,899.8	68,101.8	72,257.8
Deposits	24,166.5	28,319.1	36,177.1	53,847.4	56,833.6
Borrowings (note 5)	6,736.0	6,763.9	5,449.6	8,647.0	7,408.5
Debentures	1,401.2	1,772.9	2,943.8	4,906.6	7,399.4
Others	251.1	315.0	329.4	700.9	616.3
Non-Interest-Bearing Liabilities	1,369.4	1,562.0	2,458.8	4,495.9	4,582.2
Shareholders' Equity	1,761.0	1,847.8	2,148.1	2,861.5	4,065.9
Total Liabilities & Shareholders' Equity	35,685.2	40,580.7	49,506.7	75,459.3	80,905.9
Revenue-Earning Assets to Expense-Incurring Liabilities Gap	927.2	717.2	815.6	332.1	1,255.2
Gap Ratio(%)	2.77%	1.89%	1.78%	0.49%	1.71%
Loan to Deposit Ratio	85.23%	87.96%	92.75%	99.22%	103.70%
Leverage Ratio (times)	20.26	21.96	23.05	26.37	19.90
CAGR of Net Income : 22.71%					

note 1) Exclude reserve deposits in BOK which are Non-Revenue Earning assets

note 2) Exclude interbank adjustment which is Non-Revenue-Earning asset

note 3) Beneficiary certificates are recognized as Other-Revenue-Earning Assets from 2004 in accordance with the regulation change by FSS

note 4) Include overseas guarantees in the balance sheet since the end of 2002, in accordance with the regulation change by FSS

note 5) Exclude interbank adjustment which is Non-Interest-Bearing Liability

The average funding and usage in 2004 increased by KRW 5,446.6 billion from the previous year. Specifically, the usage side operated additional KRW 5,079.1 billion of revenue-earning assets compared to 2003, mostly attributable to the increase of loans. As to the funding, the Bank's interest-bearing liabilities and shareholders' equity increased by KRW 5,360.4 billion year on year. As mentioned in the comprehensive balance sheet, the Bank has consistently maintained its drive to increase loans in the asset portfolio and refinance borrowings and debentures to expand NIS. However, as indicated by the widened gap between revenue-earning assets and expenses-incurring liabilities, this loans-centric portfolio management diminishes the portion of assets for liquidity adjustment such as due from banks and bonds; therefore, the Bank is required to have a more thorough liquidity control. The Bank has supported such asset management practices by improving its system to more efficiently manage market risk and overall liquidity. The liquidity ratio in KRW at the end of 2004 was 123.2%, recording a year on year improvement of 3.8%p.

The average balance of our deposit base increased in 2004 despite a shrink in time deposits at the end of the year, recording a five year of consecutive expansion. However, just as in the comprehensive balance sheet based on the ending balance, the percentage of deposits in the interest-bearing liabilities on average balance is slightly declining. Meanwhile, the portion of debentures increased from 2003, implying that the Bank replaced borrowings and other interest-bearing liabilities by the issuance of low-cost short term financial debentures for its liquidity control purpose. Capital leverage rose in 2003 primarily due to a sudden increase in the total assets; however in 2004 the ratio was mitigated by the growth of shareholders' equity with earnings increase.

Table 6) Loans and Deposits (Based on Average Balance)

(In Billions of Korean Won, %)	2000	2001	2002	2003	2004
Loans for Profitability	20,134.1	23,918.5	31,960.9	49,696.2	54,947.8
Won Currency	17,840.5	21,887.9	29,647.0	46,264.0	51,099.6
Loans	12,946.0	17,538.1	26,281.2	42,582.9	47,455.4
Corporate Loans	8,287.5	9,746.5	11,866.0	18,088.7	20,273.7
Household Loans	4,067.3	7,320.4	14,083.1	24,121.3	26,801.5
Public Enterprise Loans	591.1	471.2	332.1	372.9	380.1
Notes Bought	2,549.8	2,209.5	1,526.1	1,633.1	1,753.2
Advances to Customers	181.8	105.5	45.5	101.1	57.8
Privately Placed Bonds	2,162.9	2,034.8	1,794.1	1,946.9	1,833.2
Foreign Currency	2,293.6	2,030.6	2,313.9	3,432.1	3,848.2
Loans	968.6	1,167.9	1,285.6	1,834.1	1,919.3
Bills Bought	1,302.8	862.7	1,008.7	1,536.8	1,880.7
Privately Placed Bonds	22.2	0.0	19.5	61.2	48.2
Loans for Liquidity	780.9	832.4	728.6	902.6	1,415.7
Won Currency	637.6	744.2	649.3	755.9	1,238.8
Call Loans	442.0	687.4	552.5	519.1	1,056.8
Bond Purchased under RP	195.6	56.8	96.8	236.8	182.0
Foreign Currency	143.3	88.2	79.3	146.7	176.8
Call Loans	143.3	88.2	79.3	146.7	176.8
Allowance for Possible Loan Losses	-578.8	-578.4	-383.3	-686.7	-877.5
Total Loans	20,336.1	24,172.4	32,306.2	49,912.0	55,485.9
Deposits in Won Currency	23,495.8	27,148.7	35,140.2	52,498.8	54,872.9
Demand Deposits	803.2	924.2	1,208.3	2,671.7	2,605.6
Savings Deposits	4,582.0	4,910.1	6,656.3	11,245.9	12,237.9
Time Deposits	14,781.3	17,512.1	22,634.0	30,918.3	31,737.0
Installment Deposits	1,129.9	1,238.6	1,311.8	3,203.4	3,674.0
Mutual Installment deposits	576.1	855.9	1,276.0	1,792.3	2,108.7
CDs	1,623.3	1,707.8	2,053.9	2,667.2	2,509.7
Deposits in Foreign Currency	670.8	1,170.5	1,036.9	1,348.5	1,960.7
Total Deposits	24,166.5	28,319.1	36,177.1	53,847.4	56,833.6
Low Cost Deposits to Total Deposits	22.28%	20.60%	21.74%	25.85%	26.12%

The Bank managed KRW 55,485.9 billion of loans in 2004, an increase of KRW 5,573.9 billion from the previous year. Loans for profitability were up by KRW 5,251.6 billion, amounting to KRW 54,947.8 billion. Loans for liquidity control such as call loans and bonds purchased under RP agreements increased by KRW 513.1 billion from 2003, amounting to KRW 1,415.7 billion. The portion of loans for profitability out of the total loans has hovered in 98~99% range for the past five years. Loans for liquidity control, in sharp contrast, have decreased to 2~3% in their proportion to total loans since the nation's foreign currency liquidity crisis in 1997 and 1998. The Bank has been particularly watchful in managing the maturity gap between interest-earning assets and interest-bearing liabilities. The Bank has historically pursued the growth in household loans among loans for profitability, resulting in a KRW 2.7 trillion of year on year increase. The corporate loans also saw an increase of KRW 2.2 trillion, realizing a balanced increase in both household and corporate sectors.

One of the key focuses on the Bank's funding side for the past five years was maximizing interest income by expanding low cost deposit base, which includes demand deposits and savings deposits. The expansion of the low cost deposits base was substantiated by the merger with Seoul Bank. The percentage of low cost deposits to total deposits in 2004 recorded 26.12%, the highest level in the past five years. The portion of deposits denominated in KRW was predominant once again in 2004. The Bank maintained the stability and liquidity of our funding by managing the proportion of term products- including time deposits, installment deposits and CDs- to total deposits over 70%. The Bank plans to further expand low cost deposits by increasing the proportion of demand deposits and decreasing term products.

Table 7) Loan to Deposit Spread

(Unit : %)	2000	2001	2002	2003	2004
Loans for Profitability	8.95%	8.18%	6.86%	6.60%	6.38%
Won Currency	8.99%	8.34%	7.10%	6.84%	6.51%
Loans	9.16%	8.24%	7.05%	6.85%	6.53%
Corporate Loans	8.85%	8.07%	6.85%	6.69%	6.55%
Household Loans	9.97%	8.53%	7.24%	6.99%	6.53%
Public Enterprise Loans	8.07%	7.38%	5.68%	5.40%	5.21%
Notes Bought	7.69%	7.54%	6.21%	6.27%	6.22%
Advances to Customers	3.80%	3.89%	10.99%	6.37%	5.90%
Privately Placed Bonds	9.94%	10.26%	8.62%	7.04%	6.51%
Foreign Currency	8.66%	6.43%	3.73%	3.35%	4.57%
Loans	7.87%	5.73%	3.42%	2.95%	4.39%
Bills Bought	9.28%	7.38%	4.14%	3.85%	4.80%
Privately Placed Bonds	7.21%	n.a.	3.18%	2.89%	2.95%
Loans for Liquidity	6.16%	4.91%	4.00%	3.55%	3.47%
Won Currency	6.09%	4.96%	4.31%	4.01%	3.78%
Call Loans	5.77%	4.92%	4.33%	4.09%	3.80%
Bond Purchased under RP	6.80%	5.46%	4.19%	3.84%	3.64%
Foreign Currency	6.49%	4.54%	1.51%	1.18%	1.30%
Call Loans	6.49%	4.54%	1.51%	1.18%	1.30%
Total Loans	9.10%	8.26%	6.88%	6.63%	6.41%
Deposits in Won Currency	6.74%	5.59%	4.40%	3.78%	3.37%
Demand Deposits	0.44%	0.43%	0.31%	0.15%	0.12%
Savings Deposits	3.76%	2.69%	2.01%	1.49%	1.40%
Time Deposits	7.63%	6.21%	4.94%	4.48%	4.02%
Installment Deposits	9.16%	8.95%	7.03%	6.25%	5.66%
Mutual Installment deposits	8.45%	7.27%	6.42%	5.44%	4.47%
CDs	7.89%	7.09%	5.62%	4.87%	4.01%
Deposits in Foreign Currency	5.84%	3.84%	1.51%	0.85%	0.79%
Total Deposits	6.71%	5.52%	4.31%	3.71%	3.29%
Loan to Deposit Spread	2.39%	2.74%	2.57%	2.93%	3.12%

The Bank's interest rate trend for loans and deposits for the past five years reflects the steady downward trend of market rates in Korean financial industry. Leveraged by its recently expanded low cost deposit base, the Bank was able to even further widen its interest spread between loans and deposits from 2003. Our average yield rate on loans for profit in won currency, which comprises a significant portion of the total loans, dropped by 0.22%p from the previous year, while the funding rate of deposits in won currencies dropped by 0.41%p. This 0.19%p of difference mostly determined our year on year increase of loan to deposit spread by 0.19%p to reach 3.12%. The yield rate of loans in foreign currencies rose by 1.22%p from the previous year, mainly attributable to the collection of KRW 25.5 billion of arrearred interest in March 2004, from the Bank's credit facility to Russia.

The Bank's recent improvement in loan to deposit spread was originated by the Bank's successful implementation of NIM expansion strategy, which placed emphasis on proper pricing to reflect the risk premium and funding costs, at the same time inducing an adjustment of interest rates on demand deposits and others. The Bank also successfully reduced its funding costs by refinancing its high-interest-bearing CDs from the Seoul Bank era. These efforts and the improvement in loan to deposit spread substantially supported the Bank to enhance its NIS and NIM.

3) Net Interest Spread and Net Interest Margin

Table 8) Net Interest Spread and Net Interest Margin

(In Billions of Korean Won, %)	2000	2001	2002	2003	2004
Interest-Earning Assets (IEA)	9.02%	7.87%	6.65%	6.29%	6.09%
Due from Banks	8.07%	6.02%	4.29%	3.17%	2.10%
Securities	8.82%	7.13%	6.11%	5.06%	4.62%
Loans	9.10%	8.26%	6.88%	6.63%	6.41%
Interest-Bearing Liabilities (IBL)	6.95%	5.71%	4.49%	3.82%	3.47%
Deposits	6.71%	5.52%	4.31%	3.71%	3.29%
Borrowings	6.93%	5.58%	3.69%	2.64%	2.34%
Debentures	10.15%	9.02%	7.99%	7.03%	5.99%
Others	11.71%	6.79%	5.98%	4.30%	4.36%
Net Interest Spread (NIS)	2.07%	2.17%	2.16%	2.47%	2.62%
Net Interest Margin (NIM)	2.12%	2.10%	2.06%	2.24%	2.38%
Net Interest Margin net of Provision for Losses	0.52%	1.36%	1.71%	0.95%	1.91%
IEA/IBL Gap	209.6	-460.9	-1,012.5	-3,897.3	-4,592.0
IEA/IBL Gap ratio	0.64%	-1.26%	-2.31%	-6.07%	-6.79%

The NIS for the Bank in 2004 was 2.62%, 0.15%p increase from the previous year. Its movement was closely aligned with that of loan to deposit spread, which is a determining factor for both IEA and IBL. The spread improved by 0.19%p with the interest rate for borrowings declined by 0.30%p, mainly due to the refinancing of high interest borrowings such as subordinated borrowings. The funding rate on debentures also dropped by 1.04%p from the previous year.

With improving NIS, the Bank posted a record high NIM of 2.38%. In addition, the NIM net of provisions for credit losses also was a record high 1.91%. However, the gap between IEA and IBL expanded by KRW 694.7 billion from the previous year. A couple of reasons explain this widened gap. First, interest-earning assets growth slowed down as the Bank abstained from excessive asset growth for more tightened risk management. Secondly, the Bank issued additional debentures before a possible reversal of the current low interest rates trends, in an effort to secure liquidity. The Bank does not consider the current increase in the proportion of debentures in IBL as excessive. Assuming that the current increase in loan to deposit ratio continues, the gap will reduce in the long haul and, therefore, further enhance our NIM in the future.

2. Fees and Commissions Income

1) Trends of Fees and Commissions Income

Fees and commissions income reached KRW 494.5 billion, the decrease of KRW 62.9 billion from the previous year. This negative growth was mostly due to a decreased fees from credit card and trust businesses. With the increase of general operating income in 2004, the proportion of fees and commissions income seems relatively lower. However, the fees and commissions income from both won and foreign currencies is on a constant rise thanks to the development of new revenue sources in the year.

Table 9) Total Fees and Commissions Income

(In Billions of Korean Won, %)	2000	2001	2002	2003	2004
Fees from credit card operations (including purchase cards)	47.2	88.8	143.5	249.8	234.8
Fees from guarantees & acceptances	9.0	8.6	7.3	12.0	10.0
Fee income from won currency	31.2	25.7	46.0	123.3	124.0
Fee income in foreign currency	24.0	23.3	29.2	47.3	60.6
Fee income from trust operation	32.8	112.2	89.8	125.0	65.1
Total Fees and Commissions Income	144.3	258.5	315.8	557.4	494.5
Fee Income as % of General Operating Income	18.03%	24.45%	26.51%	28.06%	23.56%

2) Credit Card Business Operation

The credit card business operation, accounting for the majority of the fee income of the Bank, is divided into general credit cards and corporate purchase cards. Fees from general credit card operations totaled KRW 196.5 billion, a decrease by KRW 19.4 billion from the previous year. The shrink in the fees from card operation is due to the strengthened risk management in credit cards and following cut down on the limits for cash advances and card loans, which resulted in a reduction in average balance.

Revenues from general credit card operations totaled KRW 246.4 billion, a decrease by KRW 14.4 billion from the previous year. Such drop was driven by KRW 23.2 billion of reduction in fees from cash advances and card loans. Despite the decrease in the amount of fees, however, the yield rate on the average balance rose by 3.39%p to 19.81%. Thus, we can see that the strengthened risk management in card operations led to a shrink in its operation volume and subsequently to a reduced fees income, however conversely enhanced asset soundness and profitability of the sector.

Table 10) Fee Income from General Credit Card Operations

(In Billions of Korean Won, %)	2000	2001	2002	2003	2004
Daily Average Credit Card Receivables	175.3	399.4	721.2	1,315.1	991.5
Credit card receivables	101.0	244.5	434.9	747.4	659.6
Cash advances	39.3	103.3	232.7	483.3	275.6
Credit card loans	34.9	51.6	51.3	82.8	55.4
Others	0.0	0.1	2.2	1.7	1.0
Net Income from Credit Card Operations	38.5	71.4	114.5	215.9	196.5
Fee revenue	55.6	112.0	137.9	260.8	246.4
Revenue from credit card receivables	26.4	55.3	74.4	139.0	147.4
Revenue from cash advance	12.0	25.9	50.0	101.0	80.1
Revenue from card loans	4.5	5.9	5.1	9.5	7.3
Other revenue	12.8	24.9	8.4	11.3	11.6
Fee expenses	17.1	40.5	23.4	44.9	50.0
Return on Credit Card Receivables	21.99%	17.89%	15.88%	16.42%	19.81%

Recognizing risks from bad household and credit card loans brewing, the Bank implemented proactive risk management policies at the end of 2002. The policies emphasized preliminary risk management and asset quality over growth in sales volume by cutting down the limit in cash advances and card loans. Such preemptive measures inevitably resulted in reduction in the number of credit cards issued and total sales. On the other hand, they contributed to continued improvement in the delinquency over sales from 1.90% at the end of 2002, to 0.80% in 2003 and to 0.45% at the end of 2004. Furthermore, with relatively sound asset portfolio structure, more than half of which is composed of credit card receivables, the Bank maintained its superior asset quality over competitors in 2004.

Table 11) Credit Card Operation Data

(In Billions of Korean Won, %)	2000	2001	2002	2003	2004
Number of Credit Card Issued	689,722	1,355,946	2,609,264	2,632,972	2,293,713
Household	664,238	1,270,654	2,519,952	2,528,109	2,169,816
Corporate	25,484	85,292	89,312	104,863	123,897
Total Sales	1,259.5	2,628.2	10,534.0	8,041.5	7,746.6
Number of Merchants	54,428	71,694	196,681	173,499	148,175
Overdue as % of Sales Volume	1.39%	2.10%	1.90%	0.80%	0.45%

Corporate purchase cards, first introduced by Hana Bank in 1999, are now used as a common payment method, substituting for bills and banknotes. Compared to general credit card operations, its profitability is not differentiated significantly; However, the Bank appreciates the product's additional benefits such as the attraction of low cost deposits from both corporate customers, or contractors and their subcontractors, which place the overall yields of the product over others. In addition, purchase card business also greatly contributes to the asset quality of the total credit card portfolio with its low delinquency ratio. Initiated in 1998 with a total customer base of 882 entities and 15 main contractors, the business grew to secure 332 main contractors and 119,433 main and subcontractors in 2004, with the sales volume expanding to KRW 770.0 billion.

Table 12) Fee Income from Purchase Card Operations

(In Billions of Korean Won, %)	2000	2001	2002	2003	2004
Purchase Card Receivables	87.0	323.0	519.0	644.5	770.0
Net Fee Income from Purchase Card Operations	8.7	17.3	29.0	33.9	38.3
Revenue from purchase card	8.7	18.0	29.2	34.3	38.8
Fee expenses related to purchase cards	0.0	0.7	0.2	0.4	0.5
Return on Credit Card Receivables	9.97%	5.36%	5.59%	5.26%	4.98%
Number of Main Contractors	87	202	300	336	332
Number of Main Contractors & Subcontractors	15,297	45,645	69,458	98,632	119,433

3) Trust Business Operations

The Bank earned KRW 65.1 billion of fee income from its trust business in 2004, a KRW 59.9 billion decrease from the previous year. The drop is mainly due to the reduction in average trust balance of KRW 2 trillion and consequent decrease in trust management fee. Trust management fee ratio has been tracking a decreasing trend since the restriction on the opening of cost method trust accounts in 2002. However, in 2003, the figure seemed to increase based on one-time earning factors such as the rapid growth of average balance following the merger, the sales of NPLs and the reversal of allowance for valuation of receivables. In the absence of such earning factors in 2004, the fee ratio fell down to the expected level.

The prohibition of the cost method trust account reduced the trust management fee ratio of the Bank, but in fact brought positive effects on trust fee income by reducing the operating risks inherent to trust operation. The losses from trust operation, amounting to KRW 133.7 billion in 2000, were reduced to near zero in 2001 after the liquidation of interest and principal guaranteed trust. And the Bank does not expect further operation losses from our trust business in the future.

Table 13) Fee Income from Trust Operations

(In Billions of Korean Won, %)	2000	2001	2002	2003	2004
Fees from trust operation	163.0	111.4	89.3	124.8	64.8
Losses from trust operation	-133.7	0.0	0.0	0.0	0.0
Fees on early termination of trust accounts	3.5	0.8	0.5	0.2	0.3
Fee Income from Trust Business Operation	32.8	112.2	89.8	125.0	65.1
Average Trust Balance	12,249.7	9,319.7	10,791.8	12,966.2	10,959.2
Trust Management Fee Ratio	0.27%	1.20%	0.83%	0.96%	0.59%

4) Fee Income

In 2004, the Bank pursued to increase its other fee income by diversifying income sources. As a result, fee revenue in won currency totaled KRW 208.7 billion, a KRW 3.4 billion increase compared to the previous year. Meanwhile, the Bank spent KRW 2.7 billion more as fee expenses in won currency including the fee expenses related to mortgage loans of KHFC. The total fee income in won currency amounted to KRW 124.0 billion, KRW 700 million increase from the figure of 2003.

The changes in the sources of major fee income in 2004 well demonstrate the environmental changes ongoing in the Korean financial market. In terms of the fee revenues, the decreased income from the sluggish ABS market was covered by the increase in fee income from bancassurance and sale of beneficiary certificates. On the fee expense front, the expenses related to loans were lowered whereas a new fee expense item was added along with the introduction of mortgage loan products of KHFC. As a way of further enhancing fee income, the Bank will endeavor to seek new fee revenue sources by expanding its business areas.

Table 14) Fee Income in Won Currency

(In Billions of Korean Won)	2000	2001	2002	2003	2004
Fee Revenue in Won Currency	40.6	66.7	109.4	205.3	208.7
Fees related to loan products	0.5	7.4	26.9	49.0	56.2
Fees from ABS operations	3.4	4.5	15.4	32.1	6.9
Fees on remittance services	8.9	11.2	12.5	30.1	25.8
Fees on CDs and ATMs	5.8	8.3	10.9	22.0	25.8
Agency fees from sale of beneficiary certificates	0.4	2.7	8.2	8.1	10.4
Agency fees from sale of KHFC mortgage loans	0.0	0.0	0.0	0.0	3.0
Other Fees received as agency	2.7	0.6	1.3	7.8	8.7
Fees from bancassurance business	0.0	0.0	0.0	10.9	29.4
Fees on alliance services	0.8	4.0	7.0	7.7	7.1
Others	17.9	28.0	27.3	37.5	35.4
Fee Expenses in Won Currency	-9.3	-41.0	-63.4	-82.0	-84.7
Fee expenses related to loans	-0.4	-29.1	-35.9	-55.2	-39.7
Fee expenses related to KHFC mortgage loans	0.0	0.0	0.0	0.0	-10.3
Others	-8.9	-11.9	-27.5	-26.8	-34.6
Net of Fee Income in Won Currency	31.2	25.7	46.0	123.3	124.0

Meanwhile, other fee revenues in foreign currencies reached KRW 65.4 billion, an increase of KRW 12.0 billion from the previous year with the stronger sales in LCs and local LCs. The fee revenue from LCs amounted to KRW 42.3 billion, recording year on year increase of KRW 10.1 billion. Other fee revenues including the fee for handling foreign currencies posted KRW 23.1 billion, KRW 1.9 billion rise from the previous year. The table 15) shows details of other fee income in foreign currencies.

Table 15) Fee Income in Foreign Currency

(In Billions of Korean Won)	2000	2001	2002	2003	2004
Fee Revenue in Foreign Currency	30.4	29.8	33.7	53.4	65.4
Fees related to LC	24.2	19.0	21.5	32.2	42.3
Other fee revenue in foreign currency	6.2	10.8	12.3	21.2	23.1
Fee Expenses in Foreign Currency	-6.4	-6.6	-4.6	-6.1	-4.8
Net of Fee Income in Foreign Currency	24.0	23.3	29.2	47.3	60.6

3. Gains on Disposition and Valuation

In addition to net interest income and fees and commissions income, the Bank's general operating income also includes gains on disposition and valuation of trading securities, foreign currencies and derivatives. Our gains on valuation of trading stocks in 2004 totaled KRW 77.0 billion, KRW 70.5 billion of increase from the previous year. This year on year increase included valuation gain of KRW 72.1 billion on stocks of SK Corp. In addition, the gains on disposition of trading bonds rose by KRW 14.8 billion from the previous year with the hike in bond prices reflecting the lowered call rates in 2004. Gains on disposition and valuation of derivatives amounted KRW 32.4 billion, recording a KRW 4.9 billion increase from the previous year. Most of the gains on derivatives stemmed from the Bank's currency-related derivatives. Gains on disposition and valuation of foreign currencies, on the other hand, posted KRW 49.1 billion with strong disposition gain during the year.

Table 16) Gains on Disposition and Valuation

(In Billions of Korean Won)	2000	2001	2002	2003	2004
Gains on Trading Stocks	-39.2	39.5	19.2	13.0	75.7
Gains on disposition	-23.0	5.0	18.7	6.5	-1.3
Gains on valuation	-16.3	34.4	0.5	6.5	77.0
Gains on Trading Bonds	11.7	8.7	-1.3	-2.3	14.0
Gains on disposition	11.2	9.6	-1.5	-0.9	13.9
Gains on valuation	0.5	-0.9	0.2	-1.4	0.1
Gains on Derivatives	19.1	21.2	-2.5	27.5	32.4
Gains on Foreign Currencies	14.9	14.5	25.9	36.7	49.1
Total Gains on Disposition and Valuation	6.5	83.8	41.3	74.9	171.2

4. Other General Operating Income

Table 17) Other General Operating Income

(In Billions of Korean Won)	2000	2001	2002	2003	2004
Deposit Insurance Fee	-18.6	-24.4	-31.3	-92.1	-96.0
Contribution to Credit Guarantee Fund	-33.1	-35.5	-40.1	-55.8	-61.9
Stock Dividends	8.4	6.7	7.1	93.1	11.3
Others	-0.4	-1.9	-5.7	-32.6	-32.4
Net of Other General Operating Income	-43.8	-55.1	-70.0	-87.4	-179.0

Other factors included in general operating income are deposit insurance fees, contributions to the credit guarantee fund, stock dividends and other miscellaneous operating income. Deposit insurance fees are a mandatory payment to KDIC in compliance with the Depositor Protection Act. The insurance fee expense has increased in proportion to the volume of deposits of the Bank. Also, a regulatory change in 2003 raised the fee rate by 0.1%p, to 0.2% fee rate on the average balance of relevant deposits.

Same rates as 2003 were applied for the deposit insurance fee and the contribution to credit guarantee fund. However, the growth in average balance of deposits and loans from 2003 meant additional expense of KRW 3.9 billion and KRW 6.1 billion than the previous year, respectively. The stock dividend income in 2004 dropped by KRW 81.8 billion from 2003. Considering that the dividend income of 2003 included KRW 73.1 billion of liquidating dividend from an SPV for ABS issuance, however, the management views this decrease of dividend income as natural in light of the past track records.

4. General and Administrative Expenses

The Bank accounted for KRW 925.4 billion of G&A expenses in 2004, a KRW 43.4 billion increase from last year. Salaries and wages were KRW 379.2 billion, up by KRW 30.8 billion from the previous year. The increase in personnel expenses includes KRW 10.6 billion for the raise in payroll and KRW 22.5 billion of year on year increase in special bonus. The Bank implemented voluntary early retirement program in 2004, which resulted in shedding 450 employees. The retirement benefits expenses were recorded as non-operating expense, not as salaries and wages. The Bank expects that our rationalization of human resources will contribute to slowing down the rising trend of personnel expenses as well as absorbing new talents in the future.

In spite of the rise in salaries and wages, the cost-income ratio, the main indicator of G&A expense, continued its constant downward trend since the merger in 2002, implying that our operational efficiency has been improving. In particular, the declining post-merger depreciation for movables and real estates over the increasing general operating income accelerated to lower the cost-income ratio in 2004. Such factors reflected the efficiency between actual business revenue and cost, and thus brought down the ratio net of amortization of goodwill, as well.

Therefore, despite the increase in amount, the proportion of our G&A expenses to the earnings from business operation could maintain its downward trend. The Bank plans to bring down its cost-income ratio to 35% level in the long term and will further optimize G&A expenses to the possibly lowest level through efficient resource management.

Table 18) General and Administrative Expenses

(In Billions of Korean Won, %)	2000	2001	2002	2003	2004
Salaries and wages	134.9	149.2	211.5	348.4	379.2
Retirement benefits	12.1	14.5	19.7	37.4	40.7
Fringe benefits	23.9	25.4	39.1	65.4	67.7
Depreciation	38.8	42.7	50.7	108.6	97.5
Amortization of intangibles	0.2	0.1	3.1	41.5	43.8
Taxes	22.7	37.9	43.1	44.3	42.0
Others	108.1	126.7	159.7	236.4	254.5
General and Administrative Expenses	340.6	396.5	526.9	882.0	925.4
Number of Employees on Average (note1)	3,271	3,385	4,016	7,070	6,723
Salaries and Wages per Capita (in millions of KRW)	41.2	44.1	52.7	49.3	56.4
Cost-Income Ratio	42.55%	37.51%	44.24%	44.41%	44.08%
(Net of Amortization of Merger-Related Goodwill)	42.55%	37.51%	43.99%	42.33%	42.06%

note 1) The sum of monthly number of employees (excluding outside directors and outsourced personnel such as part-timers and guards) divided by 12 months

5.Asset Quality & Loan Loss Provisioning

Table 19) Asset Quality

(In Billions of Korean Won, %)	2000	2001	2002	2003	2004
Normal	27,839.9	31,287.9	54,266.8	54,594.1	57,861.3
Precautionary	1,045.5	625.2	1,047.4	1,434.8	1,350.2
Substandard	1,180.9	479.4	616.2	812.6	606.4
Doubtful	464.0	201.5	216.5	165.3	132.6
Estimated Loss	68.8	101.1	147.3	156.4	123.8
Total Credits	30,599.1	32,695.1	56,294.1	57,163.2	60,074.3
Allowance for Possible Credit Loss	1,026.4	499.3	932.1	1,115.3	965.8
Bad Debt Expenses for Each Period	521.6	270.2	153.6	829.1	321.5
Asset Soundness Ratio (%)					
Precautionary and Below Ratio	9.02%	4.30%	3.60%	4.49%	3.68%
Substandard and Below Ratio	5.60%	2.39%	1.74%	1.98%	1.44%
Coverage against Substandard & Below	59.89%	63.85%	95.11%	98.32%	111.94%
Bad Debt Expenses as % of Total Credits	1.70%	0.83%	0.27%	1.45%	0.54%

* Based on FSS Standards for NPLs

Hana Bank has continued to excel the domestic financial market with its asset soundness. In 2004, the Bank enjoyed a reduction in provisionings as (1) the asset classification of its exposure to SK Networks were upgraded and (2) the delinquencies in household and credit card sector dropped from the previous year. During 2004, the Bank faced an increase of KRW 959.4 billion in its substandard and below credits, including KRW 141.1 billion by the obligors' financial stability, KRW 435.0 billion by more than 3 months overdue, together with KRW 120.0 billion from bankruptcies and KRW 192.6 billion by obligors' high probability of default. In response, the Bank reduced KRW 575.3 billion on its cost by writing off KRW 363.0 billion and rescheduling KRW 212.3 billion of its NPLs. Further, the Bank reduced KRW 320.1 billion of substandard and below credits by upgraded asset classification, KRW 234.7 billion by collection and KRW 86.1 billion with the sale of NPLs. In sum, the credits classified as substandard and below at the year end decreased by KRW 271.4 billion from the previous year and the substandard and below ratio of the Bank was at 1.44%, 0.54%p down from 2003.

In order to maintain such asset soundness, the Bank provisioned KRW 321.5 billion in 2004, including KRW 59.8 billion reversal of provisionings related to SK Networks. The breakdown of provisionings includes KRW 195.3 billion for corporate loans, KRW 78.5 billion for household loans and KRW 47.7 billion for credit cards. This bad debt expenses in 2004 were equivalent to 0.54% of the Bank's total credits based on FSS criteria, which was 0.91%p of improvement from the previous year.

Regardless of the reduced bad debt expenses as percentage of total credits, the coverage against substandard & below at the year end was further enhanced to 111.94%, a rise of 13.62%p from 2003. With our credit card business included in the asset portfolio, the Bank is proud to maintain the highest level of asset quality among its peers. The improvement of asset soundness in 2004 was highly correlated with the drop in delinquency ratios. The delinquency ratios for corporate, household and credit card loans for the past five years are shown in table 20). It indicates that the delinquency ratios for household and credit card sectors dropped to reach the lowest levels after the merger.

Table 20) Delinquency Ratio

(Unit : %)	2000	2001	2002	2003	2004
Delinquency Ratio	1.90%	1.07%	1.49%	1.29%	1.20%
Coporate Sector	1.95%	1.02%	1.08%	1.28%	1.35%
Household Sector	1.62%	0.75%	1.21%	1.09%	0.99%
Credit Card Sector	3.18%	5.54%	9.95%	4.58%	2.10%

The Bank manages its credits by industry. Table 21) shows the distribution of loans per category and industry in accordance with the FSS standards as of 2004 yearend.

Table 21) Asset Soundness by Industry

(In Billions of Korean Won, %)	Normal	Precautionary	Substandard	Doubtful	Estimated Loss	Total	Substandard and Below Ratio
Agriculture and Forestry	31.7	2.9	0.4	0.1	0.1	35.1	1.39%
Fishery	98.2	0.4	1.3	0.0	1.9	101.7	3.11%
Mining	99.9	0.3	0.0	0.0	0.3	100.4	0.31%
Manufacturing	12,996.3	261.8	74.2	32.2	49.2	13,413.7	1.16%
Electricity, Gas, Water Supply	203.3	0.2	0.0	0.0	0.0	203.5	0.00%
Construction	2,051.0	56.1	18.3	2.8	6.5	2,134.7	1.29%
Wholesale/Retail	4,590.2	338.6	25.7	10.3	12.2	4,977.0	0.97%
Hospitality	1,363.5	69.9	23.6	2.5	3.0	1,462.6	2.00%
Transportation and Warehousing	1,189.8	41.2	9.7	0.5	0.9	1,242.1	0.90%
Communications	332.5	1.3	17.5	0.0	0.1	351.5	5.01%
Finance and Insurance	1,444.3	86.5	12.2	0.1	0.1	1,543.1	0.80%
Real Estate and Rental	1,897.7	76.2	12.2	1.9	1.0	1,988.9	0.76%
Business Service	937.1	44.8	10.7	6.3	8.9	1,007.6	2.56%
Public Admin. and National Defense	27.3	0.0	0.0	0.0	0.0	27.4	0.00%
Education Services	220.2	11.7	1.5	0.5	0.1	234.0	0.90%
Health Card and Social Security	1,190.2	41.9	4.4	2.9	0.9	1,240.2	0.66%
Leisure, Entertainment & Sports	581.3	39.5	8.7	11.4	0.5	641.4	3.21%
Other public/repair and sole proprietorship	559.1	25.7	9.4	1.2	1.2	596.6	1.97%
Household	28,047.6	251.1	376.9	60.0	36.9	28,772.6	1.65%
Total Credits	57,861.3	1,350.2	606.4	132.6	123.8	60,074.3	1.44%

6. Non-Operating Income

Table 22) Non-Operating Income

(In Billions of Korean Won)	2000	2001	2002	2003	2004
Net of Income from Disposition & Valuation	79.0	70.0	-63.2	90.3	150.5
Income from Investment Stocks	-64.7	22.1	-78.0	19.5	17.9
Disposition of Investment Stocks	-3.2	-9.8	31.4	37.9	6.7
Valuation of Investment Stocks	-61.5	31.9	-109.4	-18.4	11.2
Income from Investment Bonds	143.7	47.9	14.8	70.8	132.6
Disposition of Investment Bonds	145.2	50.4	16.2	98.9	130.9
Valuation of Investment Bonds	-1.5	-2.5	-1.4	-28.1	1.7
Gain/Loss on the Sale of Fixed Assets	-0.6	-0.2	-0.4	44.6	70.5
Gain/Loss on the Sale of NPLs	-4.8	3.2	8.0	41.5	-8.0
Expense for Voluntary Retirement Benefits	0.0	-7.1	-4.1	-0.1	-52.1
Others	5.2	20.3	5.3	41.3	7.6
Net of Non-Operating Income	78.8	86.3	-54.5	217.7	168.5

In 2004, the Bank reaped KRW 168.5 billion for non-operating income. Specifically, gains on disposition of investment bonds totaled at KRW 130.9 billion, KRW 32.0 billion increase from 2003. The increase included the disposition gain from the early redemption of beneficiary certificates. Gain on the sale of fixed assets stood at KRW 70.5 billion with the sale of former head-quarter of Seoul Bank and IT center at Jamsil. Meanwhile, as mentioned in G&A expense sector, KRW 52.1 billion of the voluntary retirement benefits were recognized as additional non-operating expenses. At a glance, the Bank's non-operating income in 2004 seems to decline from the previous year. However, non-operating income of 2003 was exceptional in terms of the gains on the sale of NPLs and miscellaneous income from writing off the dormant accounts amid the post-merger integration. Thus, the management considers this decrease of non-operating income as an acceptable fluctuation. Nevertheless, the Bank will manage its non-operating income in the manner that would minimize the volatility of the earning stream.

7. Du Pont Analysis

In summary, the Bank's business performance for 2004 can be restated in terms of contributions to ROA and ROE.

The Bank's interest income ratio, the main profitability indicator, is on a solid rise. However, the gross income ratio is 0.12%p lower than that of the previous year, affected by the reduction in fee income from credit card and trust operations and the decrease in other income, primarily the income from dividend.

Meanwhile, the ratio of G&A expenses to total assets dropped despite the sheer increase in the G&A expenses, implying an improvement in operating efficiency. In particular, the loan loss provisioning ratio dropped by 0.70% from the previous year, reflecting the Bank's provisioning posture to ensure better asset soundness. As mentioned in the overview, the recognition of deferred tax assets from NOL carryovers from Seoul Bank also contributed to lowering the gross expense ratio by 1.10%p.

As a result of such operating performance, the Bank recorded ROA of 1.66%, a rise of 0.98%p from last year; and ROE of 33.03%, a 14.96%p increase in the same timeframe.

Table 23) Du-Pont Analysis

(Unit : %)	2000	2001	2002	2003	2004
General Operating Income Ratio	2.24%	2.60%	2.41%	2.63%	2.59%
Interest Income Ratio	1.94%	1.90%	1.83%	1.91%	1.99%
Fee Income Ratio	0.40%	0.64%	0.64%	0.74%	0.61%
Disposition/Valuation Income Ratio	0.02%	0.21%	0.08%	0.10%	0.21%
Other Income Ratio	-0.12%	-0.14%	-0.14%	-0.12%	-0.22%
Non-Operating Income Ratio	0.27%	0.21%	-0.11%	0.29%	0.21%
Gross Income Ratio	2.51%	2.82%	2.30%	2.92%	2.80%
G&A Expense/Asset	-0.95%	-0.98%	-1.06%	-1.17%	-1.14%
LLP Ratio	-1.46%	-0.67%	-0.31%	-1.10%	-0.40%
Tax Ratio	-0.04%	-0.37%	-0.27%	0.03%	0.40%
Gross Expense Ratio	-2.45%	-2.02%	-1.64%	-2.24%	-1.14%
ROAA	0.06%	0.80%	0.65%	0.68%	1.66%
Equity/ Assets	4.93%	4.55%	4.34%	3.79%	5.02%
ROAE	1.16%	17.60%	15.06%	18.07%	33.03%
Equity excluding preferred share/Assets	4.01%	3.99%	4.21%	3.79%	5.02%
ROAE Excluding Preferred Share	1.43%	20.09%	15.51%	18.07%	33.03%

8. Capital Adequacy

The Bank's Tier 1 of BIS capital in 2004 increased to KRW 4,205.0 billion, a KRW 1,028.7 billion increase from 2003, or Tier 1 ratio of 7.58%. Such figures represent the net income of the highest level in the past five years. Thanks to such improvement, the Bank alleviated its burdens on funding Tier 2 capital. Tier 2 Capital declined by KRW 168.5 billion from the previous year, despite new issuance of lower tier 2 subordinated bonds of KRW 250.0 billion, bringing down Tier 2 capital ratio by 0.71%p from the previous year to 4.25%. Such shrink in Tier 2 capital was offset by the growth in Tier 1, leading an increase in the total BIS Capital by KRW 852.2 billion to KRW 6,565.3 billion and also boosting the BIS Capital Ratio to 11.83%, realizing a 0.66%p rise from the previous year.

Since its merger with Seoul Bank in late 2002, the Bank's Tier 1 capital has been affected by its share buyback schedule from KDIC. Related its merger with Seoul Bank, the Bank purchased 6,108,000 shares from KDIC on December 23, 2002 and 12,216,000 shares on March 3, 2003. Afterwards, the Bank sold 8,166,490 shares of treasury stocks to foreign investors in FY 2002, 9,000,000 shares in FY 2003, and 4,780,240 shares in FY 2004, respectively. And, as 42,756,000 shares of the Bank held by KDIC were all sold in the market in April 2004, the Bank is no longer obliged to acquire stocks from KDIC.

In March 2004, the Bank retired 5,078,755 shares of treasury stocks with its profit through a resolution of the Board of Directors in accordance with the agreement with KDIC. The retired stocks had been acquired at the time of merging Seoul Bank by dissenting shareholders' exercise of stock appraisal rights. The retirement reduced the total number of shares issued to 192,353,448, without affecting the Bank's Tier 1 capital.

Then again in February 2005, the Bank retired 4,602,965 shares of treasury stocks with its profit through a resolution of the Board of Directors, in order to enhance the shareholders' value and to clear market concerns on overhang issues. The retired stocks had been acquired at the time of merging Seoul Bank by dissenting shareholders' exercise of stock appraisal rights. The retirement reduced the number of shares issued to 187,750,483, without affecting the Bank's Tier 1 capital.

Table 24) BIS Capital Adequacy Ratio

(In Billions of Korean Won, %)	2000	2001	2002	2003	2004
Tier 1	1,715.4	2,031.3	2,770.0	3,176.3	4,205.0
Tier 1 from Common Shares	1,380.0	1,833.3	2,770.0	3,176.3	4,205.0
Tier 1 from Preferred Shares Issued to KDIC	335.4	198.0	0.0	0.0	0.0
Tier 2	1,041.2	1,021.2	2,247.6	2,582.7	2,414.2
Provisions	172.1	161.9	433.3	536.5	579.2
Upper Tier 2	0.0	0.0	400.0	600.0	600.0
Lower Tier 2	857.7	859.4	1,385.0	1,416.2	1,123.8
Others	11.5	0.0	29.4	30.0	111.2
Subsidiary Investment Deductions	0.0	-14.9	-16.9	-45.8	-53.9
Total BIS Capital	2,756.6	3,037.7	5,000.7	5,713.1	6,565.3
RWA	26,382.3	29,525.9	48,529.7	51,131.7	55,495.6
BIS CAR	10.45%	10.29%	10.30%	11.17%	11.83%
Tier 1	6.50%	6.88%	5.71%	6.21%	7.58%
(Tier 1 Excluding Preferred Shares Issued to KDIC)	5.23%	6.21%	5.71%	6.21%	7.58%
Tier 2	3.95%	3.46%	4.60%	4.96%	4.25%

9. Risk Management

The Bank's risk management is largely divided into the management of credit risk, market risk and operational risk. The following explains about the systems to assess each area of risks and the risk data of each area at the end of 2004.

1. Credit Risk Management

1) Hana Credit Grading System (HCGS)

The Bank uses Hana Credit Grading System (HCGS) to assess credit risk of corporate customers. Under HCGS one of three different credit evaluation models including models for audited, non-audited, and SOHO customers, is applied depending on the size of customers. The evaluation model for audited corporations is subcategorized into 12 models to suit various sizes and industry characteristics of individual companies. In addition, the evaluation models for financial institutions, public organizations and special corporations are incorporated in the system. The detail evaluation models and customer classification models are seen in the table 25) and 26).

Table 25) HCGS Evaluation Method

Category		Analysis of Financial Statements	Audit	Model Type	Detailed Evaluation Method
General Business	Corporation	Yes	Yes	Audited (General)	Comprehensive Model
		Yes (Assets more than KRW 1 Billion)	No	Non-Audited	Comprehensive Model
		No/Assets Less than KRW 1 Billion		SOHO	Comprehensive Model
	Individual Entrepreneurs	Yes	Yes	Audited (General)	Comprehensive Model
		Yes	No	SOHO	Comprehensive Model
No			SOHO	Comprehensive Model	
Financial Institutions		Yes		Audited (Financial)	Comprehensive Model
Public Organizations		Yes		Audited (General)	Comprehensive Model
		No		Audited (Public)	Expertise Model
SPC	ABS			Audited(ABS)	Expertise Model
	PF			Audited(PF)	Expertise Model
School				Audited(General)	Expertise Model
Overseas Borrowers (Excluding Financial Institutions)		Yes	Yes	Audited(General)	Comprehensive Model
		Yes	No	Non-Audited	Comprehensive Model
		No		Audited (General)	Expertise Model

Table 26) HCGS Classification of Customers

HCGS Grade	Classification of Clientele	International Standard	FSS Standard
A1+	Governments & Companies with Outstanding Financial Strength	Prime	Normal
A1		Strong	
A2+			
A2	Companies with Stable Financial Strength	Satisfactory	
A3+			
A3			
B1+	Available for Credit Exposure	Acceptable	
B1			
B2+			
B2			
B3			
C1	Acceptable when Collateralized	Watch	Precautionary
C2			
C3			
D1	Collection Recommended	Substandard	Substandard
D2	Doubtful	Doubtful	Doubtful
D3	Estimated Loss	Loss	Estimated Loss

2) Credit Grading System in Retail Banking and Credit Card Business

The Bank developed Application Scoring System (ASS) and Behavior Scoring System (BSS) for the risk management in household loans and credit card operations, respectively. The ASS adopts a model which combined decision tree and logistic regression model and the BSS uses heuristic model. Efficiency of both systems and their models are assessed on a quarterly basis. For household loans, borrowers are categorized into 14 classes based on their credit scores. Depending on whether the loan application is on credit or collateralized, corresponding LGD rating is applied to calculate and manage expected loss. The detailed scoring factors of ASS and BSS are specified in table 27).

Table 27) Evaluation Items of ASS and BSS

	Scoring Factor	Factor in Detail
Application Scoring System(ASS)	Personal Data	profession, age, annual income, employment history, type of residence, etc.
	Internal History	balance of deposits, past delinquency, credit card behavior, etc.
	External Data	credit status, historical data with other credit card, blacklist, etc.
	Others	type and location of collateral, etc.
Behavior Scoring System(BSS)	Loan History	number and period of loans, average balance, past delinquency, etc.
	Credit Card Data	past delinquency, credit card behavior, etc
	Deposit Data	average balance, number of deposit transactions, etc.
	Personal Data	age, annual income, type of residence, etc.

2. Market Risk Management

Market risk includes liquidity risk, interest rate risk and price risk. Detailed criteria of market risk management and the current data are as seen below.

1) Liquidity Risk Management

(Guideline)

		Banking Account in KRW	Banking Account in F/X
Liquidity Ratio		At least 105%	At least 85%
Maturity Mismatch Gap	7 Days		At least 0%
	1 Month		At least -10%

(As of the end of FY 2004)

		Banking Account in KRW	Banking Account in F/X
Liquidity Ratio		123.23%	117.34%
Maturity Mismatch Gap	7 Days		4.57%
	1 Month		6.99%

2) Interest Rate Risk Management

(Indicator)

Accumulated Interest Maturity Gap

(Guideline)

Maintain the gap within the range of 90 ~ 140% for 3 months, 6 months, and 12 months based on interest and F/X conversion rate estimation.

(As of the end of FY 2004)

(In Billions of KRW, %)	3 months	6 months	12 months	Total
Assets and Liabilities in KRW	Adequate	Adequate	Adequate	Adequate
Interest Earning Assets	41,784.7	46,991.5	55,611.2	68,268.8
Interest Bearing Liabilities	30,410.5	37,690.4	50,351.1	66,621.1
Interest Rate Gap Ratio	137.40%	124.68%	110.45%	102.47%
Assets and Liabilities in F/X	Adequate	Adequate	Adequate	Adequate
Interest Earning Assets	5,499.0	7,036.9	7,421.6	9,651.6
Interest Bearing Liabilities	4,706.7	5,878.0	6,325.6	9,340.2
Interest Rate Gap Ratio	116.83%	119.72%	117.33%	103.33%

(Interest Rate Risk Monitoring and Controlling)

- The Bank adopted FTP to centralize the risk from interest mismatch
- ALM system

(1) Calculate NPV of Shareholders' Equity and Interest VaR

(2) Produce and monitor Interest EaR based on Monte Carlo Simulation Method

3) Price Risk Management

(System)

	Renewal Period	Authority of Total Tolerable Limit	Limit Allocation to Each Business Unit	Limit Allocation to Each Desk or Dealer
Capital Allocation	Annual (Minimum)	Risk Committee	Risk Management Committee	Head of Operation Unit
Product Exposure	Quarterly (Minimum)			
Loss Limit by Product				

(Monitoring & Reporting)

- Daily Report by Operation Unit

Monitoring : Limit Management, Loss Cut Management"

Reporting : Any violation to Risk Management Division

- Monthly Report to Risk Management Committee

Risk Management Division : VaR, risk indicators, trend of positions, status of limit management, results of stress test and back test

- Quarterly Report : Risk Management Division reports the status of limit management, VaR and other important indicators.

(As of the end of FY 2004)

(a) Capital to be Allocated for Price Risk

(In Billions of KRW, %)	Amount	Ratio to BIS capital
Capital Available	1,422.0	22.64%
Capital Allocated	346.1	5.51%
Capital Used	100.0	1.59%

(b) Capital Allocation in Each Risk Factor

(In Billions of KRW)	Domestic Interest rate	Foreign Interest Rate	Domestic Stock Index	Exchange rate	Foreign Stock Index	Total
Allocated Capital	52.3	33.3	223.6	20.7	16.2	346.1

(c) Exposure and Loss Limit

(In Billions of KRW and Millions of USD)	Domestic Bonds	Domestic Stocks	Bonds in F/X	Open Position	Derivatives		
					Interest	Stock Index	Foreign Interest
Exposure Limit	1,300.0	500.0	US\$ 50.0	US\$ 100.0	200.0	15.0	US\$ 30.0
Loss Limit	7.0	38.6	2.1	2.4	1.8	1.2	1.1

3. Operational Risk Management

The Bank adopted the view on operational risk by Basel Committee, which defines operational risk as any risk of loss resulting from inadequacy or failure pertaining to internal processes, people and systems or deriving from external events. In general, operational risk management is conducted in compliance with the risk management principles and guidelines and policies, which are approved by the Bank's Risk Committee. The Bank established operational risk management framework based on AMA (Advanced Measurement Approach), aiming to satisfy high standards of New Basel Accord. The Bank is currently undertaking efforts to further improve the system.

The operational risk management system, which was established and under improvement as of the end of FY 2004, includes the following sub-systems.

- RCSA(Risk Control Self Assessment) system: Identify major risks and control rights for each division and branch and assess the size and effectiveness of such risk and control. The system is an enabling tool for divisions and branches to recognize major risk factors, and to prevent them from realizing and improve control mechanism.
- Loss Data Collection System: Collect data on cases in the enterprise level where operation losses occur. The scope of such cases include not only monetary losses but also non-monetary losses such as IT system failure and customer complaints. Collected data are linked to the income statement in the IT database for integrity check.
- KRI (Key Risk Indicator) Collection System: Induce key risk indicators by analyzing data from RCSA and Loss Data Collection System.
- Operational Risk Capital Assessment System: Assess operational risk in terms of AMA based on the loss data and self assessment, by way of loss distribution approach.

By implementation of RCSA, the data are collected on areas where improvements are required, and the plans and time schedules for improvement are set out. Once the check is conducted on whether such plans were properly performed by relevant divisions and branches, the results are reported to monthly Risk Management Committee and quarterly Risk Committee. Currently, the required capital of the Bank for its operational risk is calculated using standard model, and the results are reported externally, as well. The capital required for operational risk management calculated as of December 31, 2004 is assessed at KRW 290.9 billion.

10. Subsidiaries

As of the 2004 yearend, the Bank has 9 subsidiaries. Out of them, three are consolidated subsidiaries including Hana Securities Co. Ltd., Hana Funding Limited and Qingdao International Bank. In January 2005, the Bank acquired 19.87% of Kolon Capital's shares to have a total of 34.77% of its stakes, adding the capital company in the list of subsidiaries to be consolidated. Details of transactions between the Bank and subsidiaries are listed in the footnote 26) of the Non-Consolidated audit report. The summarized financial information of consolidated subsidiaries and those subject to equity method is included in the footnote 1) of consolidated audit report. Brief description of subsidiaries including their corporate histories and key business areas are given below.

1. Hana Institute of Finance

The Hana Institute of Finance, the only domestic research institute operated by a commercial bank, serves as the think tank of the Hana Financial Group.

Besides publishing up to date reports on the latest economic trends and issues, the Hana Institute of Finance collects and analyzes information concerning various industries, corporations and financial markets to support the business activities of the Hana Financial Group.

Address ; Hana Bank Bldg., 19th Fl., 101-1, 1Ka, Euljiro, Jung-gu, Seoul, Korea

2. 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, 2004, Hana Bank holds a 57.66% equity stake in Hana Securities Co. Ltd.

Address ; Hana Securities Bldg., 23-3 Yoido-dong, Yeongdongpo-gu, Seoul, Korea

3. 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., 23-3 Yoido-dong, Yeongdongpo-gu, Seoul, Korea

4. Hana Life Insurance Co. Ltd.

Hana Life Insurance Co. Ltd., the former France Life found in 1991, was localized by a 50:50 joint venture between Hana Bank and Allianz Group in February 2003. In 2004, the Company recorded remarkable achievements in terms of growth and profitability. Hana Life Insurance Co. Ltd., which is now one of the most premier bancassurer in Korea, aims to focus on its customers, profitability and continuous growth.

Address ; Hana Bank Bldg., 17th Fl. 101-1, 1Ka, Euljiro, Jung-gu, Seoul, Korea

5. Hana I&S Co. Ltd.

Hana I&S Co. Ltd. was established in August 1990 as Financial IT system provider by Hana Bank to develop and update the software of the financial IT section. Currently with high expertise it is supporting main accounting and financial information system of public sectors and also is acknowledged by its technical skills. In the near future, it will serve as the hub of the IT section of Hana Financial Group.

Hana Bank is holding 100% of the shares as of December 31, 2004.

Address ; 115-8, 12 Junggok-dong, Gwangjin-gu, Seoul, Korea

6. Hana Funding Ltd.

Hana Funding Ltd. was established in December 12, 2002 as a SPV with Hana Bank holding 100% of the shares to issue hybrid securities.

The company issued 200 million USD of hybrid tier one securities.

Address ; PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands

7. BC Card Co.

BC Card was established jointly with member banks in April 1982 as a JV company to efficiently carry out credit card business. BC Card supports credit card business of member banks such as Woori Bank, Hana Bank, Cho Hung Bank, Korea First Bank and etc.

There is a very efficient allotment of the credit card operations between BC Card and the member banks, and BC Card processes card business of the banks' cardholders and merchants. Thus, the member banks not only can minimize the cost of installing additional hardware and centralize processing to BC Card cutting costs further, but increase the convenience of the cardholders through the vast merchants and cash advances network interlinked among the member banks.

Furthermore, BC Card received approval according to The Credit Specialty Finance Business Act as a Credit Specialty Finance Company undertaking Installment financing and new technology financing business along with credit card business. Currently BC Card has over 23 million credit card customers through the member banks and Hana currently holds 16.83% of the shares.

Address ; 1587 Seocho-dong, Seocho-gu, Seoul, Korea

8. Korea Non-Bank Lease Financing Co. Ltd.

The company was established in July 22, 1998 as a bridge lease company to efficiently liquidate ailing lease of subsidiary companies of domestic financial groups. The Bank is holding 18.91% of the shares as of December 31, 2004

Address ; 75-95, Seosomun-dong, Jung-gu, Seoul, Korea

9. Qingdao International Bank

Qingdao International Bank ("QIB" from hereunder) is the only Korean-Chinese joint venture bank in China. QIB was established by Korea First Bank and Industrial and Commercial Bank of China (ICBC) in April 1996 and headquartered in Qingdao, Shantung. It has had active operations to Korean companies in Shantung area and local branches of Korean companies. From April 2003, the Bank engaged itself in intensive negotiations with Korea First Bank, ICBC and Chinese financial authority, which resulted in its acquisition of QIB shares from KFB on October 30th the same year. Afterwards, the Bank entered into joint venture agreement with ICBC, which is one of the 4 major banks in China, for acquiring QIB. In January 29, 2004, the Bank completed the acquisition of QIB shares from Korea First Bank and at the same time increased additional capital to secure 72.31% shares of QIB.

With the acquisition of the QIB, the Bank strengthened its marketing network in China. In October 2004, QIB opened a new branch in Chenyang, further expanding sales network. QIB plans to align its business with Hana branches in China, thereby strengthening presence of both banks in the country. Hana Bank has recently acquired business license in banking operation for local Chinese population in RMB.

Address ; Qingdao International Bank, 2666071, C. Full Hope Mansion, 12 HongKong Middel Road, Qingdao, CHINA

10. Kolon Capital

Kolon Capital was established as Kolon Credit Sales Ltd. in February 1987 with business focus on installment financing and lease of automobiles and durables. The Bank acquired 14.90% of its shares on August 27, 2004 and again an additional 19.87% of its shares in late January of 2005, making the company its subsidiary. By acquiring Kolon Capital, the Bank entered consumer finance market, which is expected to grow rapidly in the future, diversifying its business portfolio. Based on its credit risk management expertise, the Bank plans to enhance the asset soundness and business efficiency of Kolon Capital as a way of enlarging the profit of Hana Financial Group.

Address ; Kolon Capital, Kolon Tower 1-23 Byulyang-Dong, Kwacheon-City, Kyunggi-Do, 427-709, Korea

Report of Independent Auditors

SAMIL PRICEWATERHOUSECOOPERS

PRICEWATERHOUSECOOPERS 

Samil PricewaterhouseCoopers
Kukje Center Building
191 Hankangro 2ga, Yongsanku
Seoul 140-702, KOREA
(Yongsan P.O. Box 266, 140-600)

To the Shareholders and Board of Directors of
Hana Bank

We have audited the accompanying non-consolidated balance sheets of Hana Bank ("the Bank") as of December 31, 2004 and 2003 and the related non-consolidated 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 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 our audit to obtain reasonable assurance as to 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 non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2004 and 2003, and the results of its operations, the changes in its retained earnings and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

As discussed in Note 24 to the non-consolidated financial statements, as the Bank determined that the loss carry-forwards of ₩ 1,093,093 million were realizable through future ordinary income, it recognized deferred tax assets of ₩ 300,600 million. The effect of the recognition was to increase deferred tax assets, total assets, shareholders' equity and net income for 2004 by ₩ 300,600 million and to decrease income tax expenses of 2004 by ₩ 300,600 million.

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.

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

Seoul, Korea,
January 21, 2005



This report is effective as of January 21, 2005, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Samil PricewaterhouseCoopers is the Korean member firm of PricewaterhouseCoopers. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Non-Consolidated Balance Sheets

December 31, 2004 and 2003

(In millions of Korean won, US dollar in thousands (Note3))	2004	2003	2004	2003
Assets				
Cash and due from banks (Notes 4 and 15)	₩ 3,690,577	₩ 4,684,572	\$ 3,535,713	\$ 4,487,998
Trading securities (Notes 5 and 15)	807,428	393,984	773,547	377,451
Available-for-sale securities (Notes 6 and 15)	11,672,073	12,526,145	11,182,289	12,000,522
Held-to-maturity securities (Notes 7 and 15)	2,266,093	2,698,401	2,171,003	2,585,171
Investments in associates (Notes 8 and 15)	269,724	208,650	258,406	199,895
Loans receivable, net of allowances for possible losses of ₩ 942,653 (2003: ₩1,063,103) (Notes 9 and 15)	59,062,723	55,342,221	56,584,331	53,019,947
Property and equipment, net of accumulated depreciation of ₩ 390,280 (2003: ₩ 309,845) (Note 10)	992,873	1,168,548	951,209	1,119,513
Intangible assets (Note 10)	139,501	166,783	133,648	159,784
Guarantee deposits	582,572	568,414	558,126	544,562
Accounts receivable	938,277	731,475	898,905	700,781
Accrued income	336,619	429,683	322,494	411,652
Prepaid expenses	2,412	4,346	2,311	4,164
Deferred income tax assets (Note 24)	494,220	170,278	473,482	163,133
Others	1,184,832	1,472,958	1,135,112	1,411,151
Total assets	₩ 82,439,924	₩ 80,566,458	\$78,980,576	\$ 77,185,724
Liabilities and Shareholders' Equity				
Deposits (Notes 11 and 15)	₩ 56,415,267	₩ 57,608,731	\$ 54,047,966	\$55,191,350
Call money	1,410,133	371,034	1,350,961	355,465
Borrowings (Notes 12 and 15)	4,939,205	5,809,617	4,731,946	5,565,834
Bonds sold on repurchase agreements	955,421	1,095,627	915,330	1,049,652
Bills sold	176,872	133,457	169,450	127,857
Due to Bank of Korea in foreign currencies (Note 15)	-	12,821	-	12,283
Debentures (Notes 13 and 15)	8,133,520	6,298,654	7,792,220	6,034,350
Reserve for possible losses on acceptances and guarantees (Note 14)	22,491	53,591	21,547	51,342
Due to trust accounts	708,647	1,563,631	678,911	1,498,018
Unearned income	93,059	94,998	89,154	91,011
Accrued expenses	1,358,608	1,219,404	1,301,598	1,168,236
Accounts payable	800,809	635,619	767,206	608,947
Others	2,565,368	2,414,364	2,457,720	2,313,050
Total liabilities	77,579,400	77,311,548	74,324,009	74,067,395
Commitments and contingencies (Note 16)				
Common stock				
Authorized - 2,000 million shares at ₩ 5,000 par value per share				
Issued - 192,353,448 shares (Notes 1 and 17)	987,161	987,161	945,738	945,738
Capital surplus (Note 18)	1,316,376	1,275,521	1,261,139	1,221,998
Retained earnings (Note 19)	2,553,183	1,383,496	2,446,046	1,325,442
Capital adjustments (Notes 6, 8, 20)	3,804	(391,268)	3,644	(374,849)
Total shareholders' equity	4,860,524	3,254,910	4,656,567	3,118,329
Total liabilities and shareholders' equity	₩ 82,439,924	₩ 80,566,458	\$ 78,980,576	\$77,185,724

* The accompanying notes are an integral part of these non-consolidated financial statements.

Non-Consolidated Statements of Income

Years Ended December 31, 2004 and 2003

(In millions of Korean won, US dollar in thousands (Note3))	2004	2003	2004	2003
Operating revenue				
Interest income				
Interest on due from banks	₩ 5,034	₩ 8,241	\$ 4,823	\$ 7,895
Interest on securities	552,147	709,623	528,978	679,846
Interest on loans	3,664,734	3,432,469	3,510,954	3,288,435
Others	12,083	11,764	11,576	11,270
	4,233,998	4,162,097	4,056,331	3,987,446
Commission income	482,320	455,505	462,081	436,391
Other operating income :				
Gain on disposal of trading securities	23,324	16,522	22,345	15,829
Gain on valuation of trading securities	78,947	15,636	75,635	14,980
Dividend on securities	11,289	93,081	10,815	89,175
Gain on foreign currency trading	232,886	187,143	223,114	179,291
Fees from trust accounts (Note 28)	64,854	124,758	62,132	119,523
Gain on derivatives	948,282	435,347	908,491	417,079
Others	27,251	9,947	26,107	9,529
	1,386,833	882,434	1,328,639	845,406
	6,103,151	5,500,036	5,847,051	5,269,243
Operating expenses				
Interest expenses :				
Interest on deposits	1,867,352	1,995,451	1,788,994	1,911,718
Interest on borrowings	173,036	228,262	165,775	218,684
Interest on debentures	443,518	344,889	424,907	330,416
Others	50,263	41,591	48,154	39,846
	2,534,169	2,610,193	2,427,830	2,500,664
Commission expenses	140,019	133,450	134,143	127,850
Other operating expenses :				
Loss on disposal of trading securities	10,692	10,995	10,243	10,533
Loss on valuation of trading securities	1,841	10,454	1,764	10,015
Loss on foreign currency trading	183,805	150,431	176,092	144,118
Provision for possible loan losses	348,725	839,066	334,092	803,857
Loss on derivatives	915,841	407,861	877,410	390,747
Others	190,369	180,494	182,381	172,921
	1,651,273	1,599,301	1,581,982	1,532,191
General and administrative expenses (Note 20)	925,435	881,994	886,602	844,983
	5,250,896	5,224,938	5,030,557	5,005,688
Operating income	852,255	275,098	816,494	263,555
Non-operating income (Note 23)	311,101	337,447	298,047	323,287
Non-operating expenses (Note 23)	142,585	119,746	136,603	114,720
Income before income taxes	1,020,771	492,799	977,938	472,122
Income tax benefit (Note 24)	(322,183)	(24,352)	(308,663)	(23,330)
Net income	₩ 1,342,954	₩ 517,151	\$ 1,286,601	\$ 495,452

* The accompanying notes are an integral part of these non-consolidated financial statements.

Non-Consolidated Statements of Appropriations of Retained Earnings

Years Ended December 31, 2004 and 2003
 (Dates of Appropriations: March 28, 2005 and: March 26, 2004
 For the years ended December 31, 2004 and 2003, respectively)

(In millions of Korean won, US dollar in thousands (Note3))	2004	2003	2004	2003
Unappropriated retained earnings at the end of the year				
Carried over from the prior year	₩ 144	₩ 155	\$138	\$148
Decrease from equity method valuation	36	(99)	35	(95)
Net income	1,342,954	517,151	1,286,601	495,452
	1,343,134	517,207	1,286,774	495,505
Transfer from general purpose contingency reserve	87,619	-	83,942	-
Retirement of treasury stocks	(87,619)	-	(83,942)	-
Appropriations of retained earnings				
Legal reserve	134,300	51,800	128,664	49,626
General purpose contingency reserve	1,076,900	380,300	1,031,711	364,343
Cash dividends (15% for common stock in 2004; 10% for common stock in 2003)	131,810	84,963	126,280	81,398
	1,343,010	517,063	1,286,655	495,367
Unappropriated retained earnings to be carried over to the subsequent year	₩ 124	₩144	\$119	\$138

* The accompanying notes are an integral part of these non-consolidated financial statements.

Non-Consolidated Statements of Cash Flows

Years Ended December 31, 2004 and 2003

(In millions of Korean won, US dollar in thousands (Note3))	2004	2003	2004	2003
Cash used in operating activities				
Net income	₩ 1,342,954	₩ 517,151	\$1,286,601	\$495,452
Adjustments to reconcile net income to net cash used in operating activities				
Depreciation and amortization(Note 22)	141,384	150,159	135,452	143,858
Provision for possible loan losses	348,725	839,066	334,092	803,857
Provision for severance benefits	40,669	37,376	38,962	35,808
Unrealized loss(gain) on securities, net	(90,015)	41,339	(86,237)	39,605
Gain on securities transactions, net	(150,294)	(142,301)	(143,988)	(136,330)
Unrealized loss(gain) on derivatives, net	(32,770)	11,600	(31,395)	11,113
Reversal of reserve for possible losses on acceptances and guarantees	(27,251)	(9,947)	(26,107)	(9,529)
Loss(gain) on sale of loans, net	8,037	(41,513)	7,700	(39,772)
Changes in assets and liabilities resulting from operations	(5,452,277)	(1,665,390)	(5,223,488)	(1,595,506)
Others	42,659	(36,104)	40,868	(34,592)
Net cash used in operating activities	(3,828,179)	(298,564)	(3,667,540)	(286,036)
Cash flows from investing activities				
Increase in trading securities	(323,706)	(44,827)	(310,123)	(42,946)
Decrease(increase) in available-for-sale securities	1,200,981	(223,278)	1,150,586	(213,908)
Decrease(increase) in held-to-maturity securities	437,501	(88,489)	419,143	(84,776)
Decrease(increase) in investments in associates	(18,976)	2,315	(18,180)	2,218
Decrease(increase) in property and equipment	148,646	(115,957)	142,407	(111,093)
Increase in intangible assets	(16,566)	(35,400)	(15,871)	(33,914)
Decrease(increase) in guarantee deposits	(14,158)	22,065	(13,564)	21,140
Increase in accounts receivable	(206,802)	(246,521)	(198,124)	(236,177)
Net cash (used in) provided by investing activities	1,206,920	(730,092)	1,156,274	(699,456)
Cash flows from financing activities				
Decrease in borrowings	₩(870,412)	₩ (158,281)	\$(833,888)	\$(151,639)
Increase(decrease) in bills sold	43,415	(519,658)	41,593	(497,852)
Increase in debentures	1,787,725	2,168,442	1,712,709	2,077,450
Increase(decrease) in domestic exchange payable	471,166	(382,882)	451,395	(366,815)
Increase(decrease) in foreign exchange payable	(38,929)	16,020	(37,296)	15,348
Increase(decrease) in bonds sold on repurchase agreements	(140,206)	653,751	(134,322)	626,318
Decrease in due to Bank of Korea in foreign currencies	(12,821)	(27,236)	(12,283)	(26,093)
Increase(decrease) in call money	1,039,099	(512,286)	995,497	(490,790)
Increase(decrease) in due to trust accounts	(854,984)	647,533	(819,107)	620,361
Increase in accounts payable	165,190	186,462	158,259	178,637
Cash dividends	(84,963)	(86,067)	(81,398)	(82,455)
Increase(decrease) in treasury stock	120,251	(194,868)	115,204	(186,691)
Others	2,733	204,026	2,618	195,465
Net cash provided by financing activities	1,627,264	1,994,956	1,558,981	1,911,244
Net increase (decrease) in cash and due from banks	(993,995)	966,300	(952,285)	925,752
Cash and due from banks				
Beginning of the year	4,684,572	3,718,272	4,487,998	3,562,246
End of the year	₩ 3,690,577	₩ 4,684,572	\$3,535,713	\$4,487,998
Cash and due from banks at the end of the year				
Cash on hand	₩ 1,336,485	₩ 1,356,626	\$1,280,403	\$1,299,700
Foreign currencies	100,965	114,643	96,728	109,832
Due from banks in won	2,230,444	3,108,801	2,136,850	2,978,349
Due from banks in foreign currencies	22,683	104,502	21,732	100,117
	₩ 3,690,577	₩ 4,684,572	\$3,535,713	\$4,487,998

* The accompanying notes are an integral part of these non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

1. The Bank

Hana Bank ('the Bank') was originally established in November 1959 under its former name, 'Seoul Bank'. In 1976, it acquired Korea Trust Bank. On September 27, 2002, however, Seoul Bank entered into a business combination contract with the former Hana Bank as approved by the Bank's shareholders on November 14, 2002. On December 1, 2002, upon the completion of the merger, with Seoul Bank as the surviving entity, it registered under its current name, Hana Bank.

The Bank is engaged in commercial banking, trust and foreign exchange business, and other related operations as permitted under the Bank Act and other relevant laws and regulations in the Republic of Korea. The Bank is also engaged in the insurance business by entering into agreements with life insurance companies since September 26, 2003, after the revision of the insurance regulations.

The Bank is authorized to issue 2,000 million shares of common stock with a par value of ₩5,000 per share. It is also authorized to issue preferred stock up to 50% of the outstanding number of common shares. As of December 31, 2004, it has 192,353,448 common shares issued amounting to ₩987,161 million; and no preferred stock outstanding. The Bank's shares are listed on the Korean Stock Exchange.

On March 24, 2004, the Board of Directors approved the offsetting of treasury stocks amounting to ₩87,619 million, representing 5,078,755 common shares, against the retained earnings on March 25, 2004. This offsetting resulted to a difference between the amount of the paid-in capital and the total par value of the shares issued as of December 31, 2004.

In accordance with its Articles of Incorporation, the Bank is authorized to issue convertible bonds and bonds with stock warrants to investors other than its shareholders for amounts up to ₩200,000 million each. As of December 31, 2004, there are no convertible bonds outstanding.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Bank in the preparation of its non-consolidated financial statements ended December 31, 2004 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 accompanying financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements.

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 accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in 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 and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements.

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

Application of the statement of Korean Financial Accounting Standards

The Korean Accounting Standards Board has published a series of Statements of Korean Financial Accounting Standards (SKFAS), which will gradually replace the existing financial accounting standards established by the Korean Financial Supervisory Commission. As SKFAS Nos. 2 through 9 became applicable to the Company on January 1, 2003, the Company adopted these Standards in its financial statements covering periods beginning on or after this date. And as SKFAS Nos. 10, 12 and 13 became applicable to the Company on January 1, 2004, the Company adopted these Standards in its financial statements as of and for the year ended December 31, 2004.

Accounting Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect amounts reported therein. Although these estimates are based on management's best knowledge of current events and actions that the Bank may undertake in the future, actual results may 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 an accrual basis.

Allowance for Possible Loan Losses

The Bank provides the allowance for possible losses from uncollectible corporate loans using the present value method ("PV method") or the expected loss method ("EL method"), depending on the size of the loan. For collective corporate loans, the EL method is used.

The PV method, which is used for large uncollectible loans, computes the collectible amount of expected future cash flows by discounting it at effective interest rates and evaluating it at its present value.

The EL method analyzes factors of estimated loss based on probability of default ("PD") and loss given default ("LGD"), and determines the loan classification. This credit rating model considers the financial and non-financial factors of borrowers and classifies the borrowers' credit risk by 17 ratings to assess the PD based on historical data for the past five years. LGD is determined by the type of loan and collateral, and historical data for the past three years. Provision rate is calculated by multiplying PD and LGD. The minimum provision rate for corporate loans should be at least the minimum required provision percentage given by the Regulation on Supervisory of Bank.

For household and credit loans, provisions are determined by PD and collectibility, which are calculated based on normal interest rates of the past five years. The minimum provision rate for household and credit loans should be at least the minimum required provision percentage given by the Regulation on Supervisory of Bank. Furthermore, the Bank adjusts the experience loss rate for loans classified below a certain rating to reduce risk in loan losses.

Securities

Securities that are bought and held are classified as trading securities, available-for-sale securities and held-to-maturity securities, depending on the purpose of the purchase and holding intention.

All securities are initially carried at cost, including incidental expenses, determined by the moving-average method. Held-to-maturity securities are generally carried at amortized cost. Premiums and discounts on debt securities are amortized over the maturity period using the effective interest rate method. Trading and available-for-sale securities are carried at fair value, except for non-marketable equity securities classified as available-for-sale securities, which are carried at cost. The fair value of debt securities, which do not have a quoted market value, is calculated using the present value of future cash flows, discounted at a reasonable interest rate determined based on the credit ratings provided by independent credit rating institutions.

Unrealized holding gains or losses on trading securities are charged to current operations and those resulting from available-for-sale securities are recorded as capital adjustments, the accumulated amount of which shall be charged to current operations when the related securities are sold or when an impairment loss on the securities is recognized. Impairment losses are recognized in current operations when the recoverable amounts are less than the acquisition cost of equity securities or amortized cost of debt securities.

Investments in Associates

Investments in associates, over which the Bank exercises a significant control or influence, are accounted for under the equity method. Under the equity method, the Bank records changes in its proportionate ownership in the associate in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in the book value of the investment in the associate.

The Bank discontinues the equity method of accounting for investments in associates when the Bank's share of accumulated losses equals the costs of the investments, and until the subsequent cumulative changes in its proportionate net income of the associate equal its cumulative proportionate net losses not recognized during the periods when the equity method was suspended.

Differences between the initial purchase price and the Bank's initial proportionate ownership of the net book value of the associate are amortized or accreted using a reasonable method and are charged to current operations.

Gains and losses recorded by the Bank from inter-company transactions with associates are fully eliminated. Gains recorded by the associates from these transactions are proportionately eliminated, based on the Bank's percentage of ownership.

Property and Equipment

Property and equipment are recorded at cost. Routine maintenance and repairs are charged to expense as incurred. Expenditures that enhance the value or extend the useful economic lives of the assets involved are treated as additions to property 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 lives
Buildings, structures and auxiliary facilities	50 years
Vehicles, furniture and fixtures	5 years
Structures in leased offices used for business purposes	5 years

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.

Troubled Debt Structuring

Impairment losses for loans, restructured in a troubled debt restructuring involving a modification of terms, are computed by getting the difference between the present value of future cash flows under debt restructuring agreements discounted at effective interest rates at the time when loans are originated, and the book value before allowances for loans. If the amount of allowances already established is less than the impairment losses under the workout plans, the Bank establishes additional allowances for the difference. Otherwise, the Bank reverses the allowances for loan losses.

Before the adoption of SKFAS No.13, *Troubled Debt Restructuring*, the difference between the nominal value and the present value of loan under troubled debt structuring agreements was recorded as present value discounts and was presented separately as a deduction from the loan nominal value. However, in accordance with the Bank's adoption of SKFAS No.13, unamortized present value discounts as of the beginning of the current period are classified as allowances for loan losses.

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 US\$1: ₩1,043.80 and US\$1: ₩1,197.80 the rates in effect as of December 31, 2004 and December 31, 2003, respectively. Resulting translation gains and losses are charged to current operations.

Bonds Purchased under Resale Agreements and Bonds Sold under Repurchase Agreements

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

Accrued Severance Benefits

Directors and employees with at least 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 year ended December 31, 2004 amounted to ₩16,435 million (2003: ₩4,625 million).

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 non-consolidated financial statements. The Bank provides a provision for borrowers classified as "substandard" or below, applying the same method for the provision for possible loan losses and records the provision as a reserve for possible losses on acceptances and guarantees in the liabilities section of the balance sheet (Note 13).

Income Tax Expense

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

Derivative Financial Instruments

In accordance with the revised financial accounting standards related to derivatives accounting, effective January 1, 2000, the Bank records the fair values of rights and obligations related to derivatives contracts on the balance sheet as assets and liabilities and recognizes the related gains or losses in the statement of income. 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 financial statements of overseas branches, the Bank applies the appropriate rate of exchange at the balance sheet date.

Stock Options

The Bank applies the intrinsic method for stock options granted in 1999 and the fair value method for stock options granted in and after 2000. The Bank allocates the total compensation cost over the contracted service period and recognizes the cost in current operations (Note 20).

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 a guarantee of principal repayment trust terms, the losses are recognized as a loss from trust operations.

3. United States Dollars Amounts

The Bank operates primarily in Korean won and its official accounting records are maintained in Korean won. The U.S. dollar amounts, provided herein, represent supplementary information, solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at the rate of ₩1,043.80 : US\$1, the basic rate in effect on December 31, 2004. This presentation is not in accordance with generally accepted accounting principles in either the Republic of Korea or the United States, and should not be construed as a representation that the won amounts shown could be readily converted, realized or settled in U.S. dollars at this or any other rate.

4. Cash and Due from Banks

Cash and due from banks as of December 31, 2004 and 2003, are summarized as follows:

(in millions of Korean won)	2004	2003
Cash on hand	₩ 1,336,485	₩ 1,356,626
Foreign currencies	100,965	114,643
Due from banks in Korean won	2,230,444	3,108,801
Due from banks in foreign currencies	22,683	104,502
	₩ 3,690,577	₩ 4,684,572

As of December 31, 2004, the amount of due from banks including checking accounts deposited in the Bank of Korea is restricted for the payment of deposits under the Bank of Korea Act. The restricted amount is ₩ 2,787,705 million, including ₩ 2,742,398 million of checking accounts deposited in the Bank of Korea as of December 31, 2003.

The maturities of due from banks outstanding as of December 31, 2004, are as follows:

(in millions of Korean won)	Due from banks in Korean won	Due from banks in foreign currencies	Total
Within 1 month	₩ 1,090,876	₩ 8,827	₩ 1,099,703
More than 1 ~ 3 months	-	-	-
More than 3 ~ 6 months	-	13,856	13,856
More than 6 months ~ 1 year	-	-	-
More than 1 ~ 3 years	-	-	-
More than 3 ~ 5 years	1,128,219	-	1,128,219
More than 5 years	11,349	-	11,349
	₩ 2,230,444	₩ 22,683	₩ 2,253,127

5. Trading Securities

Trading securities as of December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)	Annual interest rate	Carrying value	
		2004	2003
Equity securities	-	₩ 243,810	₩ 139,816
Government and public bonds	4.5~9.6	225,480	9,932
Debentures issued by financial institutions	3.2~4.9	328,155	193,681
Corporate bonds	3.5	9,983	50,555
		₩ 807,428	₩ 393,984

The information on trading securities by industry as of December 31, 2004 and 2003, are as follows:

(in millions of Korean won)	2004		2003	
	Amount	Ratio (%)	Amount	Ratio (%)
Financial business	₩ 338,138	41.88	₩ 193,681	49.16
Public administration	225,480	27.92	60,487	15.35
Manufacturing	223,215	27.65	128,773	32.69
Others	20,595	2.55	11,043	2.80
	₩ 807,428	100.00	₩ 393,984	100.00

The information on trading securities by country as of December 31, 2004 and 2003, are as follows:

(in millions of Korean won)	2004		2003	
	Amount	Ratio (%)	Amount	Ratio (%)
Korea	₩ 807,428	100.00	₩ 393,984	100.00

The information on trading securities by securities type as of December 31, 2004 and 2003, are as follows:

(in millions of Korean won)	2004		2003	
	Amount	Ratio (%)	Amount	Ratio (%)
Stocks	₩ 243,810	30.20	₩ 139,816	35.49
Fixed rate bonds	563,618	69.80	203,613	51.68
Floating rate bonds	-	-	50,555	12.83
	₩ 807,428	100.00	₩ 393,984	100.00

6. Available-For-Sale Securities

Available-for-sale securities as of December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)	Annual interest rate	Carrying value	
		2004	2003
Stocks	-	₩ 678,555	₩ 465,493
Equity investments	-	21,980	31,221
Government and public bonds	3.0~11.1	1,393,237	1,857,352
Debentures issued by financial institutions	3.3~10.1	3,116,687	2,940,709
Corporate bonds	3.0~15.0	5,409,620	5,464,207
Beneficiary certificates	-	-	684,909
Bonds denominated in foreign currencies	0.9 ~ 11.8	1,045,318	1,075,407
Stocks denominated in foreign currencies	-	1,240	1,410
Others	-	5,436	5,437
		₩ 11,672,073	₩ 12,526,145

As of December 31, 2004, available-for-sale securities amounting to ₩ 2,838,987 million are pledged as collateral for borrowings from the Bank of Korea and other financial institutions.

Equity securities, including equity securities in foreign currencies as of December 31, 2004 and 2003, are as follows:

1) As of December 31, 2004

(in millions of Korean won)	Acquisition cost ⁽¹⁾	Gain (loss)	Capital adjustments	Carrying value
Marketable equity securities	₩ 222,326	₩ (2,355)	₩ 3,411	₩ 223,382
Non-marketable equity securities	364,289	(4,459)	96,583	456,413
	₩ 586,615	₩ (6,814)	₩ 99,994	₩ 679,795

2) As of December 31, 2003

(in millions of Korean won)	Acquisition cost ⁽¹⁾	Gain (loss)	Capital adjustments	Carrying value
Marketable equity securities	₩ 239,693	₩ (51,453)	₩ 40,703	₩ 228,943
Non-marketable equity securities	218,096	(590)	20,454	237,960
	₩ 457,789	₩ (52,043)	₩ 61,157	₩ 466,903

⁽¹⁾ Prior year's book value plus acquisition costs for securities purchased during the year.

Details of marketable equity securities as of December 31, 2004, consist of the following:

(in millions of Korean won) Company	Number of shares	Percentage of ownership (%)	Carrying value
Korea Electronic Power Corporation	1,110,000	0.17	₩ 29,804
Ssangyong Motors Co.	4,698,742	3.89	28,192
Daewoo International Corporation	1,147,421	1.21	11,933
Anam Semiconductor Inc.	3,537,600	1.65	10,330
SsangYong Cement Industrial Co., Ltd.	7,536,800	2.38	8,969
Samsung Electronic Corporation	19,877	0.01	8,955
Kyobo Securities Co., Ltd.	3,130,000	8.69	8,388
Dongwon Financial Holding Co., Ltd	845,046	1.60	8,281
KOCREF I	1,073,972	4.04	7,035
National Information & Credit Evaluation Inc.	305,544	4.56	4,339
SK Securities Co., Ltd.	6,059,106	1.89	4,060
Sae han Industries Inc.	2,218,932	4.72	3,817
KP Chemical Corporation	709,323	0.75	3,511
Ssangyong Engineering & Construction Co., Ltd.	514,845	1.76	3,429
Hyundai Engineering & Construction Co., Ltd.	199,504	0.18	3,102
Cheil Industries Inc.	165,430	0.33	2,639
Hyundai Motor Co.	47,250	0.02	2,622
Others			73,976
			₩ 223,382

The equity securities in Ssangyong Motors Co. are restricted as to their disposal until December 31, 2004.

As of December 31, 2004, the marketable equity securities with disposal restrictions amounted to ₩ 35,734 million, including the above-mentioned securities.

The marketable equity securities above are recorded at their fair values with unrealized holding gains and losses recorded as capital adjustments. For items determined to be impaired due to a significant decrease in fair values resulting from deterioration of operating conditions, cash shortage, lack of funds, and other reasons, the decrease in fair values are recognized in current operations as impairment losses. The Bank recognized ₩ 4,486 million of such impairment losses on marketable equity securities for the year ended December 31, 2004.

Details of marketable equity securities as of December 31, 2004, consist of the following:

(in millions of Korean won) Company	Number of shares	Percentage of ownership (%)	Carrying value
LG Card Co., Ltd	27,973,824	5.41	₩ 111,280
SK Networks Co., Ltd. (common stock)	13,468,764	5.73	90,726
SK Networks Co., Ltd. (preferred callable stock)	1,126,102	10.14	62,231
Korea Housing Guarantee Co.	16,942,000	2.62	38,746
Hyundai Engineering & Construction Co., Ltd.	2,240,154	2.06	27,941
Daewoo Engineering & Construction Co., Ltd.	4,405,186	1.32	24,858
Samsung Life Insurance Co.	47,700	0.24	15,836
Korea Securities Finance Corporation	2,506,229	3.68	13,639
Daewoo Electronics Corp.	1,800,780	1.69	8,213
TU Media Corporation	1,300,000	4.74	7,554
Korea Asset Management Corporation	920,000	3.08	5,087
Kolon Capital	2,338,329	14.90	4,274
Arirang Restructuring Fund	2,080,000	3.12	4,144
Daewoo Capital Corporation	380,334	1.51	3,833
Mugungngwha Restructuring Fund	2,080,000	3.12	3,664
Others			34,387
			₩ 456,413

The securities of Hyundai Engineering & Construction Co., Ltd. were acquired at a price of ₩ 5,000 per share, and the disposal of 2,240,154 shares is restricted until December 31, 2006.

The equity securities of SK Networks Co., Ltd. are restricted as to their disposal until December 31, 2007, while the disposal of 4,405,186 shares of the securities in Daewoo Engineering & Construction Co., Ltd. are also restricted until December 31, 2004.

As of December 31, 2004, the non-marketable equity securities with disposal restrictions amounted to ₩ 327,829 million, including the above-mentioned securities.

The non-marketable equity securities above are stated at the value assessed by outside credit rating agencies or by the Bank's own valuation model, with the related unrealized holding gains and losses are recorded in capital adjustments. For items determined to be impaired due to a significant decrease in fair values resulting from deterioration of operating conditions, cash shortage, lack of funds, and other reasons, the decrease in fair values are recognized in current operations as impairment losses. The Bank recognized ₩ 4,320 million of such impairment losses on non-marketable equity securities for the year ended December 31, 2004.

Debt securities as of December 31, 2004 and 2003, consist of the following:

1) As of December 31, 2004:

(in millions of Korean won)

	Acquisition cost ⁽¹⁾	Adjusted value ⁽²⁾	Carrying value
Government and public bonds	₩ 1,369,869	₩ 1,372,032	₩ 1,393,237
Debentures issued by financial institutions	3,099,670	3,103,343	3,116,687
Corporate bonds	5,388,163	5,362,390	5,409,620
Securities denominated in foreign currencies	1,108,988	1,035,898	1,045,318
	₩ 10,966,690	₩ 10,873,663	₩ 10,964,862

2) As of December 31, 2003:

(in millions of Korean won)

	Acquisition cost ⁽¹⁾	Adjusted value ⁽²⁾	Carrying value
Government and public bonds	₩ 1,880,381	₩ 1,879,518	₩ 1,857,352
Debentures issued by financial institutions	2,928,795	2,951,576	2,940,709
Corporate bonds	5,538,112	5,494,208	5,464,207
Securities denominated in foreign currencies	1,067,182	1,052,258	1,075,407
	₩ 11,414,470	₩ 11,377,560	₩ 11,337,675

⁽¹⁾ Prior year's book value plus acquisition costs for securities purchased during the year.

⁽²⁾ Adjusted value after impairment and amortization of discounts or premiums (amortized cost).

Details of gains (losses) on valuation of available-for-sale securities included in capital adjustments as of December 31, 2004 and 2003, are as follows:

(in millions of Korean won)

	2004	2003
Stocks and equity investments	₩ 172,448	₩ 78,242
Government and public bonds	27,192	(3,737)
Debentures issued by financial institutions	13,014	(876)
Corporate bonds	18,816	(30,412)
Other securities	-	3,910
Securities denominated in foreign currencies	13,955	19,520
	₩ 245,425	₩ 66,647

The information on available-for-sale securities by currency and country as of December 31, 2004, follows:

(in millions of Korean won)	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Korea	₩ 10,625,515	100.00	₩ 954,408	91.20
U.S.A.	-	-	44,011	4.20
U.K.	-	-	15,802	1.51
China	-	-	8,242	0.79
Others	-	-	24,095	2.30
	₩ 10,625,515	100.00	₩ 1,046,558	100.00

The information on available-for-sale securities by industry as of December 31, 2004, follows:

(in millions of Korean won)	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Financial business	₩ 4,406,232	41.47	₩ 327,983	31.34
Public administration	5,207,026	49.01	175,823	16.80
Manufacturing	536,901	5.05	327,040	31.25
Construction	80,493	0.76	-	-
Wholesale and retail	285,934	2.69	5,219	0.50
Others	108,929	1.02	210,493	20.11
	₩ 10,625,515	100.00	₩ 1,046,558	100.00

The information on available-for-sale securities by securities type as of December 31, 2004, follows:

(in millions of Korean won)	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Stocks	₩ 678,555	6.39	₩ 1,240	0.12
Fixed rate bonds	6,951,386	65.42	475,550	45.44
Floating rate bonds	2,968,158	27.93	539,306	51.53
Convertible bonds	-	-	16,398	1.57
Others	27,416	0.26	14,064	1.34
	₩ 10,625,515	100.00	₩ 1,046,558	100.00

The maturities of debt securities as of December 31, 2004, are as follows:

(in millions of Korean won)	Government and public bonds	Debentures issued by financial institutions	Corporate bonds	Securities denominated in foreign currencies	Total
Within 1 month	₩ 5,753	₩ 47,635	₩ 58,441	₩ 12,542	₩ 124,371
More than 1 ~ 3 months	4,513	1,863	30,226	17,404	54,006
More than 3 ~ 6 months	11,473	70,668	29,146	10,438	121,725
More than 6 months ~ 1 year	78,622	656,141	443,946	103,142	1,281,851
More than 1 ~ 3 years	615,727	2,279,840	3,970,289	481,269	7,347,125
More than 3 ~ 5 years	603,940	10,393	779,874	171,897	1,566,104
More than 5 years	73,209	50,147	97,698	248,626	469,680
	₩ 1,393,237	₩ 3,116,687	₩ 5,409,620	₩ 1,045,318	₩ 10,964,862

7. Held-To-Maturity Securities

Held-to-maturity securities as of December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)	Annual interest rate	2004	2003
Government and public bonds	2.50 ~ 9.40	₩ 880,918	₩ 911,122
Debentures issued by financial institutions	4.31 ~ 6.76	431,538	953,362
Corporate bonds	3.12 ~ 15.00	917,719	785,510
Securities denominated in foreign currencies	Libor + 0.97 ~ 2.00	22,497	34,960
Securities lent	5.67	13,421	13,447
		₩ 2,266,093	₩ 2,698,401

As of December 31, 2004, held-to-maturity securities amounting to ₩ 1,808,726 million are pledged as collateral for borrowings from the Bank of Korea and other financial institutions.

Details of held-to-maturity securities as of December 31, 2004 and 2003, consist of the following:

1) As of December 31, 2004:

(in millions of Korean won)	Acquisition cost ⁽¹⁾	Adjusted value ⁽²⁾	Carrying value
Government and public bonds	₩ 867,492	₩ 880,918	₩ 880,918
Debentures issued by financial institutions	430,885	431,538	431,538
Corporate bonds	915,691	917,719	917,719
Securities denominated in foreign currencies	22,404	22,497	22,497
Securities lent	13,448	13,421	13,421
	₩ 2,249,920	₩ 2,266,093	₩ 2,266,093

2) As of December 31, 2003:

(in millions of Korean won)	Acquisition cost ⁽¹⁾	Adjusted value ⁽²⁾	Carrying value
Government and public bonds	₩ 902,361	₩ 911,122	₩ 911,122
Debentures issued by financial institutions	939,504	953,362	953,362
Corporate bonds	798,798	785,510	785,510
Securities denominated in foreign currencies	34,991	34,960	34,960
Securities lent	13,474	13,447	13,447
	₩ 2,689,128	₩ 2,698,401	₩ 2,698,401

⁽¹⁾ Prior year's book value plus acquisition costs for securities purchased during the year.

⁽²⁾ Adjusted value after impairment and amortization of discounts or premiums (amortized cost).

The information on held-to-maturity securities by currency and country as of December 31, 2004, follows:

(in millions of Korean won)	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Korea	₩ 2,243,596	100.00	₩ 10,838	48.17
Singapore	-	-	6,386	28.39
Other	-	-	5,273	23.44
	₩ 2,243,596	100.00	₩ 22,497	100.00

The information on held-to-maturity securities by industry as of December 31, 2004, follows:

(in millions of Korean won)	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Financial business	₩ 530,949	23.67	₩ -	-
Public administration	1,712,647	76.33	6,386	28.39
Manufacturing	-	-	16,111	71.61
	₩ 2,243,596	100.00	₩ 22,497	100.00

The information on held-to-maturity securities by classification as of December 31, 2004 and 2003, follows:

(in millions of Korean won)	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Fixed rate bonds	₩ 2,228,455	99.33	₩ 6,386	28.39
Floating rate bonds	15,141	0.67	16,111	71.61
	₩ 2,243,596	100.00	₩ 22,497	100.0

The maturities of held-to-maturity securities as of December 31, 2004, are as follows:

(in millions of Korean won)	Government and public bonds	Debentures issued by financial institutions	Corporate bonds	Securities denominated in foreign currencies	Securities lent	Total
Within 1 month	₩ -	₩ -	₩ 12,217	₩ 2,556	₩ -	₩ 14,773
More than 1 ~ 3 months	-	49,982	-	3,831	-	53,813
More than 3 ~ 6 months	10,092	29,825	45,966	-	-	85,883
More than 6 months ~ 1 year	11,264	106,643	156,683	10,438	13,421	298,449
More than 1 ~ 3 years	443,101	150,088	342,215	5,273	-	940,677
More than 3 ~ 5 years	358,378	-	130,134	399	-	488,911
More than 5 years	58,083	95,000	230,504	-	-	383,587
	₩ 880,918	₩ 431,538	₩ 917,719	₩ 22,497	₩ 13,421	₩ 2,266,093

8. Investments in Associates

Investments in associates accounted for under the equity method as of December 31, 2004, are as follows:

	Percentage of Ownership (%)	Acquisition cost	Current Period Adjustments			Carrying value
			Gain arising from the equity method	Capital adjustment	Retained earnings	
Hana Securities	61.15	₩ 154,588	₩ 14,363	₩ 17,682	₩ -	₩ 186,633
Hana Allianz	50.00	10,456	2,143	(4)	36	12,631
Hana Research	62.50	2,022	1	-	-	2,023
Hana Funding Ltd.	100.00	52	-	-	-	52
BC Card	16.83	24,712	1,111	105	-	25,928
Hana INS	100.00	2,037	388	-	-	2,425
Hana Life Insurance	50.00	9,037	2,067	4,249	-	15,353
Qingdao International Bank	72.31	24,722	(43)	-	-	24,679
		₩ 227,626	₩ 20,030	₩ 22,032	₩ 36	₩ 269,724

Besides the investments in associates above, the Bank holds 756,593 stocks, representing 18.91% ownership in Korea Non-Bank Lease Financing Co., Ltd. The Bank discontinued applying the equity method to this investment because the accumulated losses from the stocks exceeded the acquisition costs. The cumulative losses not recognized due to the discontinuance of the equity method are amounted to ₩ 8,635 million as of December 31, 2004.

As of December 31, 2004, the amount of capital adjustments in relation to investments in associates are ₩ 26,058 million (2003: ₩ 4,026 million).

9. Loans Receivable

Loans receivable as of December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)	2004	2003
Loans in Korean won currency		
Corporate loans	₩ 18,743,132	₩ 18,820,713
Household loans	27,916,646	25,661,741
Others	449,842	355,846
	47,109,620	44,838,300
Loans in foreign currencies	3,416,921	3,339,687
Bills purchased in Korean won currency	2,292,192	1,869,384
Bills purchased in foreign currencies	1,945,060	1,664,364
Advances to customers	23,469	70,746
Factoring receivables	341,277	229,763
Credit card loans	1,906,822	1,668,070
Bonds purchased on resale agreements	30,000	291,000
Call loans	955,888	440,200
Privately-placed debentures	1,984,127	1,954,225
Convertible loans	-	39,585
	₩ 60,005,376	₩ 56,405,324

The information on loans receivable in Korean won, including bills purchased, factoring receivables and convertible loans; and loans in foreign currencies, including factoring receivables, by industry as of December 31, 2004 and 2003, is summarized as follows:

1) As of December 31, 2004:

(in millions of Korean won)	Loans in Korean won	Loans in foreign currencies	Total	Ratio (%)
Manufacturing	₩ 7,992,496	₩ 1,858,033	₩ 9,850,529	18.53
Construction	1,814,658	23,627	1,838,285	3.46
Wholesale and retail	3,640,690	383,691	4,024,381	7.57
Financial business	863,858	85,886	949,744	1.79
Real estate and renting	1,883,686	94,950	1,978,636	3.72
Household	27,916,646	-	27,916,646	52.51
Public and others	5,631,055	970,734	6,601,789	12.42
	₩ 49,743,089	₩ 3,416,921	₩ 53,160,010	100.00

2) As of December 31, 2003:

(in millions of Korean won)	Loans in Korean won	Loans in foreign currencies	Total	Ratio (%)
Manufacturing	₩ 8,011,264	₩ 1,833,686	₩ 9,844,950	19.57
Wholesale and retail	3,447,183	324,197	3,771,380	7.50
Financial business	1,420,482	245,933	1,666,415	3.31
Construction	1,700,369	13,998	1,714,367	3.41
Household	25,661,741	-	25,661,741	51.00
Real estate and renting	1,626,811	36,662	1,663,473	3.30
Public and others	5,109,182	885,211	5,994,393	11.91
	₩ 46,977,032	₩ 3,339,687	₩ 50,316,719	100.00

The information on loans receivable in foreign currencies, including factoring receivables, by country as of December 31, 2004 and 2003, is summarized as follows:

(in millions of Korean won)	2004		2003	
	Amount	Ratio (%)	Amount	Ratio (%)
Korea	₩ 1,698,599	49.71	₩ 1,560,590	46.73
Japan	50,752	1.49	78,189	2.34
China	41,752	1.22	2,314	0.07
Indonesia	7,659	0.22	15,520	0.46
U.S.A.	4,815	0.14	12,314	0.37
Russia	-	-	118,582	3.55
Hong Kong	-	-	8,875	0.27
Domestic import usance	1,567,389	45.87	1,543,303	46.21
Others	45,955	1.35	-	-
	₩ 3,416,921	100.00	₩ 3,339,687	100.00

The maturities of loans receivable in Korean won, including bills purchased, factoring receivables and convertible loans, loans in foreign currencies, including factoring receivables, and bills purchased in foreign currencies as of December 31, 2004, are summarized as follows:

(in millions of Korean won)	Loans in Korean won	Loans in foreign currencies	Bills purchased in foreign currencies	Total
Within 1 month	₩ 2,803,127	₩ 673,385	₩ 1,157,713	₩ 4,634,225
More than 1 ~ 3 months	6,109,082	665,111	583,351	7,357,544
More than 3 ~ 6 months	9,187,443	865,546	188,844	10,241,833
More than 6 months ~ 1 year	14,999,076	674,713	7,450	15,681,239
More than 1 ~ 3 years	8,796,475	253,094	2,328	9,051,897
More than 3 ~ 5 years	2,711,757	110,363	-	2,822,120
More than 5 years	5,136,129	174,709	5,374	5,316,212
	₩ 49,743,089	₩ 3,416,921	₩ 1,945,060	₩ 55,105,070

Details of changes in the allowance for possible loan losses for the years ended December 31, 2004 and 2003, are as follows:

(in millions of Korean won)	2004	2003
Beginning balance	₩ 1,063,103	₩ 849,531
Amounts offset against present value discounts	(2,172)	(2,251)
Transfer to allowances for acceptances and guarantees	-	(2,101)
Debt-to-equity swap	(149,962)	(94,567)
Repurchase of loans from Korea Asset Management Corporation	25	1,015
Sale of non-performing loans receivable	(9,433)	(55,233)
Write-offs	(362,710)	(519,133)
Remission of loans receivable	(35)	(13,033)
Collection of previously written-off receivables	66,279	65,901
Provision for possible loan losses	348,725	839,066
Changes in currency exchange rates and others	(11,167)	(6,092)
Ending balance	₩ 942,653	₩ 1,063,103

As of December 31, 2004, the details of the classification of loans and allowance for possible loan losses are as follows:

1) Classification of loans

(in millions of Korean won)	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total ⁽²⁾
Loans receivable in Korean won ⁽¹⁾	₩47,513,385	₩1,175,513	₩580,904	₩86,293	₩99,464	₩49,455,559
Loans receivable in foreign currencies	3,287,379	61,944	13,009	11,139	1,698	3,375,169
Bills purchased in foreign currencies	1,903,586	34,434	2,775	1,367	2,898	1,945,060
Advances to customers	12,010	591	1,382	5,524	3,962	23,469
Credit card loans receivable	1,849,599	21,996	1,644	24,163	9,420	1,906,822
Privately-placed debentures	1,978,541	3,620	-	443	1,523	1,984,127
Others	248	506	2,432	1,776	4,766	9,728
	₩56,544,748	₩1,298,604	₩602,146	₩130,705	₩123,731	₩58,699,934

⁽¹⁾ Including bills purchased in Korean won, factoring receivables in Korean won and convertible loans.

⁽²⁾ Net of present value discounts and excluding bonds purchased on repurchase agreements, call loans and inter-bank loans.

2) Allowance for possible loan losses

(in millions of Korean won)	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Loans receivable in Korean won	₩370,944	₩106,356	₩145,872	₩68,423	₩99,464	₩791,059
Loans receivable in foreign currencies	23,266	5,067	3,160	7,797	1,698	40,988
Bills purchased in foreign currencies	3,777	6,345	577	1,276	2,898	14,873
Advances to customers	95	36	367	4,718	3,962	9,178
Credit card loans receivable	29,603	2,633	781	21,706	9,420	64,143
Privately-placed debentures	13,275	363	-	310	1,523	15,471
Others	2	44	634	1,495	4,766	6,941
	₩440,962	₩120,844	₩151,391	₩105,725	₩123,731	₩942,653

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

Historical ratios of allowance for possible loan losses to total loans receivable for the three years ended December 31, 2004, 2003 and 2002, are as follows:

(in millions of Korean won)	2004	2003	2002
Loans ⁽¹⁾	₩58,699,934	₩55,704,597	₩51,429,939
Allowance for possible loan losses	942,653	1,063,103	849,531
Ratios	1.61%	1.91%	1.65%

⁽¹⁾ Loans receivable include certain amounts of accounts receivable and suspense receivables, and do not include bonds purchased under resale agreements, call loans and inter-bank loans.

For the years ended December 31, 2004 and 2003, the changes in present value discounts due to changes in the contractual terms related to troubled debt restructuring are as follows:

(in million of Korean won)	2004	2003
Beginning balance	₩6,867	₩10,242
Amortized amount (interest income)	(2,172)	(3,850)
Accrued amount and reversal of allowances for possible loan losses for the year	(3,055)	475
Ending balance	₩1,640	₩6,867

Details of restructured loans receivable, excluding the loans provided to the companies of the Daewoo Group, due to changes in contractual terms as of December 31, 2004 are as follows:

(in millions of Korean won)	Outstanding loans	Extension of maturity and/or reduction of interest rate	Loans for debt-to-equity swap	Converted to equity securities	Convertible bonds	Present value discounts	Restructured value
Workout	₩ 732,224	₩ 304,427	₩ -	₩ 426,481	₩ 1,316	₩ -	₩ 304,427
Court receivership	26,697	19,586	-	5,944	-	1,167	19,586
Court mediation	12,582	11,880	-	702	-	-	11,880
Others	3,809	1,021	-	2,788	-	-	1,021
	₩ 775,312	₩ 336,914	₩ -	₩ 435,915	₩ 1,316	₩ 1,167	₩ 336,914

10. Property and Equipment and Intangible Assets

Property and equipment, and intangible assets as of December 31, 2004 and 2003, are summarized as follows:

1) As of December 31, 2004:

(in millions of Korean won)	Acquisition cost	Accumulated depreciation	Net book value
Property and equipment :			
Land	₩ 505,084	₩ -	₩ 505,084
Buildings, structures and auxiliary facilities	472,901	102,926	369,975
Vehicles, furniture and fixtures	400,830	287,354	113,476
Construction-in-progress	4,333	-	4,333
Others	5	-	5
	1,383,153	390,280	992,873
Intangible assets	139,501	-	139,501
	₩ 1,522,654	₩ 390,280	₩ 1,132,374

2) As of December 31, 2003:

(in millions of Korean won)	Acquisition cost	Accumulated depreciation	Net book value
Property and equipment :			
Land	₩ 651,208	₩ -	₩ 651,208
Buildings, structures and auxiliary facilities	471,640	88,896	382,744
Vehicles, furniture and fixtures	352,346	220,949	131,397
Construction-in-progress	3,194	-	3,194
Others	5	-	5
	1,478,393	309,845	1,168,548
Intangible assets	166,783	-	166,783
	₩ 1,645,176	₩ 309,845	₩ 1,335,331

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

In accordance with bank supervisory regulations, the Bank's property and equipment, except for land, are covered by insurance policies against fire and other casualty losses up to ₩ 505,761 million as of December 31, 2004. The government-valued prices of the Bank's land amounted ₩ 433,648 million (2003: ₩ 543,620 million) as of December 31, 2004.

The changes in property and equipment, and intangible assets for the year ended December 31, 2004, are as follows:

(in millions of Korean won)	Property and equipment	Intangible assets	Total
Beginning balance	₩ 1,168,548	₩ 166,783	₩ 1,335,331
Acquisition/capital expenditures	119,713	16,565	136,278
Disposals	194,656	-	194,656
Amortization	97,537	43,847	141,384
Others	(3,195)	-	(3,195)
Ending balance	₩ 992,873	₩ 139,501	₩ 1,132,374

11. Deposits

Deposits as of December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)	2004	2003
Korean won currency deposits:	₩ 2,779,977	₩ 3,220,240
Time and savings deposits	47,772,446	48,784,652
Mutual installment received	2,129,035	1,543,842
Housing installment deposits	330,443	313,195
	53,011,901	53,861,929
Foreign currency deposits:		
Demand deposits	579,012	485,515
Time and savings deposits	1,254,819	1,068,808
	1,833,831	1,554,323
Certificates of deposits	1,569,535	2,192,479
	₩ 56,415,267	₩ 57,608,731

The maturities of deposits as of December 31, 2004, are summarized as follows:

(in millions of Korean won)	Korean won currency deposits	Foreign currency deposits	Certificates of deposits	Total
Within 1 month	₩ 7,650,699	₩ 734,965	₩ 813,374	₩ 9,199,038
More than 1 ~ 3 months	4,307,943	290,068	571,033	5,169,044
More than 3 ~ 6 months	6,606,860	128,846	104,567	6,840,273
More than 6 months ~ 1 year	17,261,940	135,887	53,327	17,451,154
More than 1 ~ 3 years	2,635,948	13,482	23,990	2,673,420
More than 3 ~ 5 years	13,369,223	355,225	3,244	13,727,692
More than 5 years	1,179,288	175,358	-	1,354,646
	₩ 53,011,901	₩ 1,833,831	₩ 1,569,535	₩ 56,415,267

12. Borrowings

Borrowings as of December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)	Annual interest rate(%)	2004	2003
Korean won currency borrowings:			
Bank of Korea	2.00	₩ 781,270	₩ 977,508
Korean Government	2.00~3.28	205,877	227,390
Others	0.00~5.05	734,961	646,243
		1,722,108	1,851,141
Foreign currency borrowings:			
Bank overdraft	-	288,635	41,994
Foreign banks and others	Libor+0.20~0.40	2,618,013	3,518,771
Offshore	Libor+0.00~0.32	310,449	397,711
		3,217,097	3,958,476
		₩ 4,939,205	₩ 5,809,617

The maturities of borrowings as of December 31, 2004, are as follows:

(in millions of Korean won)	Korean won currency borrowings	Foreign currency borrowings	Total
Within 1 month	₩ 798,563	₩ 1,203,316	₩ 2,001,879
More than 1 ~ 3 months	3,155	775,422	778,577
More than 3 ~ 6 months	24,212	744,027	768,239
More than 6 months ~ 1 year	11,359	421,734	433,093
More than 1 ~ 3 years	210,887	71,411	282,298
More than 3 ~ 5 years	318,924	-	318,924
More than 5 years	355,008	1,187	356,195
	₩ 1,722,108	₩ 3,217,097	₩ 4,939,205

13. Debentures

Debentures as of December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)	Annual interest rate(%)	2004	2003
Korean won currency debentures:			
Subordinated bonds	5.24 ~ 10.60	₩ 3,013,919	₩ 2,764,066
Other bonds	2.2 ~ 6.7	3,980,151	2,757,822
		6,994,070	5,521,888
Less: Present value discounts		(30,860)	(30,777)
		6,963,210	5,491,111
Foreign currency debentures:			
Foreign currency bonds	(L + 0.25) ~ 8.75	1,177,882	811,376
Less: Present value discounts		(7,572)	(3,833)
		1,170,310	807,543
		₩ 8,133,520	₩ 6,298,654

Among the foreign currency bonds, the Bank issued subordinated bonds amounting to US\$200,000 thousand (equivalent to ₩ 208,760 million) to Hana Funding Ltd., a wholly-owned subsidiary of the Bank. Hana Funding Ltd. funded the acquisition of the bonds through the offering of non-cumulative tier one preferred stock. Detailed information related to the tier one preferred stock is as follows:

Summary terms	
Call option	Redeemable in whole but not in part at the option of the issuer on December 17, 2012 or any payment date thereafter
Interest rate	8.748% per annum to the Reset Date Floating rate after the Reset Date
Interest payment dates	Annually to the Reset Date Quarterly after the Reset Date
Maturity	Due 2101
Non-cumulative preferred stock (Tier One Preferred Securities, "TOPS")	Listed on the Singapore Stock Exchange

The maturities of debentures as of December 31, 2004, are as follows:

(in millions of Korean won)	Korean won currency debentures	Foreign currency debentures	Total
Within 1 month	₩ 701,785	₩ 52,190	₩ 753,975
More than 1 ~ 3 months	170,000	-	170,000
More than 3 ~ 6 months	830,000	20,242	850,242
More than 6 months ~ 1 year	1,472,924	-	1,472,924
More than 1 ~ 3 years	1,879,987	281,191	2,161,178
More than 3 ~ 5 years	1,189,374	615,499	1,804,873
More than 5 years	750,000	208,760	958,760
	₩ 6,994,070	₩ 1,177,882	₩ 8,171,952

14. Confirmed Acceptances and Guarantees

Confirmed acceptances and guarantees as of December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)	2004	2003
Acceptances and guarantees in Korean won currency	₩ 439,586	₩ 440,084
Acceptances and guarantees in foreign currencies:		
Acceptances for letters of credit	156,178	114,760
Letters of guarantee for importers	48,393	60,829
Guarantees on credit derivatives	25,329	59,011
Others ⁽¹⁾	359,570	672,970
	589,470	907,570
	₩ 1,029,056	₩ 1,347,654

⁽¹⁾ Acceptances and guarantees for the return of advances related to export, overseas bidding, and contractual obligations.

The information on confirmed acceptances and guarantees by industry as of December 31, 2004, is as follows:

(in millions of Korean won)	Amounts	Ratio (%)
Manufacturing	₩ 355,707	34.57
Construction	81,084	7.88
Wholesale and retail	248,803	24.18
Transport and storage	21,591	2.10
Real estate and renting	4,285	0.42
Financial business	209,855	20.39
Others	107,731	10.46
	₩ 1,029,056	100.00

The information on confirmed acceptances and guarantees by country as of December 31, 2004, is as follows:

(in millions of Korean won)	Amounts	Ratio (%)
Korea	₩ 990,022	96.21
U.S.A.	22,320	2.17
Japan	12,642	1.23
Hong Kong	4,072	0.39
	₩ 1,029,056	100.00

The details of classification of acceptances and guarantees, and reserves for possible losses on acceptances and guarantees as of December 31, 2004 are summarized as follows:

(in millions of Korean won)	Acceptances and guarantees in Korean won currency		Acceptances and guarantees in foreign currencies		Total		Reserve ratio (%)
	Outstanding amount	Amount of reserves	Outstanding amount	Amount of reserves	Outstanding amount	Amount of reserves	
Normal	₩ 435,416	₩ -	₩ 539,999	₩ -	₩ 975,415	₩ -	-
Precautionary	3,466	-	45,431	⁽¹⁾ 8,562	48,897	8,562	78.53
Substandard	643	256	3,868	1,915	4,511	2,171	19.91
Doubtful	41	29	171	120	212	149	1.37
Estimated loss	20	20	1	1	21	21	0.19
	₩ 439,586	₩ 305	₩ 589,470	₩ 10,598	₩ 1,029,056	₩ 10,903	100.00

⁽¹⁾ The amount of reserves for possible loan losses on acceptance and guarantees to SK Networks

Pursuant to a government program to support financial institutions in Korea, the Bank sold a substantial amount of non-performing loans (NPLs) and other assets at a discounted price to KAMCO (Korea Asset Management Corporation) on a recourse basis since 1997. As of December 31, 2004, the Bank remained contingently liable to KAMCO for the selling price of the NPLs amounting to ₩ 19,646 million that were sold on a recourse basis. Pursuant to the terms of the sale contracts, if such NPLs are restructured and if certain payments default, KAMCO may exercise its right to request the Bank to repurchase certain portions of these assets at the original selling price paid to KAMCO plus accrued interest. The Bank recorded a related reserve for possible losses on acceptance and guarantees as of December 31, 2004.

15. Assets and Liabilities Denominated in Foreign Currencies

Significant assets and liabilities denominated in foreign currencies as of December 31, 2004 and 2003, are as follows:

	2004		2003	
	Millions of Korean won	Thousands of US Dollars	Millions of Korean won	Thousands of US Dollars
Assets:				
Cash and due from banks	₩123,648	\$ 118,459	₩219,145	\$ 182,956
Securities	1,093,785	1,047,888	1,111,837	928,233
Loans	3,416,921	3,273,540	3,339,687	2,788,182
Others	2,758,055	2,642,317	2,421,852	2,021,919
Allowance for possible loan losses	(55,525)	(53,194)	(80,857)	(67,505)
	₩7,336,884	\$ 7,029,010	₩7,011,664	\$ 5,853,785
Liabilities:				
Deposits	₩1,833,831	\$ 1,756,879	₩1,554,323	\$ 1,297,648
Borrowings	3,217,097	3,082,101	3,958,476	3,304,788
Due to Bank of Korea	-	-	12,821	10,704
Debentures	1,177,882	1,128,455	811,376	677,389
Others	841,346	806,034	868,381	724,980
	₩ 7,070,156	\$ 6,773,469	₩7,205,377	\$ 6,015,509

16. Commitments and Contingencies

Information on the amount of position, and unrealized gains and losses of derivatives as of December 31, 2004 and 2003, are as follows:

1) As of December 31, 2004:

(in millions of Korean won)	Amount of position			Unrealized gains and losses				Carrying value
	Total	Trading	Hedging	Total	Trading	Effective	Ineffective	
Currency								
Forward	₩5,025,339	₩5,025,339	₩ -	₩ 6,354	₩6,354	₩ -	₩ -	₩ 7,701
Swap	2,270,552	2,270,552	-	3,844	3,844	-	-	3,346
Option	575,892	575,892	-	-	-	-	-	-
Futures	104,440	104,440	-	-	-	-	-	-
	7,976,223	7,976,223	-	10,198	10,198	-	-	11,047
Interest rate								
Futures	177,481	177,481	-	-	-	-	-	-
Swap	2,445,541	1,364,656	1,080,885	(9,940)	4,948	(14,550)	(338)	(23,166)
	2,623,022	1,542,137	1,080,885	(9,940)	4,948	(14,550)	(338)	(23,166)
Stock								
Call option	470,653	470,653	-	15,338	15,338	-	-	61,870
Put option	651,854	651,854	-	2,499	2,499	-	-	(79,640)
	1,122,507	1,122,507	-	17,837	17,837	-	-	(17,770)
Other								
Long futures	5,453	5,453	-	(38)	(38)	-	-	175
Short futures	5,453	5,453	-	38	38	-	-	(175)
	10,906	10,906	-	-	-	-	-	-
	₩ 11,732,658	₩10,651,773	₩ 1,080,885	₩ 18,095	₩ 32,983	₩ (14,550)	₩ (338)	₩ (29,889)

2) As of December 31, 2003:

(in millions of Korean won)	Amount of position			Unrealized gains and losses				Carrying value
	Total	Trading	Hedging	Total	Trading	Effective	Ineffective	
Currency								
Forward	₩ 6,289,473	₩ 6,289,473	₩ -	₩ 3,126	₩ 3,126	₩ -	₩ -	₩ 3,254
Swap	2,027,668	2,027,668	-	(4,839)	(4,839)	-	-	(1,889)
Option	838,989	838,989	-	-	-	-	-	-
	9,156,130	9,156,130	-	(1,713)	(1,713)	-	-	1,365
Interest rate								
Futures	-	-	-	-	-	-	-	-
Swap	1,300,076	822,616	477,460	(3,189)	(2,225)	(611)	(353)	(22,707)
	1,300,076	822,616	477,460	(3,189)	(2,225)	(611)	(353)	(22,707)
Stock								
Call option	469,800	469,800	-	40,161	40,161	-	-	82,432
Put option	627,550	627,550	-	(47,792)	(47,792)	-	-	(109,976)
	1,097,350	1,097,350	-	(7,631)	(7,631)	-	-	(27,544)
	₩ 11,553,556	₩ 11,076,096	₩ 477,460	₩ (12,533)	₩ (11,569)	₩ (611)	₩ (353)	₩ (48,886)

The Bank has entered into various derivatives contracts, including forward exchange contracts, currency futures dealt at Korea Futures Exchange, and interest rate swaps. For the year ended December 31, 2004, in relation to these transactions, the Bank recorded realized gains amounting to ₩ 368,951 million and realized losses on derivatives amounting to ₩ 376,118 million, and unrealized gains amounting to ₩ 434,684 million and unrealized losses on derivatives amounting to ₩ 406,649 million, under other operating income.

The Bank has entered into swap contracts to hedge against the risk of changes in the market interest rate and foreign exchange rate. For the year ended December 31, 2004, in relation to these transactions, the Bank recorded realized gains amounting to ₩ 79,501 million and realized losses on hedging derivatives amounting to ₩ 72,663 million, and unrealized gains amounting to ₩ 44,723 million and unrealized losses on hedging derivatives amounting to ₩ 54,663 million, under other operating income.

For the investment securities related to those hedging transaction, the Bank also recorded gains amounting to ₩ 20,423 million and losses on fair value hedge amounting to ₩ 5,748 million, under other operating income, for the year ended December 31, 2004.

As of December 31, 2004 and, the Bank holds endorsed bills amounting to ₩ 6,729 million (2003: ₩ 12,545 million).

As of December 31, 2004 and 2003, the amounts of commitments in the ordinary course of business are as follows:

(in millions of Korean won)	2004	2003
Loan commitments	₩ 313	₩ 17,494
Security purchase commitments	73,066	53,901
	₩ 73,379	₩ 71,395

The Bank has entered into loan commitments having a ₩ 433,882 million limit with several special purpose (asset-back securitization) companies to fund the repayment of bonds issued by the special purpose companies. As of December 31, 2004, the loans provided under these commitments amount to ₩ 4,458 million. Estimated annual loan amounts to be provided under the loan commitments are ₩ 3,971 million, ₩ 3,659 million and ₩ 307 million for the years of 2005, 2006 and 2007, respectively.

Among the written-off claims of the Bank, the amounts on which the legal rights of claims have not expired are ₩ 969,694 million (2003: ₩ 1,087,877 million) as of December 31, 2004.

As of December 31, 2004, the Bank is involved in 86 lawsuits as a defendant and 1,061 lawsuits as a plaintiff. The aggregate amount of cases as the defendant and the plaintiff amounted to approximately ₩ 217,915 million and ₩ 65,796 million.

The pending material lawsuits filed with the Bank as the defendant, are as follows:

Plaintiff	Amount	Situation of lawsuit		
		First trial	On appeal	Supreme Court trial
Korea Exchange Bank ⁽¹⁾	₩85,595	In-progress	-	-
Korea Exchange Bank ⁽¹⁾	63,111	Partially won	Partially won	In-progress
Restructuring Finance Corp.	16,456	Won	Won	In-progress
Johnson Metaid	4,222	Lost	Partially won	Remanded to appeals court
Park, Jong Sung	4,100	In-progress	-	-
Hyundai Marine & Fire Insurance	3,897	Partially won	In-progress	-
Information & Communication Financial Cooperative	3,335	Partially won	Partially won	Remanded to appeals court
Korea Exchange Bank and Other	3,302	In-progress	-	-

⁽¹⁾ Actual losses relating to the disposition of the collateral of Dong Ah Construction Industrial Co., Ltd. may differ from the amount of the claim as a result of the lawsuit.

The Bank's management believes that the outcome of contingent liabilities and pending lawsuits will not result in any material adverse impact on the Bank's financial position or operations. As of December 31, 2004, the outcome of the above lawsuits and its consequences cannot yet be ascertained, and thus the possible financial effects of the lawsuits have not been reflected on the accompanying financial statements.

17. Capital Stock

The Bank is authorized to issue 2,000 million shares of common stock with a par value of ₩5,000 per share. It is also authorized to issue preferred stock up to 50% of the outstanding number of common shares. As of December 31, 2004, it has 192,353,448 common stock shares issued amounting to ₩987,161 million; and no preferred stock outstanding.

On March 24, 2004, the Board of Directors approved the offsetting of treasury stocks amounting to ₩87,619 million, representing 5,078,755 common shares, against the retained earnings on March 25, 2004. This offsetting resulted to a difference between the amount of the paid-in capital and the total par value of the shares issued as of December 31, 2004. The extinguished treasury stocks were acquired at ₩17,252 per share through the shareholders' exercise of stock purchase option at the time of the merger with the former Hana Bank.

Under the Bank's Articles of Incorporation, the Bank is authorized to issue preferred stock of up to 50% of the outstanding number of shares of common stock. As of December 31, 2004, the Bank has no shares of preferred stock issued.

18. Capital Surplus

Capital surplus as of December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)	2004	2003
Paid-in capital in excess of par value	₩1,136,893	₩1,136,893
Negative goodwill from merger	97,992	97,992
Others	81,491	40,636
	₩1,316,376	₩1,275,521

19. Retained Earnings

Retained earnings as of December 31, 2004 and December 31, 2003 consist of the following:

(in millions of Korean won)	Reference	2004	2003
Appropriated:			
Legal reserve	(A)	₩186,100	₩134,300
Reserve for business rationalization	(B)	10,600	10,600
Reserve for future dividends	(C)	50,800	50,800
Reserve for financial structure improvement	(D)	84,200	32,400
General purpose contingency reserve	(E)	878,349	638,189
		1,210,049	866,289
Unappropriated			
		1,343,134	517,207
		₩2,553,183	₩1,383,496

(A) The General Banking Act requires the Bank to appropriate a minimum of ten percent of its annual net income before income taxes as a legal reserve, until such reserve equals 100 percent 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 can be used by the Bank as a deduction from taxable income. 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.

(C) The reserve for future dividends represents amounts appropriated by the Bank for the purpose of equalizing dividend rates through the years of business, and can be used for any other purpose with the shareholders' approval.

(D) The Bank appropriates a minimum of ten percent of its net income after deducting any accumulated deficit as a reserve for financial structure improvement until the capital adequacy ratio reaches up to 5.5 percent. 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.

(E) The general purpose contingency reserve does not have any specified purpose, and is a voluntary reserve.

The details of cash dividends for the years ended December 31, 2004 and 2003, consist of the following:

1) December 31, 2004:

	Number of shares of stock	Dividend ratio (%)	Dividend per share	Total dividends
Common stock	175,747,421	15.00	750	₩131,810,565,750

2) December 31, 2003:

	Number of shares of stock	Dividend ratio (%)	Dividend per share	Total dividends
Common stock	169,925,918	10.00	500	₩84,962,959,000

20. Capital Adjustments

Capital Adjustment as of December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)	2004	2003
Treasury stocks	₩(278,701)	₩(467,256)
Gain on valuation of available-for-sale securities	245,425	66,647
Gain on valuation of investments in associates	26,058	4,026
Stock options	11,022	5,315
	₩3,804	₩(391,268)

The details of treasury stock as of December 31, 2004 and 2003, are summarized as follows:

1) December 31, 2004:

(in millions of Korean won)

	Number of shares	Amounts
For distribution upon the exercise of stock options	349,729	₩6,628
Acquisition from Korea Deposit Insurance Corp. in relation to the merger	10,157,510	166,857
Stock purchases in relation to the merger	6,098,788	105,216
	16,606,027	₩278,701

2) December 31, 2003:

(in millions of Korean won)

	Number of shares	Amounts
For distribution upon the exercise of stock options	646,092	₩12,245
Acquisition from Korea Deposit Insurance Corp. in relation to the merger	10,157,510	166,857
Stock purchases in relation to the merger	16,702,683	288,154
	27,506,285	₩467,256

The details of stock options as of December 31, 2004, are summarized as follows:

	1st	2nd	3rd	4th	5th
Grant date	February 19, 1999	March 20, 2000	March 10, 2001	April 26, 2002	March 26, 2004
Confirmation date of grant ⁽¹⁾	February 19, 1999	March 20, 2000	March 10, 2001	November 14, 2002	March 26, 2004
Number of shares granted	1,040,000	628,000	276,000	922,000	1,040,000
Number of non-exercisable shares	273,780	156,600	13,000	269,000	32,000
Number of exercised shares	676,450	320,499	176,272	22,000	-
Number of exercisable shares	89,770	150,901	86,728	677,500	1,008,000
Grant method	Stock distribution type or incremental payment type				
Exercise price	₩10,020	₩8,500	₩7,300	₩19,750	₩26,100
Exercisable period	In three years after three years from grant date	In three years after three years from grant date	In three years after three years from grant date	In three years after three years from grant date	In three years after three years from grant date

⁽¹⁾ According to the Korean business law, the granting of stock options is requires the approval of the shareholders.

The Bank calculated the compensation costs of the first stock option using the intrinsic value approach and the second and third options using the fair value approach. The calculation variables of stock options valued using the fair value approach is summarized as follows:

	2nd	3rd	4th	5th
Market price on grant date	₩7,960	₩7,490	₩16,100	₩24,550
Risk-free interest rate (A)	9.75%	6.44%	5.26%	4.59%
Expected exercise period (B)	4.5 years	4.5 years	3.8 years	3.5 years
Expected share price volatility (C)	76.73%	70.13%	62.11%	76.49%
Expected dividend rate (D)	8.00%	6.67%	6.67%	10.00%
Adjusted expected expiration rate	10.06%	3.90%	7.30%	1.74%
Compensation cost per share	₩3,961	₩3,551	₩6,584	₩12,085
Total compensation cost	₩1,810 million	₩870 million	₩4,691 million	₩12,135 million
Recognized compensation cost	₩1,810 million	₩870 million	₩4,189 million	₩4,551 million

- (A) Government bond yield rate at the grant dates.
 (B) Average of the mandatory service period and option expiration period.
 (C) Share price volatility based on share prices of the past year.
 (D) Average dividend rate for the period equal to the rate in effect during the expected exercise period.

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

(in millions of Korean won)	4th	5th	Total
Within one year	₩ 502	₩ 6,068	₩ 6,570
Within two years	-	1,516	1,516
	₩ 502	₩ 7,584	₩ 8,086

21. Maturities of Assets and Liabilities

The maturities of assets and liabilities of the Bank as of December 31, 2004, are summarized as follows:

(in millions of Korean won)	Within 3 months	More than 3 ~ 6 months	More than 6 months~1 year	More than 1 ~ 3 years	More than 3 ~ 5 years	Thereafter	Total
1. In Korean won							
Assets :							
Due from banks	₩ 1,090,876	₩ -	₩ -	₩ -	₩ 1,128,219	₩ 11,349	₩ 2,230,444
Securities	611,169	271,536	1,816,001	7,468,300	2,309,179	1,445,347	13,921,532
Loans ⁽¹⁾	8,912,209	9,187,443	14,999,076	8,796,475	2,711,757	5,136,129	49,743,089
Allowance for possible loan losses	-	-	-	-	-	(885,488)	(885,488)
Others	2,791,443	241,918	517,716	968,791	3,887,480	1,686,115	10,093,463
	₩ 13,405,697	₩ 9,700,897	₩ 17,332,793	₩ 17,233,566	₩ 10,036,635	₩ 7,393,452	₩ 75,103,040
Liabilities and Shareholders' equity :							
Deposits	₩ 11,958,642	₩ 6,606,860	₩ 17,261,940	₩ 2,635,948	₩ 13,369,223	₩ 1,179,288	₩ 53,011,901
Certificates of deposits	1,384,407	104,567	53,327	23,990	3,244	-	1,569,535
Borrowings	801,718	24,212	11,359	210,887	318,924	355,008	1,722,108
Shareholders' equity	-	-	-	-	-	4,860,524	4,860,524
Others	5,779,117	934,660	1,526,700	1,882,353	3,332,717	750,153	14,205,700
	₩ 19,923,884	₩ 7,670,299	₩ 18,853,326	₩ 4,753,178	₩ 17,024,108	₩ 7,144,973	₩ 75,369,768

⁽¹⁾ Including bills purchased, factoring receivables and convertible loans in Korean won.

(in millions of Korean won)	Within 3 months	More than 3 ~ 6 months	More than 6 months~1 year	More than 1 ~ 3 years	More than 3 ~ 5 years	Thereafter	Total
2. In foreign currencies							
Assets :							
Due from banks	₩ 8,827	₩ 13,856	₩ -	₩ -	₩ -	₩ -	₩ 22,683
Securities	29,506	10,438	108,910	371,170	332,720	241,041	1,093,785
Loans	1,338,496	865,546	674,713	253,094	110,363	174,709	3,416,921
Bills purchased	1,741,064	188,844	7,450	2,328	-	5,374	1,945,060
Allowance for possible loan losses	-	-	-	-	-	(55,525)	(55,525)
Others	834,756	25,347	-	-	-	53,857	913,960
	₩ 3,952,649	₩ 1,104,031	₩ 791,073	₩ 626,592	₩ 443,083	₩ 419,456	₩ 7,336,884
Liabilities and Shareholders' equity :							
Deposits	₩ 1,025,033	₩ 128,846	₩ 135,887	₩ 13,482	₩ 355,224	₩ 175,359	₩ 1,833,831
Borrowings ⁽¹⁾	1,978,738	744,027	421,734	71,411	-	1,187	3,217,097
Others	776,572	55,830	-	229,001	641,560	316,265	2,019,228
	₩ 3,780,343	₩ 928,703	₩ 557,621	₩ 313,894	₩ 996,784	₩ 492,811	₩ 7,070,156

⁽¹⁾ Including due to Bank of Korea in foreign currencies.

22. General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)	2004	2003
Salaries and wages	₩ 379,236	₩ 348,452
Depreciation and amortization	141,384	150,159
Consulting fees	72,692	67,757
Other employee benefits	67,726	65,379
Taxes and dues	41,952	44,279
Severance benefits	40,669	37,376
Advertising	38,768	32,414
Rent	35,699	38,527
Entertainment	16,212	15,455
Others	91,097	82,196
	₩925,435	₩881,994

23. Non-Operating Income and Non-Operating Expenses

Non-operating income for the year ended December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)	2004	2003
Gain on disposal of investment securities	₩ 158,125	₩ 143,667
Reversal of impairment loss on investment securities	6,457	2,979
Rental revenues	8,094	6,717
Gain arising from the equity method	20,030	30,972
Gain on sale of loans	806	46,200
Gain on disposal of property and equipment	73,260	46,344
Others	44,329	60,568
	₩311,101	₩337,447

Non-operating expenses for the year ended December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)	2004	2003
Loss on disposal of investment securities	₩20,463	₩6,894
Loss on impairment of investment securities	13,578	80,473
Loss on sale of loans	8,843	4,687
Early retirement benefits	52,067	69
Loss on disposal of property and equipment	2,754	1,727
Others	44,880	25,896
	₩ 142,585	₩ 119,746

24. Income Tax Expense(Benefit)

Income tax expense (benefit) for year ended December 31, 2004, follows:

(in millions of Korean won)	
Current income taxes	₩ 1,759
Changes in deferred income tax asset from temporary differences and others ⁽¹⁾	(23,342)
Changes in deferred income tax asset from accumulated deficit ⁽²⁾	(300,600)
	₩ (322,183)

⁽¹⁾ Changes in deferred income tax asset from temporary differences and others

Deferred income tax asset at the end of the year	₩ 193,620
Deferred income tax asset at the beginning of the year	170,278
	₩ (23,342)

⁽²⁾ Changes in deferred income tax asset from accumulated deficit

Deferred income tax asset at the end of the year	₩ (300,600)
Deferred income tax asset at the beginning of the year	-
	₩ (300,600)

The statutory income tax rate applicable to the Bank, including resident tax surcharges, is approximately 29.7%. However, the effective tax rate for the year ended December 31, 2004 is approximately negative 31.56%, due to the above adjustments.

The changes in temporary differences for the year ended December 31, 2004, are as follows:

(in millions of Korean won)	Beginning balance	Adjusted Beginning balance ⁽¹⁾	Increase	Decrease	Ending balance
Constructive dividend	₩ 10,839	₩ 10,839	₩ -	₩ 14	₩ 10,825
Gain on valuation of securities	178,894	169,830	81,283	169,831	81,282
Loss on valuation of securities of affiliates	(122,093)	(122,093)	(20,030)	(1,465)	(140,658)
Gain on impairment of securities	182,272	182,272	8,804	4,707	186,369
Accrued income of securities	(146,141)	(141,479)	(119,677)	(141,479)	(119,677)
Reserve for possible losses on acceptances and guarantees	53,591	53,591	-	31,100	22,491
Write-off of convertible loans	428,699	440,572	121,464	9,286	552,750
Goodwill(negative goodwill) valuation	(167,624)	(166,421)	-	(42,491)	(123,930)
Present value discounts	2,287	2,287	-	1,799	488
Gain on valuation of derivatives	47,953	49,789	15,213	49,789	15,213
Allowance for possible loan losses	31,184	31,184	145,181	-	176,365
Others	139,953	137,867	135,878	19,723	254,022
	₩ 639,814	₩ 648,238	₩ 368,116	₩ 100,814	₩ 915,540

⁽¹⁾ The beginning balance is adjusted as a result of the prior year's final declaration of income tax

As of December 31, 2004, deferred income tax assets (liabilities) consist of the following:

(in millions of Korean won)	Total amounts	Deferred income tax assets (liabilities)
Accumulated temporary differences at the beginning of the year	₩ 639,814	₩ 175,949
Prior year's tax adjustment	8,424	2,317
Changes in temporary differences	267,302	73,508
Adjusted amount of temporary differences due to merger and acquisitions	(211,467)	(58,154)
Tax effects from temporary differences	704,073	193,620
Tax effects from accumulated deficit	1,093,093	300,600
	₩ 1,797,166	₩ 494,220

As the Bank determined that the loss carry-forwards of ₩ 1,093,093 million were realizable through future ordinary income, it recognized recorded deferred tax assets of ₩ 300,600 million. The effect of the recognition was to increase deferred tax assets, total assets, shareholders' equity and net income for 2004 by ₩ 300,600 million; and to decrease income tax expenses of 2004 by ₩ 300,600 million.

25. Earnings Per Share and Ordinary Income Per Share

Earnings per share and ordinary income per share for the years ended December 31, 2004 and 2003, are calculated as follows:

	2004	2003
Ordinary income per share:		
Ordinary income after income tax expense (benefit)	₩1,342,954,299,798	₩517,151,227,026
Weighted-average of common shares ⁽¹⁾	173,787,583	163,279,988
Ordinary income per share	₩ 7,728	₩ 3,167
Earnings per share:		
Net income	₩1,342,954,299,798	₩ 517,151,227,026
Weighted-average of common shares ⁽¹⁾	173,787,583	163,279,988
Earnings per share	₩ 7,728	₩ 3,167

⁽¹⁾ Weighted-average number of common shares

Diluted earnings per share and ordinary income per share for the years ended December 31, 2004 and 2003, are calculated as follows:

	2004	2003
Diluted ordinary income per share:		
Ordinary income after income tax expense (benefit)	₩ 1,342,954,299,798	₩ 517,151,227,026
Compensation cost for stock options after income tax expense	52,546,751	309,825,417
	1,343,006,846,549	517,461,052,443
Weighted-average number of common shares	174,072,007	163,577,034
	₩ 7,715	₩ 3,163
Diluted earnings per share:		
Net income	₩ 1,342,954,299,798	₩ 517,151,227,026
Compensation cost for stock options after income tax expense	52,546,751	309,825,417
	1,343,006,846,549	517,461,052,443
Weighted-average number of common shares	174,072,007	163,577,034
	₩ 7,715	₩ 3,163

26. Related Party Transactions

Significant transactions and related account balances with related parties as of and for the year December 31, 2004, are as follows:

(in millions of Korean won)	Transactions			Account balance	
	Interest income	Interest expenses	Service contract expenses	Loans	Deposits
Hana Securities	₩ 572	₩ 875	₩ -	₩ -	₩ 34,327
Hana Research	57	66	1,084	-	3,052
Hana Allianz	59,791	2,603	-	1,677	13,621
Hana Funding Ltd.	-	18,212	-	-	710
Hana INS	41	22	296	-	1,608
BC Card	243	25,468	-	-	20
Hana Life Insurance	14,285	118	-	1,141	-
Qingdao International Bank	530	468	-	80,566	26,095
	₩ 75,519	₩ 47,832	₩ 1,380	₩ 83,384	₩ 79,433

27. Information on Operating Segments

The Bank's service line is composed of its Corporate Banking Group, Retail Banking Group, Choong-Chung Banking Group, Young-Nam Banking Group, Treasury Group, and other administrative and trust segments. Financial information for each operating segment as of and for years ended December 31, 2004 and 2003, are as follows:

1) December 31, 2004:

(in millions of Korean won)	Corporate Banking Group	Retail Banking Group	Choong-Chung Banking Group	Young-Nam Banking Group	Treasury Group and others	Total
Operating revenue	₩1,118,019	₩1,622,382	₩188,558	₩ 362,816	₩2,811,377	₩6,103,152
Loans	18,160,856	24,447,804	4,832,270	5,248,970	6,372,824	59,062,724
Securities	-	-	41,462	-	14,973,856	15,015,318
Deposits/borrowings ⁽¹⁾	13,130,739	27,001,995	7,115,317	4,233,696	12,415,152	63,896,899

⁽¹⁾ Including call money, bonds sold on repurchase agreements, bills sold, and due to the Bank of Korea in foreign currencies.

2) December 31, 2003:

(in millions of Korean won)	Corporate Banking Group	Retail Banking Group	Choong-Chung Banking Group	Young-Nam Banking Group	Treasury Group and others	Total
Operating revenue	₩2,238,091	₩2,238,467	₩ 487,429	₩ 444,271	₩ 91,778	₩ 5,500,036
Loans	16,412,488	24,181,454	5,165,128	5,448,619	4,134,532	55,342,221
Securities	-	-	161,923	-	15,665,257	15,827,180
Deposits/borrowings ⁽¹⁾	11,270,817	33,596,481	6,828,488	4,323,377	9,012,124	65,031,287

⁽¹⁾ Including call money, bonds sold on repurchase agreements, bills sold, and due to the Bank of Korea in foreign currencies.

28. Results of the Trust Business

The major results of operations related to the trust business for the years ended December 31, 2004 and 2003, are as follows:

(in millions of Korean won)	2004	2003
Trust fees	₩ 64,854	₩ 124,758
Early termination fees	286	220
Operating revenue of trust operations	₩ 65,140	₩ 124,978
Interest on due to trust accounts	₩ 21,393	₩ 16,180

The compensation to be paid by the Bank related to the difference between the book value and the fair value of the trust funds that are guaranteed of the principal or of a certain minimum rate of return for the year ended December 31, 2004, are as follows:

(in millions of Korean won)	Book value	Fair value	Compensation
Funds with a guarantee of the principal	₩ 1,099,416	₩ 1,110,899	₩ -
Funds with a certain minimum rate of return	23,094	23,313	-
	₩ 1,122,510	₩ 1,134,212	₩ -

29. Cash Flow Information

Significant non-cash transactions for the year ended December 31, 2004, are as follows:

(in millions of Korean won)

Loans written-off	₩ 362,745
Appropriation of retained earnings	432,100
Loans replaced by debt-to-equity swap and loans for debt-to-equity swap	189,546
Deficit in retained earnings/exercise of stock options	88,886
Others	248,675
	₩ 1,321,952

30. Merger and Acquisition between Hana Bank and Seoul Bank

On September 27, 2002, however, Seoul Bank entered into a business combination contract with the former Hana Bank as approved by the Bank's shareholders on November 14, 2002. On December 1, 2002, upon the completion of the merger, with Seoul Bank as the surviving entity, it registered under its current name, Hana Bank. Although the business combination took the legal form of a consolidation, Hana Bank acquired Seoul Bank's total assets amounting to ₩ 24,393,257 million and total liabilities amounting to ₩ 23,560,934 million by applying the purchase method of accounting. Also, in accordance with the said contract, the shareholders of Seoul Bank received one new common share of the Bank for every two shares of Seoul Bank. The new common shares of the Bank were listed on the Korea Stock Exchange on December 13, 2002.

31. Loan Transaction with LG Card Co., Ltd.

The Bank has a total of ₩ 113,725 million of loan balances from LG Card Co., Ltd., which is currently experiencing a liquidity crisis and is under joint control of several creditor financial institutions. The Bank agreed to a debt-to-equity swap of ₩ 12.6 billion of the existing loan as of December 31, 2004, and a cash investment of ₩ 16.4 billion, in accordance with the agreement of the creditor financial institutions steering committee approved at the creditor financial institutions conference (2005-1st) on January 3, 2005. Additional information related to the financial position of LG Card Co., Ltd. may affect the Bank's actual losses from the loans to LG Card Co., Ltd., which may differ from the allowance for possible loan losses provided. No adjustments related to these uncertainties have been recorded in the accompanying non-consolidated financial statements.

32. Approval of Financial Statements

Financial Statements of the Bank are scheduled to be approved at the Board of Director's meeting on February 15, 2005.

Report of Independent Auditors

SAMIL PRICEWATERHOUSECOOPERS

PRICEWATERHOUSECOOPERS 

Samil PricewaterhouseCoopers
Kukje Center Building
191 Hankangro 2ga, Yongsanku
Seoul 140-702, KOREA
(Yongsan P.O. Box 266, 140-600)

To the CEO and Board of Directors of
Hana Bank

We have audited the accompanying balance sheets of Hana Bank trust accounts ("the Trust Accounts"), which Hana Bank ("the Bank") operates, as of December 31, 2004 and 2003, and the related statements of income 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 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 the 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 the Trust Accounts as of December 31, 2004 and 2003 and the results of their operations for the years then ended in conformity with trust accounting standards generally accepted in the Republic of Korea.

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



Seoul, Korea,
January 15, 2005

This report is effective as of January 15, 2005, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Samil PricewaterhouseCoopers is the Korean member firm of PricewaterhouseCoopers. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Balance Sheets (Trust Accounts)

December 31, 2004 and 2003

(in millions of Korean won, U.S. dollars in thousands (Note 3))	2004	2003	2004	2003
Assets				
Cash and due from banks	₩121	₩803	\$116	\$770
Securities (Note 5)				
Stocks	1,038,416	1,175,756	994,842	1,126,419
Government and public bonds	1,130,974	757,859	1,083,516	726,058
Debentures issued by financial institutions	538,408	1,009,235	515,815	966,885
Corporate bonds	311,182	734,326	298,125	703,512
Bills purchased	1,379,951	857,036	1,322,046	821,073
Securities in foreign currency	474,606	339,253	454,690	325,017
Other securities	189,201	454,110	181,261	435,055
	5,062,738	5,327,575	4,850,295	5,104,019
Loans (Note 6)				
Loans collateralized by real estate	83,563	104,245	80,057	99,871
Loans collateralized by other than real estate	76,564	81,447	73,351	78,029
Uncollateralized loans	182,307	376,987	174,657	361,168
	342,434	562,679	328,065	539,068
Call loans	520,000	-	498,180	-
Trusted money receivables	2,333,397	4,191,601	2,235,483	4,015,713
Real & personal property	1,096,485	981,769	1,050,474	940,572
Accrued interest	57,110	62,856	54,713	60,219
Accrued income	71,719	70,777	68,709	67,807
Due from banking accounts	424,088	711,020	406,293	681,184
Other	5,932	15,176	5,683	14,539
(Present value discount)	(43)	(130)	(41)	(125)
(Allowance for possible loan losses) (Note 6)	(2,346)	(5,523)	(2,248)	(5,292)
Total assets	₩9,911,635	₩11,918,603	\$9,495,722	\$11,418,474
Liabilities				
Money trusts (Note 4)				
Installment money trusts	₩87,624	₩169,254	\$ 83,947	\$ 162,152
Household money trusts	49,122	71,511	47,061	68,510
Development money trusts	444	464	425	445
Private Pension trusts	594,561	585,671	569,613	561,095
Household long-term money trusts	82,947	205,159	79,466	196,550
New installment money trusts	64,423	155,213	61,720	148,700
Retirement trusts	300,884	299,709	288,258	287,132
Specified money trusts	3,805,073	3,363,008	3,645,404	3,221,890
Unit money trusts	238,533	430,383	228,524	412,323
Additional money trusts	623,349	771,957	597,192	739,564
New old-age pension trusts	62,400	99,869	59,781	95,679
Other	191,701	249,323	183,657	238,860
	6,101,061	6,401,521	5,845,048	6,132,900
Property trusts (Note 4)				
Securities trusts	3,070	3,070	2,941	2,941
Money receivables trusts	2,418,908	4,257,483	2,317,406	4,078,830
Real & personal property trusts	1,096,485	981,769	1,050,474	940,572
	3,518,463	5,242,322	3,370,821	5,022,343
Public trusts	29,992	145	28,733	139
Unearned income	8,277	8,468	7,930	8,113
Accrued trust fees payable	29,846	33,063	28,593	31,676
Accrued trust dividends payable	178,867	174,699	171,362	167,368
Reserve for future trust losses	23,114	22,954	22,144	21,991
Other	22,015	35,431	21,091	33,944
Total liabilities	₩9,911,635	₩11,918,603	\$ 9,495,722	\$ 11,418,474

* The accompanying notes are an integral part of these non-consolidated financial statements.

Income Statements (Trust Accounts)

Years ended December 31, 2004 and 2003

(in millions of Korean won, U.S. dollars in thousands (Note 3))	2004	2003	2004	2003
Revenue				
Interest income				
Interest and dividends on securities	₩ 224,654	₩ 303,664	\$ 215,228	\$ 290,922
Interest on loans	32,241	52,268	30,888	50,075
Interest on call loans	14,514	4,855	13,905	4,651
Interest on due from banking accounts	13,835	13,879	13,254	13,296
Others	295	419	282	401
	285,539	375,085	273,557	359,345
Gains on securities	872	8,579	836	8,220
Gains on derivatives	70,214	106,980	67,267	102,491
Reversal of provision for future trust losses	3,259	967	3,123	927
Reversal of provision for possible loan losses	10,753	26,031	10,302	24,938
Other	11,051	39,514	10,587	37,856
	381,688	557,156	365,672	533,777
Expenses				
Trust fees to the Bank	57,554	116,577	55,139	111,685
Commissions paid	748	1,736	717	1,663
Losses on derivatives	3,292	16,979	3,154	16,267
Losses on securities	46,683	79,503	44,724	76,167
Provision for future trust losses	3,420	3,594	3,276	3,444
Provision for possible loan losses	98	1,839	94	1,762
Other	27,876	19,279	26,706	18,470
	139,671	239,507	133,810	229,458
Dividends of trust profit to beneficiaries (Note 8)	₩242,017	₩317,649	\$ 231,862	\$ 304,319

* The accompanying notes are an integral part of these non-consolidated financial statements.

Notes to Financial Statements (Trust Accounts)

December 31, 2004 and 2003

1. The Trustee and the Trust

The Trustee

Hana Bank ("the Bank"), the trustee, was established in November 1959 as "Seoul Bank" and acquired Korea Trust Bank in August 1976. The Bank entered into a business combination contract ("the Contract") with the former Hana Bank on September 27, 2002 and obtained approval from its shareholders for such combination on November 14, 2002. In accordance with the Contract, the Bank completed the merger with the former Hana Bank as of December 1, 2002. The Bank, the surviving entity, was renamed "Hana Bank" upon completion of the transaction. As of December 31, 2004, the Bank is engaged in the commercial banking, trust and foreign exchange business and other related operations as permitted under the Bank Act and other relevant laws and regulations in the Republic of Korea.

The Bank's shares are listed on the Korean Stock Exchange. As of December 31, 2004, the Bank has 2,000 million shares of authorized common stock with a par value of ₩5,000 per share, and has 192,353,448 shares issued, with a common stock amounting to ₩987,161 million. Under the Bank's Articles of Incorporation, the Bank is authorized to issue shares of preferred stock of up to 50% of the outstanding number of shares of common stock. As of December 31, 2004, the Bank has no shares of preferred stock issued.

In accordance with its Articles of Incorporation, the Bank is authorized to issue convertible bonds and bonds with stock warrants to investors other than its shareholders for amounts up to ₩200,000 million each. As of December 31, 2004, there are no convertible bonds outstanding.

As of December 31, 2004 and 2003 the Bank's financial position is summarized as follows :

(in millions of Korean won)	Banking Accounts	
	2004	2003
Cash and due from banks	₩ 3,690,577	₩ 4,684,572
Securities	15,015,318	15,827,180
Loans	59,062,723	55,342,221
Other	4,671,306	4,712,485
Total assets	₩ 82,439,924	₩ 80,566,458
Deposits	₩ 56,415,267	₩ 57,608,731
Borrowings	7,481,631	7,422,556
Other	13,682,502	12,280,261
Total liabilities	77,579,400	77,311,548
Total shareholders' equity	4,860,524	3,254,910
Total liabilities and shareholders' equity	₩ 82,439,924	₩ 80,566,458

The Trust

Hana Bank trust accounts ("the Trust Accounts"), which the Bank operates, manage and dispose of the entrusted rights of property for the benefit of the trusters, acting as the legal fiduciary.

The trusts are classified into money trusts, property trusts or public trusts. Cash is entrusted for money trusts and distributions to the beneficiaries are made in cash at trust maturity. Among the money trusts, there are specified money trusts where the trustor specifically determines how the trust is to be managed and unspecified money trusts where the management is totally entrusted to the trustee. Properties, including securities or other monetary receivables, are entrusted for property trusts and distributions are made in cash or properties according to the instructions of the trusters or the beneficiaries. Public trusts are managed for purposes of public good.

Due to the amendment of the Regulation on Supervisory of Trust Business as of June 16, 2000 the fair valuation regulations on debt securities have been put in place and new issuance of book value funds have been prohibited. Additionally, as of November 23, 2001, the scope of the fair valuation regulations was extended to include all debt-security like financial instruments.

Due to the enacted and enforced Indirect Investment Asset Management Business Act, new issuance and additional trust of unspecified money trusts excluding principal guaranteed fair value funds are prohibited since July, 2004. Specified money trusts, property trusts, public trusts and principal guaranteed fair value funds which are not under the Act can be newly issued and additionally trusted. As of December 31, 2004, the balance of trusted amount of prohibited funds is ₩1,942,766 million.

2. Summary of Significant Accounting Policies

Under the Trust Business Act, the Trust Accounts are managed separately from the banking accounts. The financial statements of the 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 the Trust Accounts are summarized as follows.

Revenue and Expense of Trust Accounts

The revenues of the Trust Accounts mainly comprise interest income and expenses mainly comprise trust operating expenses and trust fees to the Bank.

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

Acquisition costs are recorded at purchase cost including incidental expenses and the valuation methods used for the securities are summarized as follows.

	<u>Valuation method</u>
Marketable stocks and Beneficial certificates	Fair value
Debt securities	Fair value
Other securities	Fair value

However, under the transition clause prescribed in the Regulation on Supervisory of Trust Business, debt securities and other securities managed in the unspecified money trusts, established before November 15, 1998, are not marked-to-market. Instead, the credit classification for loans is applied and provisions are made for the allowances for possible loan losses. In addition, in cases where the fair values of the securities that are to be marked-to-market are not available, the estimated price determined by the Fair Valuation Committee is used as the fair value of the securities.

Additionally, the securities included in specified money trusts, the testament trusts and the property trusts are stated at cost.

Allowance for Possible Loan Losses

For assets in unspecified money trusts that are not marked-to-market, the Bank provides the allowance for possible losses from uncollectible corporate loans using the present value method ("PV method") or the expected loss method ("EL method"), depending on the size of the loan. For collective corporate loans, the EL method is used.

The PV method, which is used for large uncollectible loans, computes the collectible amount of expected future cash flows by discounting it at effective interest rates and evaluating it at its present value.

The EL method analyzes factors of estimated loss based on probability of default ("PD") and loss given default ("LGD"), and determines the loan classification. This credit rating model considers the financial and non-financial factors of borrowers and classifies the borrowers' credit risk by 17 ratings to assess the PD based on historical data for the past five years. LGD is determined by the type of loan and collateral, and historical data for the past three years. Provision rate is calculated by multiplying PD and LGD.

The minimum provision rate for corporate loans should be at least the minimum required provision percentage given by the Regulation on Supervisory of Bank.

For household and credit loans, provisions are determined by PD and collectibility, which are calculated based on normal interest rates of the past five years.

The minimum provision rate for household and credit loans should be at least the minimum required provision percentage given by the Regulation on Supervisory of Bank. Furthermore, the Bank adjusts the experience loss rate for loans classified below a certain rating to reduce risk in loan losses.

Present Value Discounts

If the present value of a loan is significantly below 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 discounts on the loan are 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.

Derivative Financial Instruments

The Trust Accounts records the fair values of rights and obligations related to derivatives contracts on the balance sheet as assets and liabilities and recognizes the related gains or losses in the Income Statement.

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. Interest on due from banking accounts is calculated at rates predetermined by the Bank.

Reserve for Future Trust Losses and Subsidies from Banking Accounts

Under the Trust Business Act, the Trust Accounts provide more than 25% of the trust fees as reserve for future trust losses up to 5% of invested capital for each type of money trusts with guarantees of principal or a minimum rate of return. When reserve for future losses are used to compensate principal or minimum rate of return, reversal of reserve for future trust losses are recorded and when there is excessive reserve for future trust losses, excessive reserves are transferred to trust fees. As of December 31, 2004, the reserve for future trust losses amounted to ₩23,114 million (2003: ₩22,954 million).

In cases where unspecified money trusts experience losses in excess of the guaranteed principal or a minimum rate of return, the Trust Accounts are provided the deficient amounts from the banking accounts, which is recorded as subsidies from banking accounts.

Dividends of Trust Profit to Beneficiaries

The dividends, except for trusts with guarantees of principal or a minimum rate of return, calculated by the trust revenue deducted by the trust fees to the Bank and other administrative expenses are disbursed to the beneficiaries and charged to the expenses in trust operation.

Trust Fees

The Trust Accounts provide trust fees to the Bank for its management of trust assets and operations, and account for the fees as operating expenses.

Performance Yield and Standard Price

Performance yield and standard price calculated according to the Trust Business Act are as follows:

1) Performance yield

Performance yield is the standard compound yield rate adjusted for the trust fees to be paid and the effects of gain(losses) on disposal of securities and provision(reversal) for possible loan losses. Standard compound yield rate is the weighted average of the earnings rates of the operating assets held by each fund.

2) Standard Price

Standard price is calculated per 1,000 units and is total assets less total liabilities divided by total number of beneficial certificate units issued.

3. United States Dollars Amounts

The Bank operates primarily in Korean won and its official accounting records are maintained in Korean won. The U.S. dollar amounts, provided herein, represent supplementary information, solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at the rate of ₩1,043.80 : US\$1, the basic rate in effect on December 31, 2004. This presentation is not in accordance with generally accepted accounting principles in either the Republic of Korea or the United States, and should not be construed as a representation that the won amounts shown could be readily converted, realized or settled in U.S. dollars at this or any other rate.

4. Details of Trust Funds

The details of the money trusts and the property trusts as of December 31, 2004 are as follows:

Trusts	Period (Years)	Dividend Rate	Guarantee of principal repayment or minimum rate of return	2004	2003
(in millions of Korean won)					
Money trusts					
General unspecified money trusts ⁽²⁾	Over 1.5	Fixed	Principal and Return	₩3,875	₩3,969
Installment money trusts ^{(1) (2)}	Over 1.5	Floating	No	87,624	169,254
Household money trusts ^{(1) (2)}	1.5-3	"	No	49,122	71,511
Development money trusts ⁽²⁾	2-5	Fixed	Principal and Return	444	464
Old-age living pension trusts ⁽²⁾	Over 10	Floating	Principal	40,257	56,206
National stock trusts ⁽²⁾	Over 3	"	No	901	1,117
Corporation money trusts ^{(1) (2)}	Over 1.5	"	No	3,782	4,064
Private pension trusts ⁽²⁾	Over 15	"	Principal	594,561	585,671
Household long-term trusts ⁽²⁾	3-5	"	No	82,947	205,159
Labor preferential trusts ⁽²⁾	3-5	"	No	22,239	56,505
New installment money trusts ⁽²⁾	Over 1.5	"	No	64,423	155,213
Retirement trusts	-	"	Principal	300,884	299,709
Specified money trusts	-	"	No	3,805,073	3,363,008
Unit money trusts ⁽²⁾	Over 0.5	"	No	238,533	430,383
Additional money trusts ⁽²⁾	Over 0.25	"	No	623,349	771,957
Real estate investment trusts ⁽²⁾	-	"	No	36,000	66,400
New private pension trusts ⁽²⁾	Over 15	"	Principal	30,000	24,479
New old-age pension trusts ⁽²⁾	Over 5	"	Principal	62,400	99,869
New labor preferential trusts ⁽²⁾	3-5	"	No	2,308	2,673
Pension money trusts	Over 15	"	Principal	52,339	33,910
				6,101,061	6,401,521
Property trusts					
Securities trusts	-	Floating	No	3,070	3,070
Money receivables trusts	-	"	No	2,418,908	4,257,483
Real & personal property trusts	-	"	No	1,096,485	981,769
				3,518,463	5,242,322
Public trusts					
Charity trusts	-	Donation to public	No	15,646	-
Educational trusts	-	Donation to public	No	14,278	7
Sports engagement trusts	-	Donation to public	No	68	73
Public welfare with Lottery trusts	-	Donation to public	No	-	65
				29,992	145
				₩9,649,516	₩11,643,988

⁽¹⁾ The principal is guaranteed for customer accounts opened before April 30, 1996.

⁽²⁾ As of December 31, 2004, new deposits in the trusts have been suspended.

5. Securities

The details of the securities as of December 31, 2004 and 2003 are as follows:

(in millions of Korean won)	Annual interest rate(%)	Par value	Acquisition cost ⁽¹⁾	2004	2003
Stocks					
SK Telecom & others	-	₩ -	₩ 1,037,201	₩ 1,038,416	₩ 1,175,756
Government and Municipal bonds					
Treasury bonds	3.50~10.95	33,000	34,892	34,836	77,701
National housing bonds	3.00~5.00	1,112,891	1,056,102	1,070,882	669,958
Foreign exchange stabilization bonds	4.75	10,000	10,052	10,221	-
Local development bonds	2.50~6.00	12,841	11,970	12,201	3,084
Railroad construction bonds	4.00~6.00	3,020	2,758	2,834	7,116
		1,171,752	1,115,774	1,130,974	757,859
Debentures issued by financial institutions					
Monetary stabilization bonds	3.32~4.87	81,100	80,424	80,418	450,003
Industrial finance debentures	3.42~7.16	79,796	79,930	79,909	19,988
Small and medium industry finance debentures	3.48~5.08	10,000	9,601	9,604	38,226
Others	3.41~6.74	375,000	367,792	368,477	501,018
		545,896	537,747	538,408	1,009,235
Corporate bonds					
Government owned corporate bonds	3.68~6.45	22,097	22,847	22,823	231,271
General debentures	0.01~18.90	287,639	280,438	282,778	496,955
Privately-placed debentures	11.00~13.76	3,067	3,066	3,066	3,640
Convertible debentures	6.5	2,521	2,459	2,515	2,460
		315,324	308,810	311,182	734,326
Bills purchased					
Commercial papers	1.00~27.00	1,379,952	1,379,952	1,379,951	857,035
Other securities					
Securities denominated in foreign currencies	0.00~13.75	421,009	474,606	474,606	339,253
Negotiable certificates of deposit	3.17~4.05	141,917	139,626	139,605	388,729
Beneficial certificates	-	34,815	34,815	34,815	54,815
Others	-	14,866	14,765	14,781	10,567
		612,607	663,812	663,807	793,364
		₩ 4,025,531	₩ 5,043,296	₩ 5,062,738	₩ 5,327,575

⁽¹⁾ Prior year's ending book balances or acquisition costs for securities purchased during the current year.

The information about the securities by country as of December 31, 2004 is summarized as follows:

(in millions of Korean won)	Amount	Ratio (%)
Korea	₩5,053,816	99.82
United Kingdom	8,922	0.18
	₩5,062,738	100.00

The information about the securities by industry as of December 31, 2004 is summarized as follows:

(in millions of Korean won)	Amount	Ratio (%)
Stock		
Financial business	₩ 12,694	1.22
Manufacturing	503,768	48.51
Construction	20,172	1.94
Wholesale and retail	46,457	4.48
Others	455,325	43.85
	1,038,416	100.00
Others		
Financial business	1,101,658	27.38
Public administration	1,604,982	39.88
Manufacturing	660,088	16.40
Construction	51,562	1.28
Wholesale and retail	352,184	8.75
Others	253,848	6.31
	4,024,322	100.00
	₩ 5,062,738	

The information about the securities by securities type as of December 31, 2004 is summarized as follows:

(in millions of Korean won)	Amount	Ratio (%)
Fixed rate bonds	₩ 2,405,720	47.52
Floating rate bonds	46,936	0.93
Convertible bonds	2,515	0.05
Stocks	1,038,416	20.51
Others	1,569,151	30.99
	₩ 5,062,738	100.00

The maturities of debt securities as of December 31, 2004 are as follows:

(in millions of Korean won)	Government and public bonds	Debentures issued by financial institutions	Corporate bonds	Bills purchased	Other securities	Securities denominated in foreign currencies	Total
Within 3 month	₩15,128	₩37,803	₩51,454	₩1,256,795	₩146,940	₩ -	₩1,508,120
More than 3 ~ 6 months	31,917	43,428	11,697	78,516	29,479	41,502	236,539
More than 6 months ~ 1 year	26,512	214,171	58,796	44,640	-	68,833	412,952
More than 1 ~ 2 years	283,895	162,184	56,045	-	7,977	58,861	568,962
More than 2 ~ 3 years	446,013	50,383	112,614	-	2,381	31,654	643,045
More than 3 ~ 5 years	277,271	439	-	-	-	260,969	538,679
More than 5 years	50,239	30,000	20,576	-	2,423	12,787	116,025
	₩1,130,975	₩538,408	₩ 311,182	₩1,379,951	₩189,200	₩474,606	₩4,024,322

6. Loans and Allowance for possible loan losses

The details of the loans as of December 31, 2004 and 2003 are as follows:

(in millions of Korean won)	2004	2003
Loans collateralized by real estate	₩ 83,563	₩ 104,245
Loans collateralized by other than real estate		
Loans collateralized by securities	5	777
Loans collateralized by personal property	5	5
Loans collateralized by receivables	4,579	5,336
Loans collateralized by trust benefit	70,630	73,327
Loans guaranteed	1,345	2,002
	76,564	81,447
Uncollateralized loans		
Loans on deeds	5,496	13,774
Loans on bills	176,811	363,213
	182,307	376,987
	₩ 342,434	₩ 562,679

The information about the loans by country as of December 31, 2004 is summarized as follows:

(in millions of Korean won)	Amount	Ratio (%)
Korea	₩ 342,434	100.00

The information about the loans by industry as of December 31, 2004 is summarized as follows:

(in millions of Korean won)	Amount	Ratio (%)
Manufacturing	₩ 40,370	11.79
Service	124,358	36.32
Household	129,030	37.68
Public and others	48,676	14.21
	₩ 342,434	100.00

The maturities of the loans of December 31, 2004 are summarized as follows:

(in millions of Korean won)	Amount
Within 3 month	₩ 91,760
More than 3 ~ 6 months	81,280
More than 6 months ~ 1 year	62,156
More than 1 ~ 2 years	59,918
More than 2 ~ 3 years	34,380
More than 3 ~ 5 years	2,249
More than 5 years	10,691
	₩ 342,434

As of December 31, 2004, the allowance for possible loan losses and details of classification of related loans and securities (excluding specified money trusts) are as follows:

1) Classification of related loans and securities:

(in millions of Korean won)	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Loans collateralized by real estate	₩ 75,510	₩ 447	₩ 1,012	₩ 27	₩ 66	₩ 77,062
Loans collateralized by other than real estate	76,478	57	25	2	3	76,565
Uncollateralized loans	46,039	2,252	13	1,790	57	50,151
Corporate bonds	126,786	-	-	-	-	126,786
Bills purchased	900,091	1,861	784	-	-	902,736
	₩ 1,224,904	₩ 4,617	₩ 1,834	₩ 1,819	₩ 126	₩ 1,233,300

2) Allowance for possible loan losses:

(in millions of Korean won)	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Loans collateralized by real estate	₩ -	₩ 47	₩ 274	₩ 18	₩ 74	₩ 413
Loans collateralized by other than real estate	-	5	8	1	3	17
Uncollateralized loans	-	242	3	1,277	57	1,579
Corporate bonds	18	-	-	-	-	18
Bills purchased	58	104	157	-	-	319
	₩ 76	₩ 398	₩ 442	₩ 1,296	₩ 134	₩ 2,346

In accordance with the Trust Business Act, the allowance for possible loan losses was not provided for the assets classified as normal included in the trusts with guarantees of principal and performance trusts.

Details of changes in the allowance for possible loan losses for the year ended December 31, 2004 are as follows:

(in millions of Korean won)	Amount
Beginning balance	₩ 5,523
Provision for possible loan losses	98
Collection of previously written-off receivables	7,847
Write-offs	(278)
Reversal of allowance for possible loan losses	(10,753)
Sale of loans	(91)
Ending balance	₩ 2,346

7. Classified Financial Statements of Trust Accounts

The balance sheets and Income Statements of the Trust Accounts as of and for the years ended December 31, 2004 and 2003 are classified into principal or dividend guarantee trusts and performance trusts as follows:

1) Classified Balance Sheets:

(in millions of Korean won)	2004		
	Principal or Dividend Guaranteed Trusts	Performance Trusts	Total
Assets			
Cash and due from banks	₩ -	₩ 121	₩ 121
Securities	872,705	4,190,033	5,062,738
Loans	91,843	250,591	342,434
Call loans	77,500	442,500	520,000
Trusted money receivables	-	2,333,397	2,333,397
Real & personal property	-	1,096,485	1,096,485
Due from banking accounts	82,708	341,380	424,088
Other assets	25,053	109,708	134,761
(Present value discount)	(43)	-	(43)
(Allowance for possible loan losses)	(1,701)	(645)	(2,346)
Total	₩ 1,148,065	₩ 8,763,570	₩ 9,911,635
Liabilities			
Money trusts	₩ 1,084,571	₩ 5,016,490	₩ 6,101,061
Property trusts	-	3,518,463	3,518,463
Public trusts	-	29,992	29,992
Other liabilities	40,380	198,625	239,005
Reserve for future trust losses	23,114	-	23,114
Total	₩ 1,148,065	₩ 8,763,570	₩ 9,911,635

(in millions of Korean won)	2003		
	Principal or Dividend Guaranteed Trusts	Performance Trusts	Total
Assets			
Cash and due from banks	₩ -	₩ 803	₩ 803
Securities	871,752	4,455,823	5,327,575
Loans	127,609	435,070	562,679
Trusted money receivables	-	4,191,601	4,191,601
Real & personal property	-	981,769	981,769
Due from banking accounts	151,558	559,462	711,020
Other assets	15,656	133,153	148,809
(Present value discount)	(130)	-	(130)
(Allowance for possible loan losses)	(2,032)	(3,491)	(5,523)
Total	₩ 1,164,413	₩ 10,754,190	₩ 11,918,603
Liabilities			
Money trusts	₩ 1,104,065	₩ 5,297,456	₩ 6,401,521
Property trusts	-	5,242,322	5,242,322
Public trusts	-	145	145
Other liabilities	37,394	214,267	251,661
Reserve for future trust losses	22,954	-	22,954
Total	₩ 1,164,413	₩ 10,754,190	₩ 11,918,603

2) Classified Income Statement:

(in millions of Korean won)	2004		
	Principal or Dividend Guaranteed Trusts	Performance Trusts	Total
Revenue			
Interest income	₩ 53,656	₩ 231,883	₩ 285,539
Gains on securities	16,174	54,040	70,214
Gains on derivatives	220	652	872
Others	9,495	15,568	25,063
Total	₩ 79,545	₩ 302,143	₩ 381,688
Expense			
Trust fees to the Bank	₩ 23,482	₩ 34,072	₩ 57,554
Commissions paid	206	542	748
Losses on derivatives	905	2,387	3,292
Losses on securities	1,112	45,571	46,683
Provision for future trust losses	3,420	-	3,420
Provision for possible loan losses	13	85	98
Others	688	27,188	27,876
	29,826	109,845	139,671
Dividends of trust profit to beneficiaries	₩ 49,719	₩ 192,298	₩ 242,017

(in millions of Korean won)	2003		
	Principal or Dividend Guaranteed Trusts	Performance Trusts	Total
Revenue			
Interest income	₩ 68,531	₩ 306,554	₩ 375,085
Gains on securities	12,002	94,978	106,980
Gains on derivatives	1,776	6,804	8,579
Others	42,303	24,208	66,512
Total	₩ 124,612	₩ 432,544	₩ 557,156
Expense			
Trust fees to the Bank	₩ 65,200	₩ 51,377	₩ 116,577
Commissions paid	327	1,409	1,736
Losses on derivatives	2,583	14,396	16,979
Losses on securities	4,707	74,796	79,503
Provision for future trust losses	3,594	-	3,594
Provision for possible loan losses	22	1,817	1,839
Others	415	18,864	19,279
	76,848	162,659	239,507
Dividends of trust profit to beneficiaries	₩ 47,764	₩ 269,885	₩ 317,649

8. Revenue and Expense

The details of revenue and expense by trust type for the years ended December 31, 2004 and 2003 are as follows:

1) Classified Balance Sheets:

(in millions of Korean won)	2004				
	Revenue	Trust fees	Other expense	Trust dividends	Dividend rate(%)
Money trusts					
Installment money trusts	₩ 6,820	₩ 1,916	₩ 31	₩ 4,873	4.17
Household money trusts	3,165	1,111	19	2,035	3.44
Development money trusts	8,350	8,273	73	4	1.00
Private pension trusts	37,738	7,629	2,717	27,392	4.71
Household long-term trusts	9,612	1,510	115	7,987	6.10
New installment money trusts	7,404	4,386	56	2,962	3.01
Retirement trusts	18,625	2,233	2,335	14,057	5.18
Specified money trusts	186,087	12,861	72,678	100,548	2.84
Unit money trusts	20,488	2,370	1,334	16,784	5.18
Additional money trusts	47,348	5,337	1,723	40,288	4.06
New old-age pension trusts	6,733	2,938	360	3,435	4.40
Others	15,023	3,704	435	10,884	
	367,393	54,268	81,876	231,249	
Property trusts					
Security trusts	105	-	-	105	1.08
Money receivable trusts	3,446	1,163	226	2,057	0.01
Real & personal property trusts	9,682	2,041	-	7,641	1.57
	13,233	3,204	226	9,803	
Public trusts					
	1,062	82	15	965	5.96
	₩ 381,688	₩ 57,554	₩ 82,117	₩ 242,017	

(in millions of Korean won)	2003				
	Revenue	Trust fees	Other expense	Trust dividends	Dividend rate(%)
Money trusts					
Installment money trusts	₩ 15,285	₩ 3,139	₩ 690	₩ 11,456	4.80
Household money trusts	5,824	1,546	79	4,199	5.02
Development money trusts	53,061	51,848	1,204	9	1.32
Private pension trusts	35,688	7,068	2,825	25,795	4.53
Household long-term trusts	22,301	3,988	2,668	15,645	4.34
New installment money trusts	15,690	6,684	246	8,760	4.00
Retirement trusts	19,436	2,486	6,098	10,852	3.54
Specified money trusts	247,354	16,381	88,176	142,797	3.67
Unit money trusts	24,093	3,324	4,623	16,146	4.61
Additional money trusts	65,545	5,829	13,284	46,432	4.59
New old-age pension trusts	9,290	2,364	961	5,965	4.15
Others	22,936	4,210	1,132	17,594	
	536,503	108,867	121,986	305,650	
Property trusts					
Security trusts	26	-	-	26	1.08
Money receivable trusts	3,386	2,091	940	355	0.01
Real & personal property trusts	17,191	5,618	-	11,573	1.57
	20,603	7,709	940	11,954	
Public trusts					
	50	1	4	45	30.21
	₩ 557,156	₩ 116,577	₩ 122,930	₩ 317,649	

9. Derivatives

The Trust Accounts entered into derivative transactions for hedging the exposure to the changes in the fair value of trust assets. As of December 31, 2004, the details of KOSPI 200 futures and KTB futures contracts balances are as follows:

(in millions of Korean won)	Related Fund	Amount of position	Unrealized gains and losses	Carrying value
KOSPI 200 Futures 0403 ⁽¹⁾	Long-term securities 1st	₩ 1,041	₩ -	₩ -
KTB Futures 0403 ⁽²⁾	Specified money trusts	989	-	26
		₩ 2,030	₩ -	₩ 26

⁽¹⁾ Gains and losses on valuation of derivatives shall not be accrued as gains and losses on settlement of derivatives due to daily settlement is realized as gains and losses on transactions as of December 31, 2004

⁽²⁾ Derivatives included in specified money trust are carried at cost.

10. Transactions with related parties

The details of transactions for the years ended December 31, 2004 and 2003 and related account receivables and payables as of December 31, 2004 and 2003 with the banking accounts, the major shareholder (Korea Deposit Insurance Corporation, "KDIC") and the consolidated subsidiaries (Hana Securities) of the Bank, are summarized as follows:

(in millions of Korean won)

Account balance			Transactions		
Accounts	2004	2003	Accounts	2004	2003
Banking accounts					
Due from banking accounts	₩ 424,088	₩ 711,020	Interest on due from banking accounts	₩ 13,835	₩ 13,879
Accrued trust fees payable	29,846	33,063	Trust fees to the Bank	57,554	116,577
Prepaid trust fees	968	1,438	Commissions on early termination ⁽¹⁾	286	220
KDIC⁽²⁾					
Securities	-	228,258	Interest income	3,625	3,514
Accrued interest	-	25			
Hana Securities					
Securities	15,280	9,856	Interest income	43	-
Accrued income	5	150	Dividends income	281	502

⁽¹⁾ Commissions on early termination come from book value funds and are included in the assets of the Bank..

⁽²⁾ KDIC, which was a major shareholder in 2003, disposed its shares in Hana Bank during the current year and is no longer a related party.

Report of Independent Auditors

SAMIL PRICEWATERHOUSECOOPERS

PRICEWATERHOUSECOOPERS 

Samil PricewaterhouseCoopers
Kukje Center Building
191 Hankangro 2ga, Yongsanku
Seoul 140-702, KOREA
(Yongsan P.O. Box 266, 140-600)

To the Shareholders and Board of Directors of
Hana Bank and Subsidiaries

We have audited the accompanying consolidated balance sheets of Hana Bank and its subsidiaries ("the Bank") as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in shareholders' 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 did not audit the financial statements of Hana Securities, a subsidiary, which statements reflect 1.44% and 1.19% of the Bank's consolidated total assets as of December 31, 2004 and 2003, respectively, and 5.99% and 3.94% of the Bank's consolidated total operating revenues for the years then ended, respectively. Those statements were audited by another auditor whose reports have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Hana Securities, is based solely on the reports of the other auditor.

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 and the report of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditor, 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, 2004 and 2003, and the results of their operations, the changes in their shareholders' equity and their cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

As discussed in Note 22 to the consolidated financial statements, as the Bank determined that the loss carry-forwards of ₩1,093,093 million were realizable through future ordinary income, it recognized deferred tax assets of ₩300,600 million. The effect of the recognition was to increase deferred tax assets, total assets, shareholders' equity and net income for 2004 by ₩300,600 million and to decrease income tax expenses of 2004 by ₩300,600 million.

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 consolidated financial statements.

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

Seoul, Korea,
January 21, 2005



This report is effective as of January 21, 2005, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Samil PricewaterhouseCoopers is the Korean member firm of PricewaterhouseCoopers. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Consolidated Balance Sheets

December 31, 2004 and 2003

(In millions of Korean won, US dollar in thousands (Note3))	2004	2003	2004	2003
Assets				
Cash and due from banks (Notes 4 and 15)	₩ 3,830,405	₩ 4,828,494	\$ 3,669,673	\$ 4,625,881
Trading securities (Notes 5 and 15)	2,181,829	1,641,243	2,090,275	1,572,373
Available-for-sale securities (Notes 6 and 15)	11,686,742	12,553,148	11,196,342	12,026,393
Held-to-maturity securities (Notes 7 and 15)	2,266,093	2,698,401	2,171,003	2,585,171
Investments in associates (Notes 8 and 15)	58,360	49,863	55,911	47,771
Loans receivable, net of allowances for possible losses of ₩ 950,077 (2003: ₩1,072,468)(Notes 9 and 15)	59,524,550	55,763,166	57,026,777	53,423,228
Property and equipment, net of accumulated depreciation of ₩420,448 (2003: ₩320,683) (Note 10)	1,000,862	1,173,685	958,864	1,124,435
Intangible assets (Note 10)	136,904	167,590	131,159	160,558
Guarantee deposits	602,049	587,365	576,785	562,718
Accounts receivable	943,058	777,066	903,485	744,459
Accrued income	360,504	450,465	345,376	431,562
Prepaid expenses	2,700	4,417	2,587	4,232
Deferred income tax assets (Note 22)	494,220	170,777	473,482	163,611
Prepaid income taxes	102,981	139,079	98,660	133,243
Others	1,290,257	1,351,246	1,236,114	1,294,545
Total assets	₩84,481,514	₩ 82,356,005	\$ 80,936,494	\$ 78,900,180
Liabilities and Shareholders' Equity				
Deposits (Notes 11 and 15)	₩57,653,035	₩ 58,826,898	\$ 55,233,794	\$ 56,358,400
Call money	1,494,133	432,934	1,431,436	414,767
Borrowings (Notes 12 and 15)	4,961,310	5,819,618	4,753,124	5,575,414
Bonds sold on repurchase agreements	1,283,122	1,391,694	1,229,279	1,333,296
Bills sold	176,872	133,457	169,450	127,857
Due to Bank of Korea in foreign currencies (Note 15)	-	12,821	-	12,283
Debentures (Notes 13 and 15)	7,927,098	6,052,018	7,594,460	5,798,063
Reserve for possible losses on acceptances and guarantees (Note 14)	22,491	53,591	21,547	51,342
Due to trust accounts	625,939	1,412,073	599,674	1,352,820
Unearned income	94,283	96,978	90,327	92,908
Accrued expenses	1,384,049	1,241,550	1,325,972	1,189,452
Accounts payable	806,128	677,992	772,301	649,543
Income tax payable	447	15,269	428	14,629
Others	2,820,240	2,517,452	2,701,896	2,411,817
Total liabilities	79,249,147	78,684,345	75,923,688	75,382,591
Commitments and contingencies (Note 16)				
Common stock				
Authorized - 2,000 million shares at ₩5,000 par value per share				
Issued 192,353,448 shares (Notes 1 and 17)	987,161	987,161	945,738	945,738
Capital surplus	1,355,478	1,296,859	1,298,600	1,242,440
Retained earnings	2,556,291	1,388,564	2,449,023	1,330,297
Capital adjustments (Notes 6, 8, 18 and 19)	(17,889)	(395,196)	(17,139)	(378,613)
Minority Interests	351,326	394,272	336,584	377,727
Total shareholders' equity	5,232,367	3,671,660	5,012,806	3,517,589
Total liabilities and shareholders' equity	₩ 84,481,514	₩ 82,356,005	\$ 80,936,494	\$ 78,900,180

* The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income

Years Ended December 31, 2004 and 2003

(In millions of Korean won, US dollar in thousands (Note3))	2004	2003	2004	2003
Operating revenue				
Interest income				
Interest on due from banks	₩ 10,849	₩ 17,522	\$ 10,393	\$ 16,786
Interest on securities	620,327	766,298	594,297	734,143
Interest on loans	3,689,519	3,465,187	3,534,699	3,319,780
Other	13,190	13,720	12,637	13,144
	4,333,885	4,262,727	4,152,026	4,083,853
Commission income	545,365	517,509	522,480	495,794
Other operating income :				
Gain on disposal of trading securities	66,800	46,133	63,997	44,197
Gain on valuation of trading securities	85,012	26,734	81,445	25,612
Dividend on securities	11,731	93,499	11,238	89,575
Gain on foreign currency trading	231,245	188,873	221,541	180,948
Fee from trust accounts	41,372	59,558	39,635	57,058
Gain on derivatives	1,178,822	537,560	1,129,357	515,003
Other	50,382	11,231	48,267	10,760
	1,665,364	963,588	1,595,480	923,153
	6,544,614	5,743,824	6,269,986	5,502,800
Operating expenses				
Interest expenses :				
Interest on deposits	1,918,938	2,045,703	1,838,416	1,959,861
Interest on borrowings	189,934	239,109	181,964	229,075
Interest on debentures	443,334	344,391	424,731	329,940
Other	47,932	38,519	45,920	36,902
	2,600,138	2,667,722	2,491,031	2,555,778
Commission expenses	150,868	144,564	144,537	138,498
Other operating expenses :				
Loss on disposal of trading securities	29,226	29,203	27,999	27,977
Loss on valuation of trading securities	6,792	20,144	6,507	19,299
Loss on foreign currency trading	188,022	150,233	180,132	143,929
Bad debt expense	345,997	815,641	331,478	781,415
Loss on derivatives	1,128,397	509,600	1,081,047	488,217
Other	225,729	184,503	216,257	176,762
	1,924,163	1,709,326	1,843,420	1,637,599
General and administrative expenses (Note 20)	995,938	944,728	954,146	905,086
	5,671,107	5,466,340	5,433,134	5,236,961
Operating income	₩ 873,507	₩ 277,484	\$ 836,852	\$ 265,839
Non-operating income (Note 21)	₩ 302,934	₩ 381,783	\$ 290,222	\$ 365,762
Non-operating expenses (Note 21)	(143,644)	(126,718)	(137,617)	(121,400)
Income before income taxes and consolidation adjustments	1,032,797	532,549	989,457	510,201
Income tax expense (Note 22)	(313,999)	(4,661)	(300,823)	(4,466)
Income before consolidation adjustments	1,346,796	537,210	1,290,280	514,667
Minority interest income	(6,918)	(23,339)	(6,628)	(22,360)
Consolidated net income (Note 23)	₩1,339,878	₩ 513,871	\$ 1,283,652	\$ 492,307
Ordinary income per share	₩ 7,750	₩ 3,290	\$ 7,750	\$ 3,290
Earning per share	₩ 7,710	₩ 3,147	\$ 7,710	\$ 3,147
Diluted ordinary income per share	₩ 7,737	₩ 3,286	\$ 7,737	\$ 3,286
Diluted earning per share	₩ 7,698	₩ 3,143	\$ 7,698	\$ 3,143

* The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

Years Ended December 31, 2004 and 2003

(in millions of Korean won)	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interest	Total
Balance at January 1, 2003	₩ 987,161	₩ 1,267,797	₩ 957,059	₩ (372,754)	₩ 401,675	₩ 3,240,938
Gain on sale of treasury stock	-	36,476	-	-	-	36,476
Net income for 2003	-	-	513,871	-	-	513,871
Dividends	-	-	(86,067)	-	(4,219)	(90,286)
Changes in subsidiary retained earnings	-	-	(99)	-	-	(99)
Changes in special reserves	-	-	2,911	-	-	2,911
Changes in currency exchange rates	-	-	889	-	-	889
Changes in capital adjustments	-	-	-	(22,442)	-	(22,442)
Changes in minority interest	-	-	-	-	(26,523)	(26,523)
Net income of minority interest	-	-	-	-	23,339	23,339
Others	-	(7,414)	-	-	-	(7,414)
Balance at December 31, 2003	₩ 987,161	₩ 1,296,859	₩ 1,388,564	₩(395,196)	₩394,272	₩ 3,671,660
Balance at January 1, 2004	₩ 987,161	₩ 1,296,859	₩ 1,388,564	₩(395,196)	₩394,272	₩3,671,660
Gain on sale of treasury stock	-	58,619	-	-	-	58,619
Net income for 2004	-	-	1,339,878	-	-	1,339,878
Dividends	-	-	(84,963)	-	(11,319)	(96,282)
Changes in subsidiary retained earnings	-	-	36	-	-	36
Changes in special reserves	-	-	1,117	-	-	1,117
Offsetting of treasury stocks	-	-	(87,619)	-	-	(87,619)
Changes in currency exchange rates	-	-	(722)	-	-	(722)
Changes in capital adjustments	-	-	-	377,307	-	377,307
Changes in reporting entities	-	-	-	-	12,117	12,117
Changes in minority interest	-	-	-	-	(50,662)	(50,662)
Net income of minority interest	-	-	-	-	6,918	6,918
Balance at December 31, 2004	₩ 987,161	₩1,355,478	₩2,556,291	₩(17,889)	₩351,326	₩5,232,367
(in thousands of US dollars)						
Balance at January 1, 2003	\$ 945,738	\$ 1,214,597	\$ 916,899	\$ (357,113)	\$ 384,819	\$ 3,104,941
Gain on sale of treasury stock	-	34,945	-	-	-	34,945
Net income for 2003	-	-	492,308	-	-	492,308
Dividends	-	-	(82,455)	-	(4,042)	(86,497)
Changes in subsidiary retained earnings	-	-	-95	-	-	(95)
Changes in special reserves	-	-	2,788	-	-	2,788
Changes in currency exchange rates	-	-	852	-	-	852
Changes in capital adjustments	-	-	-	(21,500)	-	(21,500)
Changes in minority interest	-	-	-	-	(25,410)	(25,410)
Net income of minority interest	-	-	-	-	22,360	22,360
Others	-	(7,103)	-	-	-	(7,103)
Balance at December 31, 2003	\$ 945,738	\$ 1,242,440	\$ 1,330,297	\$ (378,613)	\$ 377,727	\$ 3,517,589
Balance at January 1, 2004	\$ 945,738	\$ 1,242,440	\$ 1,330,297	\$ (378,613)	\$ 377,727	\$ 3,517,589
Gain on sale of treasury stock	-	56,161	-	-	-	56,161
Net income for 2004	-	-	1,283,654	-	-	1,283,654
Dividends	-	-	(81,398)	-	(10,844)	(92,242)
Changes in subsidiary retained earnings	-	-	35	-	-	35
Changes in special reserves	-	-	1,068	-	-	1,068
Offsetting of treasury stocks	-	-	(83,942)	-	-	(83,942)
Changes in currency exchange rates	-	-	(692)	-	-	(692)
Changes in capital adjustments	-	-	-	361,474	-	361,474
Changes in reporting entities	-	-	-	-	11,609	11,609
Changes in minority interest	-	-	-	-	(48,536)	(48,536)
Net income of minority interest	-	-	-	-	6,628	6,628
Balance at December 31, 2004	\$ 945,738	\$ 1,298,600	\$ 2,449,023	\$ (17,139)	\$ 336,584	\$ 5,012,806

* The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended December 31, 2004 and 2003

(In millions of Korean won, US dollar in thousands (Note3))	2004	2003	2004	2003
Cash used in operating activities				
Net income	₩ 1,339,878	₩ 513,871	\$ 1,283,654	\$ 492,308
Adjustments to reconcile net income to net cash used in operating activities:				
Depreciation and amortization	143,467	152,778	137,447	146,367
Provision for possible loan losses	345,997	815,641	331,478	781,415
Provision for severance benefits	43,351	40,366	41,532	38,672
Unrealized loss(gain) on securities, net	(76,021)	67,094	(72,831)	64,279
Gain on securities transactions, net	(178,612)	(153,884)	(171,117)	(147,427)
Reversal of reserve for possible losses on acceptances and guarantees	(27,251)	(9,947)	(26,107)	(9,530)
Loss(gain) on sale of loans, net	7,902	(59,526)	7,570	(57,028)
Unrealized loss on derivatives, net	(36,804)	16,174	(35,260)	15,495
Minority interest income	6,918	23,339	6,628	22,360
Changes in assets and liabilities	(5,500,078)	(1,573,118)	(5,269,283)	(1,507,107)
Others	10,114	(85,400)	9,690	(81,816)
	(3,921,139)	(252,612)	(3,756,599)	(242,012)
Cash provided by (used in) investing activities				
Increase in trading securities	(424,792)	(592,833)	(406,967)	(567,956)
Decrease (increase) in available-for-sale securities	1,215,712	(228,619)	1,164,698	(219,026)
Decrease (increase) in held-to-maturity securities	437,501	(88,489)	419,143	(84,776)
Decrease (increase) in investments in associates	1,600	(1,461)	1,533	(1,400)
Decrease (increase) in property and equipment	139,536	(10,852)	133,680	(10,397)
Increase in intangible assets	(12,829)	(35,402)	(12,290)	(33,917)
Decrease (increase) in guarantee deposits	(14,684)	18,099	(14,068)	17,340
Increase in accounts receivable	(166,017)	(274,278)	(159,050)	(262,769)
	₩ 1,176,027	₩ (1,213,835)	\$ 1,126,679	\$(1,162,901)
Cash provided by financing activities				
Decrease in borrowings	₩ (858,307)	₩ (157,181)	\$ (822,291)	\$ (150,585)
Increase (decrease) in bills sold	43,415	(519,658)	41,593	(497,852)
Increase in debentures	1,827,939	2,159,068	1,751,235	2,068,469
Increase in domestic exchange payable	-	16,020	-	15,348
Increase (decrease) in foreign exchange payable	432,318	(382,882)	414,177	(366,815)
Increase (decrease) in bonds sold on repurchase agreements	(108,572)	949,819	(104,016)	909,963
Decrease in due to Bank of Korea in foreign currencies	(12,821)	(27,236)	(12,283)	(26,093)
Increase (decrease) in call money	1,061,199	(450,387)	1,016,669	(431,487)
Increase (decrease) in due to trust accounts	(786,134)	677,173	(753,146)	648,757
Increase in accounts payable	128,143	214,853	122,766	205,838
Cash dividends	(96,282)	(90,285)	(92,242)	(86,497)
Exercise of stock options	1,477	204,177	1,415	195,610
Cash from consolidated capital transactions	(38,544)	(25,035)	(36,927)	(23,985)
Increase in special reserve	1,115	-	1,068	-
Increase (decrease) in treasury stock	139,266	(194,868)	133,422	(186,691)
	1,734,212	2,373,578	1,661,440	2,273,980
Cash flow from change in reporting entity	12,811	-	12,273	-
Net increase in cash and due from banks	(998,089)	907,131	(956,207)	869,067
Cash and due from banks at the beginning of the year	4,828,494	3,921,363	4,625,880	3,756,814
Cash and due from banks at the end of the year	₩ 3,830,405	₩ 4,828,494	\$ 3,669,673	\$ 4,625,881

* The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

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"). The general information describing the Bank's trust accounts, its controlled subsidiaries, and equity-method investees are provided below.

Hana Bank

Hana Bank was established in November 1959 under its former name, 'Seoul Bank'. In 1976, it acquired Korea Trust Bank. On September 27, 2002, however, Seoul Bank entered into a business combination contract ("the Contract") with the former Hana Bank as approved by its shareholders on November 14, 2002. On December 1, 2002, upon the completion of the merger, with Seoul Bank as the surviving entity, it registered under its current name, Hana Bank.

Hana Bank is engaged in commercial banking, trust and foreign exchange business, and other related operations as permitted under the Bank Act and other relevant laws and regulations in the Republic of Korea. Hana Bank is also engaged in the insurance business by entering into agreements with life insurance companies since September 26, 2003, after the revision of the insurance regulations.

Hana Bank is authorized to issue 2,000 million shares of common stock with a par value of ₩5,000 per share. It is also authorized to issue preferred stock up to 50% of the outstanding number of common stock shares. As of December 31, 2004, it has 192,353,448 common shares issued amounting to ₩987,161 million; and no preferred stock outstanding. Hana Bank's shares are listed on the Korean Stock Exchange.

On March 24, 2004, the Board of Directors approved the offsetting of treasury stocks amounting to ₩87,619 million, representing 5,078,755 common stock shares, against the retained earnings on March 25, 2004. This offsetting resulted to a difference between the amount of the paid-in capital and the total par value of the shares issued as of December 31, 2004.

In accordance with its Articles of Incorporation, Hana Bank is authorized to issue convertible bonds and bonds with stock warrants to investors other than its shareholders for amounts up to ₩200,000 million each. As of December 31, 2004, there are no convertible bonds outstanding.

Hana Bank's financial position of December 31, 2004 is summarized as follows:

(in millions of Korean won)	Total assets	Total liabilities	Total equity	Operating revenues	Net income
Hana Bank	₩ 82,439,924	₩ 77,579,400	₩ 4,860,524	₩ 6,103,151	₩ 1,342,954

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 and for the years ended December 31, 2004 is as follows:

(in millions of Korean won)	2004				
Subsidiaries	Number of invested shares	Percentage of ownership(%)	Total assets	Operating revenues	Shareholders' equity
Trust Accounts	-	-	₩ 1,065,356	₩ 72,791	₩ 21,821
Hana Securities	11,712,957	61.15	1,214,036	391,739	319,437
Hana Funding Limited	-	100.00	209,522	18,212	208,812
Qingdao International Bank	26,112,063	72.31	137,125	3,760	38,988

During 2004, the Bank additionally acquired 1,600,000 shares of Hana Securities' common shares.

Qindao International Bank is included in the reporting entities of the Bank, the majority stockholder, for the acquisition of shares of Qindao International Bank.

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.

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

Trusts	Trust terms		
	Period (years)	Dividend rate	Guarantee of principal repayment
General unspecified money trusts	over 15	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	"	"

Hana Securities was listed in the Korea Stock Exchange on November 25, 1986, and its capital stock issued and outstanding, as of December 31, 2004 and 2003, is ₩129,263 million.

In December 2002, Hana Funding Limited ("HFL") was established in the Cayman Islands for the purpose of funding through the offering of non-cumulative tier one preferred stock ("TOPS"). The Bank issued subordinated bonds amounting to ₩239,560 million (equivalent to US\$200 million) to HFL. HFL acquired the bonds with the proceeds from the offering of TOPS, and the detailed information related to the subordinated bonds are as follows :

Summary terms	
Call option	Redeemable in whole but not in part at the option of the issuer on December 17, 2012 or any payment date thereafter
Interest rate	8.748% per annum to the Reset Date Floating rater after the Reset Date
Interest payment dates	Annually to the Reset Date Quarterly after the Reset Date
Maturity	Due 2101
Non-cumulative preferred stock (Tier One Preferred Securities, "TOPS")	Listed on the Singapore Exchange

Investments Recorded under the Equity Method

A summary of investment and financial information of subsidiaries to which the equity method of accounting is applied in consolidation as of and for the years ended December 31, 2004 is as follows:

(in millions of Korean won)	2004				
	Number of invested shares	Percentage of ownership(%)	Total assets	Operating revenues	Shareholders' equity
Hana Research & Consulting Inc.	400,000	62.5	₩ 3,332	₩1,026	₩3,228
Hana Hana Allianz Investment Trust Management Co.	2,000,000	50.0	27,480	10,693	25,263
BC Card Co., Ltd.	740,520	16.8	398,764	397,523	153,886
Hana INS	400,000	100.0	3,059	6,543	2,425
Hana Life Insurance	3,000,500	50.0	319,896	116,361	33,105

Hana Research & Consulting Inc. and Hana INS were excluded from consolidation in accordance with regulations allowing exclusions for small sized subsidiaries under the financial accounting standards for the preparation of consolidated financial statements. Hana Allianz Investment Trust Management Co. and Hana Life Insurance were excluded from consolidation, since the Bank is not the controlling shareholder despite holding 50% of the shares.

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 accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in 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 and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language consolidated financial statements.

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

Accounting Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect amounts reported therein. Although these estimates are based on management's best knowledge of current events and actions that the Bank may undertake in the future, actual results may 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 an accrual basis.

Allowance for Possible Loan Losses

The Bank provides the allowance for possible losses from uncollectible corporate loans using the present value method ("PV method") or the expected loss method ("EL method"), depending on the size of the loan. For collective corporate loans, the EL method is used.

The PV method, which is used for large uncollectible loans, computes the collectible amount of expected future cash flows by discounting it at effective interest rates and evaluating it at its present value.

The EL method analyzes factors of estimated loss based on probability of default ("PD") and loss given default ("LGD"), and determines the loan classification. This credit rating model considers the financial and non-financial factors of borrowers and classifies the borrowers' credit risk by 17 ratings to assess the PD based on historical data for the past five years. LGD is determined by the type of loan and collateral, and historical data for the past three years. Provision rate is calculated by multiplying PD and LGD.

The minimum provision rate for corporate loans should be at least the minimum required provision percentage given by the Regulation on Supervisory of Bank.

For household and credit loans, provisions are determined by PD and collectibility, which are calculated based on normal interest rates of the past five years.

The minimum provision rate for household and credit loans should be at least the minimum required provision percentage given by the Regulation on Supervisory of Bank. Furthermore, the Bank adjusts the experience loss rate for loans classified below a certain rating to reduce risk in loan losses.

Securities

Securities that are bought and held are classified as trading securities, available-for-sale securities and held-to-maturity securities, depending on the purpose of the purchase and holding intention.

All securities are initially carried at cost, including incidental expenses, determined by the moving-average method.

Held-to-maturity securities are generally carried at amortized cost. Premiums and discounts on debt securities are amortized over the maturity period using the effective interest rate method.

Trading and available-for-sale securities are carried at fair value, except for non-marketable equity securities classified as available-for-sale securities, which are carried at cost. The fair value of debt securities, which do not have a quoted market value, is calculated using the present value of future cash flows, discounted at a reasonable interest rate determined based on the credit ratings provided by independent credit rating institutions.

Unrealized holding gains or losses on trading securities are charged to current operations and those resulting from available-for-sale securities are recorded as capital adjustments, the accumulated amount of which shall be charged to current operations when the related securities are sold or when an impairment loss on the securities is recognized.

Impairment losses are recognized in current operations when the recoverable amounts are less than the acquisition cost of equity securities or amortized cost of debt securities.

Investments in Associates

Investments in associates, over which the Bank exercises a significant control or influence, are accounted for under the equity method. Under the equity method, the Bank records changes in its proportionate ownership in the associate in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in the book value of the investment in the associate.

The Bank discontinues the equity method of accounting for investments in associates when the Bank's share of accumulated losses equals the costs of the investments, and until the subsequent cumulative changes in its proportionate net income of the associate equal its cumulative proportionate net losses not recognized during the periods when the equity method was suspended.

Differences between the initial purchase price and the Bank's initial proportionate ownership of the net book value of the associate are amortized or accreted using a reasonable method and are charged to current operations.

Gains and losses recorded by the Bank from inter-company transactions with associates are fully eliminated. Gains and losses recorded by the associates from these transactions are proportionately eliminated, based on the Bank's percentage of ownership.

Property and Equipment

Property and equipment are recorded at cost. Routine maintenance and repairs are charged to expense as incurred. Expenditures that enhance the value or extend the useful economic lives of the assets involved are treated as additions to property 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

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.

Troubled Debt Structuring

Impairment losses for loans, restructured in a troubled debt restructuring involving a modification of terms, are computed by getting the difference between the present value of future cash flows under debt restructuring agreements discounted at effective interest rates at the time when loans are originated, and the book value before allowances for loans. If the amount of allowances already established is less than the impairment losses under the workout plans, the Bank establishes additional allowances for the difference. Otherwise, the Bank reverses the allowances for loan losses.

Before the adoption of SKFAS No.13, *Troubled Debt Restructuring*, the difference between the nominal value and the present value of loan under troubled debt structuring agreements was recorded as present value discounts and was presented separately as a deduction from the loan nominal value. However, in accordance with the Bank's adoption of SKFAS No.13, unamortized present value discounts as of the beginning of the current period are classified as allowances for loan losses.

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 ₩1,043.80 : US\$1 and ₩1,197.80 : US\$1, the rates in effect as of December 31, 2004 and 2003, respectively. Resulting translation gains and losses are charged to current operations.

Bonds Purchased under Resale Agreements and Bonds Sold under Repurchase Agreements

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

Accrued Severance Benefits

Directors and employees with at least one year or more 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 year ended December 31, 2004 amounted to ₩19,007 million (2003: ₩7,651 million).

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 non-consolidated financial statements. The Bank provides a provision for borrowers classified as "substandard" or below, applying the same method for the provision for possible loan losses and records the provision as a reserve for possible losses on acceptances and guarantees in the liabilities section of the balance sheet (Note 14).

Income Tax Expense

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

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 applies the appropriate rate of exchange at the balance sheet date.

Derivative Financial Instruments

In accordance with the revised financial accounting standards related to derivatives accounting, effective January 1, 2000, the Bank records the fair values of rights and obligations related to derivatives contracts on the consolidated balance sheet as assets and liabilities, and recognizes the related gains or losses in the consolidated statement of income. 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.

Stock Options

Hana Bank applies the intrinsic method for stock options granted in 1999, and the fair value method for stock options granted in and after 2000. Hana Securities applies the intrinsic method for stock options granted in 1999 and 2000, and the fair value method for stock options granted in and after 2001. The Bank allocates the total compensation cost over the contracted service period and recognizes the cost in current operations. (Note 19)

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 a guarantee of principal repayment trust terms, the losses are recognized as a loss from trust operations.

Principles of Consolidation

The Bank's investment accounts and the 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.

Investments in 20% to 50% owned companies and small-sized companies stipulated in the financial accounting standards (except for consolidated companies) are accounted for using the 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 reserves 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.

Restatements of prior year Financial Statements

In accordance with the SKFAS No. 6, *Events Occurring after Balance sheet Date*, the Bank's retained earnings as of December 31, 2003 has been restated to amounts before appropriations. In accordance with the SKFAS No. 1, *Accounting Changes and Corrections of Errors*, the balance sheet as of December 31, 2003 has been adjusted accordingly.

3. United States dollars Amounts

The Bank operates primarily in Korean won and its official accounting records are maintained in Korean won. The U.S. dollar amounts, provided herein, represent supplementary information, solely for the convenience of the reader. All won amounts are expressed in U.S. dollars at the rate of ₩1,043.80 : US\$1, the basic rate in effect on December 31, 2004. This presentation is not in accordance with generally accepted accounting principles in either the Republic of Korea or the United States, and should not be construed as a representation that the won amounts shown could be readily converted, realized or settled in U.S. dollars at this or any other rate.

4. Cash and Due From Banks

Cash and due from banks as of December 31, 2004 and 2003 are summarized as follows:

(in millions of Korean won)	2004	2003
Cash on hand	₩ 1,336,485	₩ 1,356,627
Foreign currencies	101,587	114,643
Due from banks in won	2,363,546	3,252,722
Due from banks in foreign currencies	28,787	104,502
	₩ 3,830,405	₩ 4,828,494

Due from banks in won and foreign currencies as of December 31, 2004 and 2003 comprise the following:

(in millions of Korean won)	Annual interest rate	2004	2003
Checking accounts		₩ 2,219,095	₩ 2,742,398
Certificates of deposits	4.34	99	410,973
Time deposits	3.91	4,478	32
Other deposits	3.25	139,874	99,319
		2,363,546	3,252,722
Due from banks in foreign currencies	0.31	28,787	104,502
		₩ 2,392,333	₩ 3,357,224

As of December 31, 2004, the amount of due from banks including checking accounts deposited in the Bank of Korea is restricted for the payment of deposits under the Bank of Korea Act. The restricted amount is ₩2,886,308 million, including ₩2,742,398 million of checking accounts deposited in the Bank of Korea as of December 31, 2003.

The maturities of due from banks outstanding as of December 31, 2004 are as follows:

(in millions of Korean won)	Due from banks in won	Due from banks in foreign currencies	Total
Within 1 month	₩ 1,090,876	₩ 14,931	₩ 1,105,807
More than 1 ~ 3 months	131,334	-	131,334
More than 3 ~ 6 months	-	13,856	13,856
More than 6 months ~ 1 year	-	-	-
More than 1 ~ 3 years	-	-	-
More than 3 ~ 5 years	1,128,219	-	1,128,219
More than 5 years	13,117	-	13,117
	₩ 2,363,546	₩ 28,787	₩ 2,392,333

5. Trading Securities

Trading securities as of December 31, 2004 and 2003 comprise the following:

(in millions of Korean won)	Annual interest rate	2004	2003
Equity securities	-	₩ 259,343	₩ 150,425
Government and public bonds	2.50~10.95	668,329	164,913
Debentures issued by financial institutions	3.30~7.16	773,351	895,634
Corporate bonds	3.50~6.50	382,660	377,119
Securities denominated in foreign currencies	3.76~12.75	48,640	50,239
Others	-	49,506	2,913
		₩ 2,181,829	₩ 1,641,243

The information about trading securities by industry as of December 31, 2004, is summarized as follows:

(in millions of Korean won)	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Financial business	₩ 1,081,609	50.70	₩ 39,726	81.67
Public administration	736,098	34.51	-	-
Manufacturing	242,199	11.35	8,914	18.33
Wholesale and retail	6,592	0.31	-	-
Construction	19,315	0.91	-	-
Others	47,376	2.22	-	-
	₩ 2,133,189	100.00	₩ 48,640	100.00

The information about trading securities by securities type as of December 31, 2004, is summarized as follows:

(in millions of Korean won)	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Stocks	₩ 259,343	12.16	₩ -	-
Fixed rate bonds	1,810,230	84.86	39,726	81.67
Floating rate bonds	14,110	0.66	8,914	18.33
Others	49,506	2.32	-	-
	₩ 2,133,189	100.00	₩ 48,640	100.00

6. Available-For-Sale Securities

Available-for-sale securities as of December 31, 2004 and 2003 consist of the following:

(in millions of Korean won)	Annual interest rate	2004	2003
Stocks	-	₩ 687,037	₩ 473,233
Equity investments	-	26,951	41,921
Government and public bonds	3.00 ~ 11.09	1,393,237	1,857,352
Debentures issued by financial institutions	3.29 ~ 10.05	3,116,687	2,940,709
Corporate bonds	3.00 ~ 15.00	5,409,620	5,471,297
Beneficiary certificates	-	1,216	686,382
Securities denominated in foreign currencies	0.89 ~ 11.75	1,046,558	1,076,817
Others	-	5,436	5,437
		₩ 11,686,742	₩ 12,553,148

As of December 31, 2004, available-for-sale securities amounting to ₩2,838,987 million are provided as collateral for borrowings from the Bank of Korea and other financial institutions.

Equity securities (including equity securities in foreign currencies) as of December 31, 2004 and 2003 are as follows:

1) As of December 31, 2004

(in millions of Korean won)	Acquisition cost ⁽¹⁾	Gain (loss)	Capital adjustments	Carrying value
Marketable equity securities	₩ 222,358	₩ (2,355)	₩ 3,408	₩ 223,411
Non-marketable equity securities	373,144	(4,861)	96,583	464,866
	₩ 595,502	₩ (7,216)	₩ 99,991	₩ 688,277

2) As of December 31, 2003

(in millions of Korean won)	Acquisition cost ⁽¹⁾	Gain (loss)	Capital adjustments	Carrying value
Marketable equity securities	₩ 239,693	₩ (51,453)	₩ 40,703	₩ 228,943
Non-marketable equity securities	226,461	(1,215)	20,454	245,700
	₩ 466,154	₩ (52,668)	₩ 61,157	₩ 474,643

⁽¹⁾ Prior year's book value plus acquisition costs for securities purchased during the current period

Details of marketable equity securities as of December 31, 2004 consist of the following:

(in millions of Korean won)

Company	Number of shares	Percentage of Ownership (%)	Carrying value
Korea Electronic Power Corporation	1,100,000	0.17	29,804
Ssangyong Motors Co.	4,698,742	3.89	28,192
Daewoo International Corporation	1,147,421	1.21	11,933
Dongbu anam semi	3,537,600	1.65	10,330
SsangYong Cement Industrial Co. Ltd.	7,536,800	2.38	8,969
Samsung Electronics Co., Ltd.	19,877	0.01	8,955
Kyobo Securities Co., Ltd.	3,130,000	8.69	8,388
Dongwon Financial Holding Co., Ltd.	845,046	1.60	8,281
KOCREF I	1,073,972	4.04	7,035
National Information & Credit Evaluation Inc	305,544	4.56	4,339
Others			97,185
			₩ 223,411

The equity securities in Ssangyong Motors Co. are restricted as to their disposal until December 31, 2004.

As of December 31, 2004, the marketable equity securities with disposal restrictions amounted to ₩35,734 million, including the above-mentioned securities.

The marketable equity securities above are recorded at their fair values, with unrealized holding gains and losses recorded in capital adjustments. For items determined to be impaired due to a significant decrease in fair values from the deterioration of operating conditions, cash shortage, lack of funds, and other reasons, the decrease in fair values are recognized in current operations as impairment losses. The Bank recognized ₩4,486 million of such impairment losses on marketable equity securities for the year ended December 31, 2004.

Details of non-marketable equity securities as of December 31, 2004 consist of the following:

(in millions of Korean won)

Company	Number of shares	Percentage of Ownership (%)	Carrying value
LG Card Co., Ltd	27,973,824	5.41	₩ 111,280
SK Networks Co., Ltd. (common stock)	13,468,764	5.73	90,726
SK Networks Co., Ltd. (preferred callable stock)	1,126,102	10.14	62,231
Korea Housing Guarantee Co.	16,942,000	2.62	38,746
Hyundai Engineering & Construction Co., Ltd.	2,240,154	2.06	27,941
Daewoo Engineering & Construction Co., Ltd.	4,405,186	1.32	24,858
Samsung Life Insurance Co.	47,700	0.24	15,836
Korea Securities Finance Corporation	3,276,655	4.81	17,631
Daewoo Electronics Corp.	1,800,780	1.69	8,213
TU Media Corporation	1,300,000	4.74	7,554
Others			59,850
			₩ 464,866

The securities of Hyundai Engineering & Construction Co., Ltd. were acquired at a price of ₩5,000 per share, and the disposal of 2,240,154 shares is restricted until December 31, 2006.

The equity securities of SK Networks Co., Ltd. are restricted as to their disposal until December 31, 2007, while the disposal of 4,405,186 shares of the securities in Daewoo Engineering & Construction Co., Ltd. are also restricted until December 31, 2004.

As of December 31, 2004, the non-marketable equity securities with disposal restrictions amounted to ₩327,829 million, including the above-mentioned securities.

The non-marketable equity securities above are stated at the value assessed by outside credit rating agencies or by the Bank's own valuation model, with the related unrealized holding gains and losses are recorded in capital adjustments. For items determined to be impaired due to a significant decrease in fair values resulting from deterioration of operating conditions, cash shortage, lack of funds, and other reasons, the decrease in fair values are recognized in current operations as impairment losses. The Bank recognized ₩4,706 million of such impairment losses on non-marketable equity securities for the year ended December 31, 2004.

Debt securities as of December 31, 2004 and 2003 consist of the following:

1) As of December 31, 2004

(in millions of Korean won)	Acquisition cost ⁽¹⁾	Adjusted value ⁽²⁾	Carrying value
Government and public bonds	₩ 1,369,869	₩ 1,372,032	₩ 1,393,237
Debentures issued by financial institutions	3,099,670	3,103,343	3,116,687
Corporate bonds	5,388,163	5,362,390	5,409,620
Securities denominated in foreign currencies	1,108,988	1,035,898	1,045,318
	₩ 10,966,690	₩ 10,873,663	₩ 10,964,862

2) As of December 31, 2003

(in millions of Korean won)	Acquisition cost ⁽¹⁾	Adjusted value ⁽²⁾	Carrying value
Government and public bonds	₩ 1,880,381	₩ 1,879,518	₩ 1,857,352
Debentures issued by financial institutions	2,928,795	2,951,576	2,940,709
Corporate bonds	5,545,202	5,501,298	5,471,297
Securities denominated in foreign currencies	1,067,182	1,052,258	1,075,407
	₩ 11,421,560	₩ 11,384,650	₩ 11,344,765

⁽¹⁾ Prior year's closing book balances or acquisition costs for securities purchased during the current year.

⁽²⁾ Adjusted value after impairment and amortization of discounts or premiums (amortized cost).

Details of gains (losses) on valuation of available-for-sale securities included in capital adjustments as of December 31, 2004 and 2003 are as follows:

(in millions of Korean won)	2004	2003
Stocks and equity investments	₩ 174,029	₩ 80,174
Government and public bonds	27,192	(3,737)
Debentures issued by financial institutions	13,014	(876)
Corporate bonds	18,816	(30,412)
Securities denominated in foreign currencies	13,955	19,520
Other securities	45	3,797
	₩ 247,051	₩ 68,466

The information about available-for-sale securities by currency and country as of December 31, 2004 is summarized as follows:

(in millions of Korean won)	Domestic currency		Foreign currency	
		Ratio (%)		Ratio (%)
Korea	₩ 10,640,184	100.00	₩ 954,408	91.19
U.K.	-	-	15,802	1.51
U.S.A.	-	-	44,011	4.21
China	-	-	8,242	0.79
Others	-	-	24,095	2.30
	₩ 10,640,184	100.00	₩ 1,046,558	100.00

The information about available-for-sale securities by industry as of December 31, 2004 is summarized as follows:

(in millions of Korean won)	Domestic currency		Foreign currency	
		Ratio (%)		Ratio (%)
Financial business	₩ 4,420,370	41.54	₩ 327,983	31.34
Public administration	5,207,026	48.94	175,823	16.80
Manufacturing	537,432	5.05	327,040	31.25
Construction	80,493	0.76	-	-
Wholesale and retail	285,934	2.69	5,219	0.50
Others	108,929	1.02	210,493	20.11
	₩ 10,640,184	100.00	₩ 1,046,558	100.00

The information about available-for-sale securities by securities type as of December 31, 2004 is summarized as follows:

(in millions of Korean won)	Domestic currency		Foreign currency	
		Ratio (%)		Ratio (%)
Stocks	₩ 687,037	6.46	₩ 1,240	0.12
Fixed rate bonds	6,951,386	65.33	475,550	45.44
Floating rate bonds	2,968,158	27.90	539,306	51.53
Convertible bonds	-	-	16,398	1.57
Beneficiary certificates	1,216	0.01	-	-
Others	32,387	0.30	14,064	1.34
	₩ 10,640,184	100.00	₩ 1,046,558	100.00

The maturities of debt securities as of December 31, 2004 are as follows:

(in millions of Korean won)	Government and public bonds	Debentures issued by financial institutions	Corporate bonds	Securities denominated in foreign currencies	Total
Within 1 month	₩ 5,753	₩ 47,635	₩ 58,441	₩ 12,542	₩ 124,371
More than 1 ~ 3 months	4,513	1,863	30,226	17,404	54,006
More than 3 ~ 6 months	11,473	70,668	29,146	10,438	121,725
More than 6 months~1year	78,622	656,141	443,946	103,142	1,281,851
More than 1 ~ 3 years	615,727	2,279,840	3,970,289	481,269	7,347,125
More than 3 ~ 5 years	603,940	10,393	779,874	171,897	1,566,104
More than 5 years	73,209	50,147	97,698	248,626	469,680
	₩ 1,393,237	₩ 3,116,687	₩ 5,409,620	₩ 1,045,318	₩ 10,964,862

7. Held-To-Maturity Securities

Held-to-maturity securities as of December 31, 2004 and 2003 consist of the following:

(in millions of Korean won)	Annual interest rate	2004	2003
Government and public bonds	3.00 ~ 9.40	₩ 880,918	₩ 911,122
Debentures issued by financial institutions	4.31 ~ 6.76	431,538	953,362
Corporate bonds	3.12 ~ 15.00	917,719	785,510
Securities denominated in foreign currencies	Libor + 0.97 ~ 2.00	22,497	34,960
Securities lent	5.67	13,421	13,447
		₩ 2,266,093	₩ 2,698,401

As of December 31, 2004, held-to-maturity securities amounting to ₩1,808,726 million are provided as collateral for borrowings from the Bank of Korea and other financial institutions.

Details of held-to-maturity securities as of December 31, 2004 and 2003 comprise the following:

1) As of December 31, 2004

(in millions of Korean won)	Acquisition cost ⁽¹⁾	Adjusted value ⁽²⁾	Carrying value
Government and public bonds	₩ 867,492	₩ 880,918	₩ 880,918
Debentures issued by financial institutions	430,885	431,538	431,538
Corporate bonds	915,691	917,719	917,719
Securities denominated in foreign currencies	22,404	22,497	22,497
Securities lent	13,448	13,421	13,421
	₩ 2,249,920	₩ 2,266,093	₩ 2,266,093

2) As of December 31, 2003

(in millions of Korean won)	Acquisition cost ⁽¹⁾	Adjusted value ⁽²⁾	Carrying value
Government and public bonds	₩ 902,361	₩ 911,122	₩ 911,122
Debentures issued by financial institutions	939,504	953,362	953,362
Corporate bonds	798,798	785,510	785,510
Securities denominated in foreign currencies	34,991	34,960	34,960
Securities lent	13,474	13,447	13,447
	₩ 2,689,128	₩ 2,698,401	₩ 2,698,401

⁽¹⁾ Prior year's closing book balances or acquisition costs for securities purchased during the current year.

⁽²⁾ Adjusted value after impairment and amortization of discounts or premiums (amortized cost).

The information about held-to-maturity securities by currency and country as of December 31, 2004 is summarized as follows:

(in millions of Korean won)	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Korea	₩ 2,243,596	100.00	₩ 10,838	48.17
Singapore	-	-	6,386	28.39
Others	-	-	5,273	23.44
	₩ 2,243,596	100.00	₩ 22,497	100.00

The information about held-to-maturity securities by industry as of December 31, 2004 is summarized as follows:

(in millions of Korean won)	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Financial business	₩ 530,949	23.67	₩ -	-
Public administration	1,712,647	76.33	6,386	28.39
Manufacturing	-	-	16,111	71.61
	₩ 2,243,596	100.00	₩ 22,497	100.00

The information about held-to-maturity securities by securities type as of December 31, 2004 is summarized as follows:

(in millions of Korean won)	Domestic currency	Ratio (%)	Foreign currency	Ratio (%)
Fixed rate bonds	₩ 2,228,455	99.33	₩ 6,386	28.39
Floating rate bonds	15,141	0.67	16,111	71.61
	₩ 2,243,596	100.00	₩ 22,497	100.00

The maturities of held-to-maturity securities as of December 31, 2004 are as follows:

(in Millions of Korean won)	Government and public bonds	Debentures issued by financial institutions	Corporate bonds	Securities denominated in foreign currencies	Securities lent	Total
Within 1 month	₩ -	₩ -	₩ 12,217	₩ 2,556	₩ -	₩ 14,773
More than 1 ~ 3 months	-	49,982	-	3,831	-	53,813
More than 3 ~ 6 months	10,092	29,825	45,966	-	-	85,883
More than 6 months ~ 1 year	11,264	106,643	156,683	10,438	13,421	298,449
More than 1 ~ 3 years	443,101	150,088	342,215	5,273	-	940,677
More than 3 ~ 5 years	358,378	-	130,134	399	-	488,911
More than 5 years	58,083	95,000	230,504	-	-	383,587
	₩ 880,918	₩ 431,538	₩ 917,719	₩ 22,497	₩ 13,421	₩ 2,266,093

8. Investments in Associates

Investments in associates accounted for under the equity method as of December 31, 2004 are summarized as follows:

(in millions of Korean won)	Percentage of Ownership (%)	Acquisition cost	Current Year Adjustments			Carrying value
			Equity in Net earnings	Capital adjustment	Retained earnings	
Hana Allianz Investment Trust Management Co.	50.00	10,456	2,143	(4)	36	12,631
Hana Research & Consulting Inc.	62.50	2,022	-	-	-	2,023
BC Card Co., Ltd.	16.83	24,712	1,111	105	-	25,928
Hana INS	100.00	2,037	388	-	-	2,425
Hana Life Insurance	50.00	9,037	2,067	4,249	-	15,353
		₩ 48,264	₩ 5,709	₩ 4,350	₩ 36	₩ 58,360

As of December 31, 2004 and 2003, the amount of capital adjustments related to investments in associates are ₩2,478 million (2003 : debit balance of ₩1,872 million).

9. Loans

Loans as of December 31, 2004 and 2003 comprise the following:

(in millions of Korean won)	2004	2003
Loans in won currency ⁽¹⁾		
Bank		
Corporate loans	₩ 18,743,132	₩ 18,820,713
Household loans	27,916,646	25,661,741
Bills purchased	2,292,192	1,869,384
Others	791,119	625,194
	49,743,089	46,977,032
Trusts		
Loans on securities collateral	44,675	41,574
Loans on real estate collateral	42,995	47,085
Bills purchased	253,937	279,658
Others	4,172	38,950
	345,779	407,267
Hana Securities		
Loans	3,636	13,363
Broker's loans	28,817	5,179
	32,453	18,542
	50,121,321	47,402,841
Loans in foreign currencies ⁽²⁾	3,456,438	3,339,687
Bills purchased in foreign currencies	1,948,806	1,664,364
Credit card loans	1,906,822	1,668,070
Call loans	1,001,731	440,200
Private placement corporate bonds	1,984,127	1,954,246
Other loans	55,382	366,226
	₩ 60,474,627	₩ 56,835,634

⁽¹⁾Including bills purchased, factoring receivables and convertible loans.

⁽²⁾Including factoring receivables.

The information about loans in won, including bills purchased, factoring receivables and convertible loans; and loans in foreign currencies, including factoring receivables, by industry as of December 31, 2004 and 2003, is summarized as follows:

1) As of December 31, 2004

(in millions of Korean won)	Loans in won	Loans in foreign currencies	Total	Ratio (%)
Manufacturing	₩ 8,063,638	₩ 1,935,710	₩ 9,999,348	18.66
Construction	1,832,688	23,627	1,856,315	3.46
Wholesale and retail	3,739,982	385,308	4,125,290	7.70
Financial business	863,858	44,134	907,992	1.69
Real estate and renting	1,883,686	95,306	1,978,992	3.70
Household	28,018,749	627	28,019,376	52.30
Public and others	5,718,720	971,726	6,690,446	12.49
	₩ 50,121,321	₩ 3,456,438	₩ 53,577,759	100.00

2) As of December 31, 2003

(in millions of Korean won)	Loans in won	Loans in foreign currencies	Total	Ratio (%)
Manufacturing	₩ 8,165,332	₩ 1,833,686	₩ 9,999,018	19.71
Wholesale and retail	3,606,646	324,197	3,930,843	7.75
Financial business	1,439,259	245,933	1,685,192	3.3
Construction	1,700,399	13,998	1,714,397	3.38
Household	25,754,118	-	25,754,118	50.75
Real estate and renting	1,626,811	36,662	1,663,473	3.28
Public and others	5,110,276	885,211	5,995,487	11.81
	₩ 47,402,841	₩ 3,339,687	₩ 50,742,528	100.00

The information about loans in foreign currencies, including factoring receivables, by country as of December 31, 2004 and 2003 is summarized as follows:

(in millions of Korean won)	2004		2003	
	Amount	Ratio (%)	Amount	Ratio (%)
Korea	₩ 1,699,340	49.16	₩ 1,560,590	46.73
Russia	-	-	118,582	3.55
Japan	50,752	1.47	78,189	2.34
Indonesia	12,878	0.37	15,520	0.46
U.S.A.	4,815	0.14	12,314	0.37
Hong Kong	-	-	8,875	0.27
China	75,308	2.18	2,314	0.07
Domestic import usance	1,567,389	45.35	1,543,303	46.21
Others	45,956	1.33	-	-
	₩ 3,456,438	100.00	₩ 3,339,687	100.00

The maturities of loans in won including bills purchased, factoring receivables and convertible loans; loans in foreign currencies including factoring receivables; and bills purchased in foreign currencies as of December 31, 2004 are summarized as follows:

(in millions of Korean won)	Loans in won	Loans in foreign currencies	Bills purchased in foreign currencies	Total
Within 1 month	₩ 2,986,634	₩ 666,904	₩ 1,161,459	₩ 4,814,997
More than 1 ~ 3 months	6,216,532	681,100	583,351	7,480,983
More than 3 ~ 6 months	9,231,883	834,312	188,844	10,255,039
More than 6 months ~ 1 year	15,021,803	730,382	7,450	15,759,635
More than 1 ~ 3 years	8,800,961	258,313	2,328	9,061,602
More than 3 ~ 5 years	2,713,435	110,363	-	2,823,798
More than 5 years	5,150,073	175,064	5,374	5,330,511
	₩ 50,121,321	₩ 3,456,438	₩ 1,948,806	₩ 55,526,565

Details of changes in the allowance for possible loan losses for the years ended December 31, 2004 and 2003 are as follows:

(in millions of Korean won)	2004	2003
Beginning balance	₩ 1,072,468	₩ 878,945
Acquisition of Qingdao International Bank	683	-
Amount offset with present value discounts	(2,197)	(2,012)
Transfer to allowances for acceptances and guarantees	-	(2,101)
Debt-to-equity swap	(149,962)	(94,567)
Repurchase of loans from Korea Asset Management Corporation	25	1,773
Sale of non-performing loans	(9,477)	(58,794)
Write-offs	(365,934)	(525,863)
Remission of loans	(35)	(13,033)
Collection of previously written-off receivables	71,933	78,969
Provision for possible loan losses	345,997	815,641
Others	(13,424)	(6,490)
Closing balance	₩ 950,077	₩ 1,072,468

As of December 31, 2004, the details of the classification of loans and allowance for possible loan losses are as follows:

1) Classification of loans

(in millions of Korean won)	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total ⁽²⁾
Loans in won currency ⁽¹⁾	₩ 47,886,314	₩ 1,178,207	₩ 581,844	₩ 87,958	₩ 99,469	₩ 49,833,792
Loans in foreign currencies	3,364,356	65,018	13,687	11,678	1,699	3,456,438
Bills purchased in foreign currencies	1,907,165	34,601	2,775	1,367	2,898	1,948,806
Advances to customers	12,010	1,016	1,382	6,970	4,004	25,382
Credit card loans	1,849,599	21,996	1,644	24,163	9,420	1,906,822
Privately-placed debentures	1,978,541	3,620	-	443	1,523	1,984,127
Others	10,765	506	2,432	1,849	7,605	23,157
	₩ 57,008,750	₩ 1,304,964	₩ 603,764	₩ 134,428	₩ 126,618	₩ 59,178,524

⁽¹⁾Including bills purchased in won currency, factoring receivables in won currency and convertible loans.

⁽²⁾Net of present value discounts and excluding bonds purchased on repurchase agreements, call loans and inter-bank loans.

2) Allowance for possible loan losses

(in millions of Korean won)	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total ⁽²⁾
Loans in won currency	₩ 371,181	₩ 106,623	₩ 146,102	₩ 69,604	₩ 99,583	₩ 793,093
Loans in foreign currencies	24,036	5,128	3,252	7,938	1,698	42,052
Bills purchased in foreign currencies	3,813	6,348	577	1,276	2,898	14,912
Advances to customers	95	45	367	6,150	4,004	10,661
Credit card loans	29,603	2,633	781	21,706	9,420	64,143
Privately-placed debentures	13,275	363	-	310	1,523	15,471
Others	37	44	634	1,538	7,492	9,745
	₩ 442,040	₩ 121,184	₩ 151,713	₩ 108,522	₩ 126,618	₩ 950,077

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

Historical ratios of allowance for possible loan losses to total loans as of December 31, 2004 and 2003 are as follows:

(in millions of Korean won)	2004	2003
Loans ⁽¹⁾	₩ 59,178,524	₩ 55,756,998
Allowance for possible loan losses	950,077	1,065,403
Ratios	1.61%	1.91%

⁽¹⁾ Loans include certain amounts of accounts receivable and suspense receivables, and do not include bonds purchased under resale agreements, call loans and inter-bank loans.

Historical ratios of allowance for possible loan losses to total loans as of December 31, 2004 and 2003 are as follows:

(in millions of Korean won)	2004	2003
Beginning balance	₩ 7,065	₩ 10,838
Transferred in arising from the merger	-	-
Interest income	(2,284)	(4,002)
Amount offset with allowance for possible loan losses	(3,055)	229
Ending balance	₩ 1,726	₩ 7,065

Details of restructured loans, excluding the loans provided to Daewoo and Hanjin Group of companies, due to changes in contractual terms as of December 31, 2004, are as follows:

(in millions of Korean won)	Outstanding loans	Extension of maturity and/or reduction of interest rate	Loans for debt-to-equity swap	Converted to equity securities	Convertible bonds	Present value discounts	Restructured value
Workout	₩ 732,224	₩ 304,427	₩ -	₩ 426,481	₩ 1,316	₩ -	₩ 304,427
Court receivership	27,524	20,370	-	5,944	-	1,210	20,370
Court meditation	12,582	11,880	-	702	-	-	11,880
Others	3,809	1,021	-	2,788	-	-	1,021
	₩ 776,139	₩ 337,698	₩ -	₩ 435,915	₩ 1,316	₩ 1,210	₩ 337,698

10. Property, Equipment and Intangible Assets

Property, equipment and intangible assets as of December 31, 2004 and 2003 are summarized as follows:

1) As of December 31, 2004

(in millions of Korean won)	Acquisition cost	Accumulated depreciation	Net book value
Land	₩ 505,199	₩ -	₩ 505,199
Buildings, structures and auxiliary facilities	478,267	104,000	374,267
Vehicles, furniture and fixtures	414,890	298,327	116,563
Construction in-progress	4,333	-	4,333
Intangible assets	140,417	-	140,417
Negative goodwill	(3,513)	-	(3,513)
Others	621	121	500
	₩ 1,540,214	₩ 402,448	₩ 1,137,766

2) As of December 31, 2003

(in millions of Korean won)	Acquisition cost	Accumulated depreciation	Net book value
Land	₩ 651,323	₩ -	₩ 651,323
Buildings, structures and auxiliary facilities	473,077	89,283	383,794
Vehicles, furniture and fixtures	366,769	231,400	135,369
Intangible assets	167,590	-	167,590
Construction in-progress	3,194	-	3,194
Others	5	-	5
	₩ 1,661,958	₩ 320,683	₩ 1,341,275

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

In accordance with bank supervisory regulations, the Bank's property and equipment, except for land, are covered by insurance policies against fire and other casualty losses up to ₩508,960 million as of December 31, 2004. The government-posted prices of the Bank's land amounted ₩434,240 million as of December 31, 2004 (2003 : ₩544,161 million).

The changes in property, equipment and intangible assets for the year ended December 31, 2004 are as follows:

(in millions of Korean won)	Property and equipment	Intangible assets	Negative goodwill	Total
Beginning balance	₩ 1,173,685	₩ 167,590	₩ -	₩ 1,341,275
Increase arising from the reporting entities	4,128	230	-	4,358
Acquisition/capital expenditures	120,663	16,723	(4,391)	132,995
Disposals	195,115	-	-	195,115
Amortization	99,304	44,163	-	143,467
Return of negative goodwill	-	-	878	878
Others	(3,195)	37	-	(3,158)
Ending balance	₩ 1,000,862	₩ 140,417	₩ (3,513)	₩ 1,137,766

11. Deposits

Deposits as of December 31, 2004 and 2003 comprise the following:

(in millions of Korean won)	2004	2003
Bank account deposits		
Won currency deposits:		
Demand deposits	₩ 2,777,951	₩ 3,218,240
Time and savings deposits	47,772,446	48,784,652
Mutual installment received	2,129,035	1,543,842
Housing installment deposit	330,443	313,195
	53,009,875	53,859,929
Foreign currency deposits:		
Demand deposits	579,012	485,455
Time and savings deposits	1,254,819	1,068,808
	1,833,831	1,554,263
Certificates of deposits	1,539,798	2,178,016
	56,383,504	57,592,208
Trust account deposits		
Won currency trusts	1,082,868	1,104,065
Hana Securities deposits		
Won currency deposits	169,743	130,625
Qingdao International Bank deposits		
Foreign currency deposits	16,920	-
	₩ 57,653,035	₩ 58,826,898

The maturities of deposits as of December 31, 2004 are summarized as follows:

(in millions of Korean won)	Won currency deposits	Foreign currency deposits	Certificates of deposits	Total
Within 1 month	₩ 7,840,067	₩ 751,514	₩ 813,374	₩ 9,404,955
More than 1 ~ 3 months	4,482,562	290,325	541,295	5,314,182
More than 3 ~ 6 months	6,656,259	128,856	104,567	6,889,682
More than 6 months ~ 1 year	17,320,190	135,991	53,327	17,509,508
More than 1 ~ 3 years	2,748,480	13,482	23,990	2,785,952
More than 3 ~ 5 years	13,442,869	355,225	3,245	13,801,339
More than 5 years	1,772,059	175,358	-	1,947,417
	₩ 54,262,486	₩ 1,850,751	₩ 1,539,798	₩ 57,653,035

12. Borrowings

Borrowings as of December 31, 2004 and 2003 consist of the following:

(in millions of Korean won)	Annual interest rate	2004	2003
Won currency borrowings:			
Bank of Korea	2.00	₩ 781,270	₩ 977,508
Korean Government	2.00~3.28	205,877	227,390
Others	0.00~5.05	783,161	656,244
		1,770,308	1,861,142
Foreign currency borrowings:			
Bank overdraft	-	₩ 288,635	41,994
Foreign banks and others	Libor+0.20~0.40	2,618,013	3,518,771
Offshore	Libor+0.00~0.32	284,354	397,711
		3,191,002	3,958,476
		₩ 4,961,310	₩ 5,819,618

The maturities of borrowings as of December 31, 2004, are as follows:

(in millions of Korean won)	Won currency borrowings	Foreign currency borrowings	Total
Within 1 month	₩ 846,763	₩ 1,203,316	₩ 2,050,079
More than 1 ~ 3 months	3,155	749,327	752,482
More than 3 ~ 6 months	24,212	744,027	768,239
More than 6 months ~ 1 year	11,359	421,734	433,093
More than 1 ~ 3 years	210,887	71,411	282,298
More than 3 ~ 5 years	318,924	-	318,924
More than 5 years	355,008	1,187	356,195
	₩ 1,770,308	₩ 3,191,002	₩ 4,961,310

13. Debentures

Debentures as of December 31, 2004 and 2003 consist of the following:

(in millions of Korean won)	Annual interest rate	2004	2003
Won currency debentures:			
Subordinated bonds	5.24~10.60	₩ 3,013,919	₩ 2,764,066
Other bonds	2.20~6.70	3,980,151	2,747,822
		6,994,070	5,511,888
(Less : Present value discounts)		(30,860)	(30,758)
		6,963,210	5,481,130
Foreign currency debentures:			
Foreign currency bonds	Libor+0.25~8.75	969,122	571,816
(Less : Present value discounts)		(5,234)	(928)
		963,888	570,888
		₩ 7,927,098	₩ 6,052,018

The maturities of debentures as of December 31, 2004, are as follows:

(in millions of Korean won)	Won currency debentures	Foreign currency debentures	Total
Within 1 month	₩ 701,785	₩ 52,190	₩ 753,975
More than 1 ~ 3 months	170,000	-	170,000
More than 3 ~ 6 months	830,000	20,242	850,242
More than 6 months ~ 1 year	1,472,924	-	1,472,924
More than 1 ~ 3 years	1,879,987	281,191	2,161,178
More than 3 ~ 5 years	1,189,374	615,499	1,804,873
More than 5 years	750,000	-	750,000
	₩ 6,994,070	₩ 969,122	₩ 7,963,192

14. Confirmed Acceptances and Guarantees

Confirmed acceptances and guarantees as of December 31, 2004 and 2003 comprise the following:

(in millions of Korean won)	2004	2003
Acceptances and guarantees in won currency	₩ 439,586	₩ 440,084
Acceptances and guarantees in foreign currencies:		
Acceptances for letters of credit	156,184	114,760
Letters of guarantee for importers	48,393	60,829
Guarantees on credit derivatives	25,329	59,011
Others ⁽¹⁾	359,570	672,970
	589,476	907,570
	₩ 1,029,062	₩ 1,347,654

⁽¹⁾ Acceptances and guarantees for the return of advances related to export, overseas bidding, and contractual obligations.

The information about confirmed acceptances and guarantees by industry as of December 31, 2004, is summarized as follows:

(in millions of Korean won)	Amounts	Ratio (%)
Manufacturing	₩ 355,713	34.57
Construction	81,084	7.88
Transport and storage	248,803	24.18
Construction	21,591	2.10
Real estate and renting	4,285	0.42
Financial business	209,855	20.39
Others	107,731	10.46
	₩ 1,029,062	100.00

The information about confirmed acceptances and guarantees by country as of December 31, 2004 is summarized as follows:

(in millions of Korean won)	Amounts	Ratio (%)
Korea	₩ 990,028	96.21
U.S.A.	22,320	2.17
Japan	12,642	1.23
Hong Kong	4,072	0.39
	₩ 1,029,062	100.00

The details of the classification of acceptances and guarantees and reserves for possible losses on acceptances and guarantees as of December 31, 2004 are summarized as follows:

(in millions of Korean won)	Acceptances and guarantees in won currency		Acceptances and guarantees in foreign currencies		Total		Reserves ratio (%)
	Outstanding loans	Amount of reserves	Outstanding amount	Amount of reserves	Outstanding amount	Amount of reserves	
Normal	₩ 435,416	₩ -	₩ 540,005	₩ -	₩ 975,421	₩ -	-
Precautionary	3,466	-	45,431	⁽¹⁾ 8,562	48,897	8,562	17.51
Substandard	643	256	3,868	1,915	4,511	2,171	48.13
Doubtful	41	29	171	120	212	149	70.28
Estimated loss	20	20	1	1	21	21	100.00
	₩ 439,586	₩ 305	₩ 589,476	₩ 10,598	₩ 1,029,062	₩ 10,903	

⁽¹⁾The amount of reserves for possible loan losses on acceptance and guarantees outstanding to SK Networks

The above table excludes the expected liabilities to KAMCO for the selling price of the NPLs and the reserves for possible losses on acceptances and guarantees to SK Networks and Petaco Petroleum amounting to ₩4,481, ₩5,428 and ₩1,679 million, respectively.

Pursuant to a government program to support financial institutions in Korea, the Bank sold a substantial amount of non-performing loans (NPLs) and other assets at a discounted price to KAMCO (Korea Asset Management Corporation) on a recourse basis since 1997. As of December 31, 2004, the Bank remained contingently liable to KAMCO for the selling price of the NPLs amounting to ₩19,646 million that were sold on a recourse basis. Pursuant to the terms of the sale contracts, if such NPLs are restructured and if certain payments default, KAMCO may exercise its right to request the Bank to repurchase certain portions of these assets at the original selling price paid to KAMCO plus accrued interest. The Bank recorded a related reserve for possible losses on acceptance and guarantees as of December 31, 2004.

15.Assets and Liabilities Denominated in Foreign Currencies

Significant assets and liabilities denominated in foreign currencies as of December 31, 2004 and 2003 are as follows

	2004		2003	
	Millions of won	Thousands of U.S. dollars	Millions of won	Thousands of U.S. dollars
Assets:				
Cash and due from banks	₩ 130,373	\$ 124,901	₩ 219,145	\$ 182,956
Securities	1,117,694	1,070,794	1,162,016	970,309
Loans	3,456,437	3,311,398	3,339,687	2,788,182
Others	2,734,474	2,619,725	2,421,852	2,021,919
Allowance for possible loan losses	(56,628)	(54,251)	(80,858)	(67,505)
	₩ 7,382,350	\$ 7,072,567	₩ 7,061,842	\$ 5,895,861
Liabilities:				
Deposits	₩ 1,850,751	\$ 1,773,089	₩ 1,554,263	\$ 1,297,598
Borrowings	3,191,002	3,057,101	3,958,476	3,304,788
Due to Bank of Korea	-	-	12,821	10,704
Debentures	971,460	930,695	571,816	477,389
Others	841,952	806,615	868,381	724,980
	₩ 6,855,165	\$ 6,567,500	₩ 6,965,757	\$ 5,815,459

16. Commitments and Contingencies

Information on the amount of position, and unrealized gains and losses of derivatives as of December 31, 2004 and 2003 are as follows:

1) As of December 31, 2004

	Amount of position			Unrealized gains and losses (P/L)				Carrying
	Total	Trading	Hedging	Total	Trading	Hedging	Ineffective	
Currency								
Forward	₩ 5,025,339	₩ 5,025,339	₩ -	₩6,354	₩ 6,354	₩ -	₩ -	₩ 7,701
Swap	2,309,694	2,270,552	39,142	7,406	3,844	3,562	-	6,236
Option	575,892	575,892	-	-	-	-	-	-
Futures	103,719	103,719	-	-	-	-	-	-
	8,014,644	7,975,502	39,142	13,760	10,198	3,562	-	13,937
Interest rate								
Futures	188,491	177,729	10,762	-	-	-	-	-
Swap	2,489,175	1,364,656	1,124,519	(9,965)	4,948	(14,575)	(338)	(23,303)
	2,677,666	1,542,385	1,135,281	(9,965)	4,948	(14,575)	(338)	(23,303)
Stock								
Call option	1,966,456	1,046,228	920,228	9,111	15,640	(6,529)	-	109,470
Put option	2,043,048	2,043,048	-	2,805	2,805	-	-	(79,640)
Swap	140,968	-	140,968	7,325	-	7,325	-	145,312
Futures	57,950	52,155	5,795	-	-	-	-	-
	4,208,422	3,141,431	1,066,991	19,241	18,445	796	-	175,142
Others	10,906	10,906	-	-	-	-	-	-
	₩14,911,638	₩12,670,224	₩2,241,414	₩23,036	₩33,591	₩(10,217)	₩ (338)	₩ 165,776

2) As of December 31, 2003

	Amount of position			Unrealized gains and losses (P/L)				Carrying
	Total	Trading	Hedging	Total	Trading	Hedging	Ineffective	
Currency								
Forward	₩ 6,334,196	₩ 6,289,473	₩ 44,723	₩ 2,893	₩ 3,126	₩ (233)	₩ -	₩ 3,254
Swap	2,027,668	2,027,668	-	(6,818)	(4,839)	(1,979)	-	(10,132)
Option	838,989	838,989	-	-	-	-	-	-
	9,200,853	9,156,130	44,723	(3,925)	(1,713)	(2,212)	-	(6,878)
Interest rate								
Futures	18,530	-	18,530	(36)	-	(36)	-	-
Swap	1,344,709	822,616	522,093	(3,115)	(2,225)	(537)	(353)	(22,633)
	1,363,239	822,616	540,623	(3,151)	(2,225)	(573)	(353)	(22,633)
Stock								
Call option	541,890	541,890	-	37,154	37,154	-	-	83,378
Put option	819,053	819,053	-	(48,054)	(48,054)	-	-	(110,665)
	1,360,943	1,360,943	-	(10,900)	(10,900)	-	-	(27,287)
Others	327,759	59,011	268,748	335	-	335	-	7,490
	₩12,252,794	₩ 11,398,700	₩ 854,094	₩ (17,641)	₩(14,838)	₩ (2,450)	₩ (353)	₩ (49,308)

The Bank has entered into various derivatives contracts, including forward exchange contracts, currency futures dealt at Korea Futures Exchange, and interest rate swaps. For the year ended December 31, 2004, in relation to these transactions, the Bank recorded realized gains amounting to ₩560,505 million and realized losses on derivatives amounting to ₩567,573 million; and unrealized gains amounting to ₩435,723 million and unrealized losses on derivatives amounting to ₩407,051 million; under other operating income.

The Bank has entered into swap contracts to hedge against the risk of changes in the market interest rate and foreign exchange rate. For the year ended December 31, 2004, in relation to these transactions, the Bank recorded realized gains amounting to ₩102,529 million and realized losses on hedging derivatives amounting to ₩81,840 million, and unrealized gains amounting to ₩59,642 million and unrealized losses on hedging derivatives amounting to ₩66,185 million, under other operating income.

For the investment securities related to those hedging transaction, the Bank also recorded gains amounting to ₩20,423 million and losses on fair value hedge amounting to ₩5,748 million, under other operating income, for the year ended December 31, 2004.

As of December 31, 2004 and 2003, the Bank holds endorsed bills amounting to ₩10,638 million and ₩10,638 million, respectively.

As of December 31, 2004 and 2003, the amounts of commitments in the ordinary course of business are as follows:

(in millions of Korean won)	2004	2003
Loan commitments	₩ 313	₩ 17,494
Security purchase commitments	73,066	53,901
	₩ 73,379	₩ 71,395

As of December 31, 2004, the Bank is involved in 90 lawsuits as a defendant and 1,061 lawsuits as a plaintiff. The aggregate amount of cases as the defendant and the plaintiff amounted to approximately ₩221,022 million and ₩65,976 million, respectively.

Material lawsuits in progress, filed with the Bank as a defendant, are as follows:

(in millions of Korean won)	Amount	Status of lawsuit		
		First trial	On appeal	Supreme Court trial
Plaintiff				
Korea Exchange Bank ⁽¹⁾	85,595	In-progress	-	-
Korea Exchange Bank ⁽¹⁾	63,111	Partially won	Partially won	In-progress
Resolution and Finance Corporation	16,456	Won	Won	In-progress
Johnson Metaid	4,222	Lost	Partially won	Remanded to appeals court
Park, Jong Sung	4,100	In-progress	-	-
Hyundai Marine & Fire Insurance	3,897	Partially won	In-progress	-
Information & Communication Financial Cooperative	3,335	Partially won	Partially won	Remanded to appeals court
KB Asset Management	2,980	In-progress	-	-
Others	3,302	In-progress	-	-

⁽¹⁾ Actual losses relating to the disposition of the collateral of Dong Ah Construction Industrial Co., Ltd. may differ from the amount of the claim as a result of the lawsuit.

The Bank's management believes that the outcome of contingent liabilities and pending lawsuits will not result in a material adverse impact on the Bank's financial position or operations. As of December 31, 2004, the outcome of the above lawsuits and its consequences cannot be predicted, and thus the possible financial effects of the lawsuits have not been reflected on the accompanying financial statements.

The Bank has entered into loan commitments with a ₩433,882 million limit with several special purpose (asset-back securitization) companies to fund the repayment of bonds issued by the special purpose companies. As of December 31, 2004, the loans provided under these commitments amount to ₩4,458 million. Estimated annual loan amounts to be provided under the loan commitments are ₩3,971 million, ₩3,659 million and ₩307 million for 2005, 2006 and 2007, respectively.

The written-off claims of the Bank, the amounts on which the legal rights of claims have not been expired, are ₩972,892 million as of December 31, 2004 (2003 : ₩1,087,877 million).

17. Capital Stock

As of December 31, 2004, Hana Bank is authorized to issue 2,000 million shares of common stock with a par value of ₩5,000 per share. It is also authorized to issue preferred stock up to 50% of the outstanding number of common stock shares. As of December 31, 2004, it has 192,353,448 common stock shares issued amounting to ₩987,161 million; and no preferred stock outstanding. On March 24, 2004, the Board of Directors approved the offsetting of treasury stocks amounting to ₩87,619 million, representing 5,078,755 common stock shares, against the retained earnings on March 25, 2004. This offsetting resulted to a difference between the amount of the paid-in capital and the total par value of the shares issued as of December 31, 2004. The extinguished treasury stocks were acquired at ₩17,252 per share through the shareholders' exercise of stock purchase option at the time of the merger with the former Hana Bank. Under the Bank's Articles of Incorporation, the Bank is authorized to issue preferred stock of up to 50% of the outstanding number of shares of common stock. As of December 31, 2004, the Bank has no shares of preferred stock issued.

18. Treasury Stock

The details of treasury stock as of December 31, 2004 and 2003 are summarized as follows:

1) December 31, 2004

(in millions of Korean won)	Number of shares of stock	Amounts
For distribution upon the exercise of stock options	349,729	₩ 6,628
Acquisition from Korea Deposit Insurance Corp. in relation to the merger	10,157,510	166,857
Stock purchases in relation to the merger ⁽¹⁾	6,098,788	105,216
	16,606,027	₩ 278,701

⁽¹⁾ The Bank decided to dispose 4,602,965 shares of stock at ₩17,252 per share during the Board of the Directors' meeting held on February 15, 2005.

2) December 31, 2003

(in millions of Korean won)	Number of shares of stock	Amounts
For distribution upon the exercise of stock options	646,092	₩ 12,245
Acquisition from Korea Deposit Insurance Corp. in relation to the merger	10,157,510	166,857
Stock purchases in relation to the merger	16,702,683	288,154
	27,506,285	₩ 467,256

19. Stock Options

The details of Hana Bank's stock options as of December 31, 2004 are summarized as follows:

	1st	2nd	3rd	4th	5th
Grant date	February 19, 1999	March 20, 2000	March 10, 2001	April 26, 2002	March 26, 2004
Confirmation date of grant ⁽¹⁾	February 19, 1999	March 20, 2000	March 10, 2001	November 14, 2002	March 26, 2004
Number of shares granted	1,040,000	628,000	276,000	922,000	1,040,000
Number of shares forfeited	273,780	156,600	13,000	269,000	32,000
Number of shares exercised	676,450	320,499	176,272	22,000	-
Number of shares outstanding	89,770	150,901	86,728	677,500	1,008,000
Settlement method	Settled by either cash or issuance of shares at the choice of Hana Bank				
Exercise price	10,020	8,500	7,300	19,750	26,100
Exercisable period	In three years after three years from grant date	In three years after three years from grant date	In three years after three years from grant date	In three years after three years from grant date	In three years after three years from grant date

⁽¹⁾ According to the Korean business law, the granting of stock options is required to be approved during a shareholders' meeting.

Hana Bank calculated the compensation costs of the first stock option using the intrinsic value approach and the second and third options using the fair value approach. The calculation variables of stock options valued using the fair value approach is summarized as follows:

	2nd	3rd	4th	5th
Market price on grant date	₩ 7,960	₩ 7,490	₩ 16,100	₩ 24,550
Risk-free interest rate (A)	9.75%	6.44%	5.26%	4.59%
Expected exercise period (B)	4.5 years	4.5 years	3.8 years	3.5 years
Expected share price volatility (C)	76.72%	70.13%	62.11%	76.49%
Expected dividend rate (D)	8.00%	6.67%	6.67%	10.00%
Adjusted expected expiration rate	10.06%	3.90%	7.30%	1.74%
Compensation cost per share	₩ 3,961	₩ 3,551	₩ 6,584	₩ 12,085
Total compensation cost (million)	₩ 1,810	₩ 870	₩ 4,691	₩ 12,135
Recognized compensation cost (million)	₩ 1,810	₩ 870	₩ 4,189	₩ 4,551

(A) Government bond yield rate at the grant dates.

(B) Average of the mandatory service period and option expiration period.

(C) Share price volatility based on share prices of the past year.

(D) Average dividend rate for the period equal to the rate in effect during the expected exercise period.

Net costs arising from stock options for the year ended December 31, 2004 are as follows:

(in millions of Korean won)	1st	2nd	3rd	4th
Recognized compensation costs	₩ 1,673	₩ 1,810	₩ 797	₩ 2,239
Exercised stock options	(358)	(846)	-	-
	₩ 1,315	₩ 964	₩ 797	₩ 2,239

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

(in millions of Korean won)	4th	5th	Total
Within one year	₩ 502	₩ 6,068	₩ 6,570
Within two years	-	1,516	1,516
	₩ 502	₩ 7,584	₩ 8,086

The details of Hana Securities' stock options as of December 31, 2004 are summarized as follows:

(in millions of Korean won)	2nd	3rd	4th	5th
Grant date	May 27, 2000	May 26, 2001	July 12, 2002	May 28, 2004
Number of shares granted	131,000	64,000	165,000	39,000
Number of shares forfeited	29,020	17,000	14,940	-
Number of shares exercised	12,360	3,000	-	-
Number of shares outstanding	89,620	44,000	150,060	39,000
Number of granted persons	10	15	16	4
Exercise price	₩ 5,000	₩ 5,700	₩ 6,700	₩ 5,700
Exercisable period	In three years after three years from grant date	In three years after three years from grant date	In three years after three years from grant date	In three years after two years from grant date
Settlement method	By cash		By issuance of shares	

20. General and Administrative Expenses

General and administrative expenses for the years ended December 31, 2004 and 2003 comprise the following:

(in millions of Korean won)	2004	2003
Salaries and wages	₩ 418,380	₩ 381,912
Depreciation and amortization	143,467	152,778
Consulting fees	72,694	67,757
Other employee benefits	68,613	66,071
Taxes and dues	46,104	48,889
Rent	39,643	41,074
Severance benefits	43,351	40,366
Advertising	39,075	32,959
Entertainment	17,416	16,642
Others	107,195	96,280
	₩ 995,938	₩ 944,728

21. Non-Operating Income and Non-Operating Expenses

Non-operating income for the years ended December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)	2004	2003
Gain on disposal of investment securities	₩ 161,532	₩ 143,850
Gain on disposal of property, plant and equipment	73,261	95,018
Gain on sale of loans	960	64,213
Rental revenues	8,094	9,373
Gain arising from the equity method	5,709	4,435
Reversal of impairment loss on investment securities	6,457	2,979
Others	46,921	61,915
	₩ 302,934	₩ 381,783

Non-operating expenses for the years ended December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)	2004	2003
Loss on impairment of investment securities	₩ 14,366	₩ 81,098
Loss on disposal of investment securities	20,492	6,897
Loss on sale of loans	8,862	4,687
Loss on disposal of property, plant and equipment	3,115	1,753
Early retirement benefits	52,067	69
Others	44,742	32,214
	₩ 143,644	₩ 126,718

22. Income Tax Expense (Benefit)

Income tax expense (benefit) for the years ended December 31, 2004 and 2003, consist of the following:

(in millions of Korean won)	2004	2003
Current income taxes	₩ 7,471	₩ 22,565
Changes in deferred income tax asset from temporary differences and others	(20,870)	(27,226)
Changes in deferred income tax asset from accumulated deficit	(300,600)	-
	₩ (313,999)	₩ (4,661)

Hana Bank

Changes in deferred income tax asset from temporary differences and others		
Deferred income tax asset at the end of the year		₩ 193,620
Deferred income tax asset at the beginning of the year		170,278
		₩ (23,342)

Subsidiaries

Changes in deferred income tax asset from temporary differences and others		
Deferred income tax asset at the end of the year	₩	(1,960)
Deferred income tax asset at the beginning of the year		499
Beginning deferred income tax asset adjustment		13
	₩	2,472

Changes in deferred income tax asset from accumulated deficit		
Deferred income tax asset at the end of the year	₩	300,600
Deferred income tax asset at the beginning of the year		-
	₩	(300,600)

The statutory income tax rate applicable to the Bank, including resident tax surcharges, is approximately 29.7 %. However, the effective tax rate for the year ended December 31, 2004 is approximately $\triangle 30.40$ %, due to the above adjustments.

The changes in temporary differences of Hana Bank for the year ended December 31, 2004 are as follows:

(in millions of Korean won)	Beginning balance	Adjusted Beginning balance	Increase	Decrease	Ending balance
Constructive dividend	₩ 10,839	₩ 10,839	₩ -	₩ 14	₩ 10,825
Gain on valuation of securities	178,894	169,830	81,283	169,831	81,282
Loss on valuation of securities of affiliates	(122,093)	(122,093)	(20,030)	(1,465)	(140,658)
Gain on impairment of securities	182,272	182,272	8,804	4,707	186,369
Accrued income of securities	(146,141)	(141,479)	(119,677)	(141,479)	(119,677)
Reserve for possible losses on acceptances and guarantees	53,591	53,591	-	31,100	22,491
Write-off of convertible loans	428,699	440,572	121,464	9,286	552,750
Goodwill(negative goodwill) valuation	(167,624)	(166,421)	-	(42,491)	(123,930)
Present value discounts	2,287	2,287	-	1,799	488
Gain on valuation of derivatives	47,953	49,789	15,213	49,789	15,213
Allowance for possible loan losses	31,184	31,184	145,181	-	176,365
Others	139,953	137,867	135,878	19,723	254,022
	₩ 639,814	₩ 648,238	₩ 368,116	₩ 100,814	₩ 915,540

The changes in temporary differences of the subsidiaries for the year ended December 31, 2004 are as follows:

(in millions of Korean won)	Beginning balance	Adjusted Beginning balance	Increase	Decrease	Ending balance
Gain on valuation of securities	3,417	3,416	(168)	904	2,344
Accrued income of securities	(7,729)	(7,729)	(1,603)	(3,059)	(6,273)
Gain on valuation of derivatives	4,772	4,772	(5,408)	3,034	(3,670)
Allowance for possible loan losses	646	690	280	611	359
Others	893	892	(1,514)	(1,203)	581
	1,999	2,041	(8,413)	287	(6,659)

As of December 31, 2004, deferred income tax assets from temporary differences consist of the following:

(in millions of Korean won)	Total amounts	Deferred income tax assets (liabilities)
Accumulated temporary differences as of the beginning of the year	₩ 639,814	₩ 175,949
Tax adjustment as of the beginning of the year	8,424	2,317
Changes in temporary differences	267,302	73,508
Transferred in from merger	(211,467)	(58,154)
Tax effects from temporary differences	704,073	193,620
Adjusted amount of deficit carryforward	1,093,093	300,600
	₩ 1,797,166	₩ 494,220

As of December 31, 2004, deferred income tax assets from temporary differences comprise the following:

(in millions of Korean won)	Total amounts	Deferred income tax assets (liabilities)
Accumulated temporary differences as of the beginning of the year	₩ 1,999	₩ 500
Tax adjustment as of the beginning of the year	43	13
Changes in temporary differences	(8,701)	(2,473)
Tax effects from temporary differences	₩ (6,659)	₩ (1,960)

23. Earnings Per Share and Ordinary Income Per Share

Earnings per share and ordinary income per share for the years ended December 31, 2004 and 2003, are calculated as follows:

(in millions of Korean won)	2004	2003
Ordinary income per share		
Ordinary income after income tax expense (benefit)	₩ 1,346,796,486,989	₩ 537,210,275,098
Weighted-average of common shares ⁽¹⁾	173,787,583	163,279,988
Ordinary income per share	₩ 7,750	₩ 3,290
Earnings per share		
Net income	₩ 1,339,878,137,842	₩ 513,871,369,924
Weighted-average of common shares ⁽¹⁾	173,787,583	163,279,988
Earnings per share	₩ 7,710	₩ 3,147

⁽¹⁾Weighted-average number of common shares

Diluted earnings per share and ordinary income per share for the years ended December 31, 2004 and 2003 are calculated as follows:

(in millions of Korean won)	2004	2003
Diluted ordinary income per share		
Ordinary income after income tax expense (benefit)	₩ 1,346,796,486,989	₩ 537,210,275,098
Compensation cost for stock options after income tax expense	52,546,751	309,825,417
	1,346,849,033,740	537,520,100,515
Weighted-average number of common shares	174,072,007	163,577,034
	₩ 7,737	₩ 3,286
Diluted earnings per share		
Net income	₩ 1,339,878,137,842	₩ 513,871,369,924
Compensation cost for stock options after income tax expense	52,546,751	309,825,417
	1,339,930,684,593	514,181,195,341
Weighted-average number of common shares	174,072,007	163,577,034
	₩ 7,698	₩ 3,143

24. Related Party Transactions

Significant transactions between Hana Bank and its subsidiaries during the years ended December 31, 2004 and 2003, and the related account balances as of December 31, 2004 and 2003 are as follows :

1) As of and for the year ended December 31, 2004

	Transactions			Account balance	
	Interest income	Interest expenses	Service contract expenses	Loans	Deposits
(in millions of Korean won)					
Hana Securities	₩ 572	₩ 875	₩ -	₩ -	₩ 34,327
Hana Research & Consulting Inc.	57	66	1,084	-	3,052
Hana Allianz Investment Trust Management Co.	59,791	2,603	-	1,677	13,621
Hana Funding Limited	-	18,212	-	-	710
Hana INS	41	22	296	-	1,608
BC Card Co., Ltd.	243	25,468	-	-	20
Hana Life Insurance	14,285	118	-	1,141	-
Qingdao International Bank	530	468	-	80,566	26,095
	₩ 75,519	₩ 47,832	₩ 1,380	₩ 83,384	₩ 79,433

Profit and loss transactions, loan and deposit among Hana Securities, Hana Funding Limited and Qingdao International Bank are fully eliminated under the equity method.

2) As of and for the year ended December 31, 2003

	Transactions			Account balance	
	Interest income	Interest expenses	Service contract expenses	Loans	Deposits
(in millions of Korean won)					
Hana Securities	₩ 663	₩ 832	₩ -	₩ 4,998	₩ 34,604
Hana Research & Consulting Inc.	58	68	1,068	-	3,045
Hana Allianz Investment Trust Management Co.	16,774	3,041	-	493,328	12,288
Hana Funding Limited	-	20,969	-	60	-
Hana INS	38	30	1,578	-	1,202
BC Card Co., Ltd.	-	21,840	-	-	428
Hana Life Insurance	5,054	113	-	-	10,754
	₩ 22,587	₩ 46,893	₩ 2,646	₩ 498,386	₩ 62,321

Profit and loss transactions, loan and deposit among Hana Securities and Hana Funding Limited are fully eliminated under the equity method.

25. Cash Flow Information

Significant non-cash transactions for the year ended December 31, 2004 are as follows:

(in millions of Korean won)	
Loans written-off	₩ 365,967
Loans replaced by debt-to-equity swap and loans for debt-to-equity swap	149,962
Treasury stocks due to offsetting and exercise of stock options	88,891
Others	324,821
	₩ 929,641

26. Merger and Acquisition between Hana Bank and Seoul Bank

Details of M&A Contracts

Hana Bank entered into a business combination contract ("the Contract") with Seoul Bank on September 27, 2002 and obtained approval from its shareholders for such combination on November 14, 2002. In accordance with the Contract, Hana Bank completed the legal consolidation with Seoul Bank as of December 1, 2002. The surviving entity, Seoul Bank, was renamed Hana Bank upon completion of the transaction. Although the business combination took the legal form of a consolidation, Hana Bank acquired Seoul Bank's total assets amounting to ₩24,393,257 million and total liabilities amounting to ₩23,560,934 million by applying the purchase method of accounting. Also, in accordance with the Contract, the shareholders of Seoul Bank received one new common share of Hana Bank for every two shares of Seoul Bank. The new common shares of Hana Bank were listed on the Korea Stock Exchange on December 13, 2002.

27. Reclassification of Prior Year Amounts

Certain amounts in the consolidated financial statements as of and for the year ended December 31, 2003 have been reclassified to conform to the 2004 financial statement presentation. These reclassifications had no effect on previously reported net income or shareholders' equity.

28. Loan Transaction with LG Card Co., Ltd.

The Bank has a total of ₩113,725 million of loan balances from LG Card Co., Ltd., which is currently experiencing a liquidity crisis and is under joint control of several creditor financial institutions. The Bank agreed to a debt-to-equity swap of ₩12.6 billion of the existing loan as of December 31, 2004, and a cash investment of ₩16.4 billion, in accordance with the agreement of the creditor financial institutions steering committee approved at the creditor financial institutions conference (2005-1st) on January 3, 2005. Additional information related to the financial position of LG Card Co., Ltd. may affect the Bank's actual losses from the loans to LG Card Co., Ltd., which may differ from the allowance for possible loan losses provided. No adjustments related to these uncertainties have been recorded in the accompanying non-consolidated financial statements.

29. Financial Statements Approval

The December 31, 2004 Consolidated Financial Statements of the Bank are scheduled to be approved by the Board of Directors February 15, 2005.

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Network

571 domestic and 6 overseas branches as of 31 December, 2004

Number of Employees

6,637 as of 31 December, 2004

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